



The

Money Tree

Broker Licence No: 1860

ABN: 48280607147



Maclane Johnson

Subiaco Business Centre
Suite 5 - 531 Hay St, Subiaco WA 6008

Ph: 94439850 Fax: 94439085 Mob: 0400221203

The US sub-prime crisis demonstrated the folly of lenders not being responsible for adequate credit checks. Requiring brokers to duplicate credit checks would result in significant additional costs to homebuyers and make it Hugely unfair for Brokers, and to the competitive advantage of the Banks. Under the draft legislation banks are exempt from this requirement. This effectively grants banks an monopoly right to offer low doc loan product.

This will be to the Huge disadvantage of consumers, brokers and the non-bank lenders. People who need low doc loans, like small business operators and families relying on part-time and casual employment, would be denied the services of a broker to help them choose the best loan amongst competing products. Instead, borrowers will only be able to deal with a bank selling their own products and not acting to empower the borrower as a broker does.

The second defect is the provision to give borrowers the right to seek a stay of enforcement of their mortgage against the lender if the borrower has a dispute with their broker. This interference with lenders' security will: increase the risk premium required by lenders resulting in higher interest rates. This is a quintessential lose - lose. Please reconsider this.

The third defect is the substantial increase in documentation that must be produced by a broker. This adds significantly to the cost which must be passed onto the consumer, but offer little value to homebuyers. That added cost means the consumer loses. The very people who most need the service are literally disenfranchised.

Like most people who work in the mortgage broking industry, I believe that regulation and significant education standards are desirable to ensure high standards of service and integrity to the consumer.

An effective and efficient regulatory regime should require brokers to:

- be licensed and regulated;
- have appropriate qualifications and experience, such as a *Diploma in Financial Services* (Finance/Mortgage Broking) or equivalent;
- enter a written contract to act as agents for the borrower, specifying the type of loan sought and setting out the broker's remuneration;
- hold adequate professional indemnity insurance;

Mortgage lending is a highly competitive industry with many brokers operating across State boundaries. Even small regulatory differences between States interfere with the efficient delivery of mortgage finance and increase costs to borrowers. For this reason the regulation of mortgage broking should be a Federal Government responsibility.

For the sake of the Australian consumer, it is critical that mortgage broking regulation not add unnecessarily to costs, or reduce the competitiveness of lending arranged by brokers and allow the banks to increase their margins on direct lending.

Yours faithfully