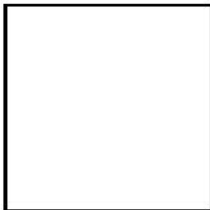

From:
Sent: Monday, 6 August 2018 10:31 AM
To:
Subject: FW: Mortgage Broker Commission

From:
Sent: Sunday, 5 August 2018 5:07 PM
To: Webform Kean
Subject: Mortgage Broker Commission



Title	Mr
First Name	Malcom
Last Name	Lewis
Phone	
Email	
Street Address	
Suburb	
State	nsw
Postcode	
Subject	Mortgage Broker Commission
Type of Enquiry	comment
Message	<p>Dear Minister</p> <p>I was sitting at a local Hungry Jacks today and read an article by Linda Silmalis and could not believe you seemed to be supporting some of this rubbish relating to the scraping of mortgage broker commissions.</p> <p>It seemed as though you were of the opinion that mortgage broker trail commissions should be cut.</p> <p>The only way someone would form this opinion is if they have very little understanding of the industry or how it had formed.</p> <p>Originally everyone went to their local bank and were basically at the banks mercy. many people left the branch with the false belief they did not qualify for a loan.</p>

Then we had mortgage brokers enter the picture and they gave the power back to the consumer. A consumer could quickly compare the usual bank they banked with to a number of others. They might also find a lender willing to lend them money when perhaps their own lender would not.

So even a half stupid broker with a partial list was a better option than walking into your local branch where you had just one option.

Now progressively over the last 15 years, banks have attempted to remove brokers from the industry. They did this by reducing commissions. Trail commissions is a bank formula of delayed payment to a broker. The banks know the average person keeps a loan for 5 years and loan balances progress over time. Hence they pay around 0.006 or \$600 on every \$100,000 loaned and a small trail. Now, this may come as a surprise to you but in the capital city this might be ok but in areas where loans may only be 200-300K this barely covers business expenses. The trail commission is needed to run a professional business.

A mortgage broking business is not simply someone filling out loan application paperwork. It is a business that requires a large amount of marketing and often there are office rental and administration staff expenses.

The banks would love to see the trail commission scratched as many mortgage brokers will simply leave the industry as it is not commercial and then it will be back to the bad old days where banks have complete control.

Payments need to be fair in the mortgage broking industry if you want to attract talent. Why would anyone go through all the stress to get and write a loan if they are a flat upfront when they could simply be an accountant and bill out at \$220 an hour.

There is also talk about brokers being influenced by higher commissions from some lenders. This again is untrue. When I was in the industry I was frequently put under time pressure by a customer so the focus was on ensuring their application went through a lender who was willing to lend them the money.

Trail commissions at this point of time have nothing to do with ongoing service of a loan. They are a delayed payment to a broker that really should have been paid to him upfront but the bank has managed to work out a way to ensure brokers choose to accept it at a later date.

It will be a sad day if trail commissions are removed as the cost of doing business in region areas will far outweigh the commission benefits. Consumers will then be back to square one dealing with their own bank they only sell their products.

Malcom Lewis

I worked in the industry ten years ago and can tell you it is a difficult industry to survive in.

Attachments

I would like a response	Yes
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I would like to receive regular updates from the NSW Government	No
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