

# COMPLIANCE UPDATE

July, 2021

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## INDUSTRY UPDATE

### Support for those in need during Lockdown

Recent and current State lockdowns have lead the Banks to offer loan relieve for those impacted by the lockdowns. Please keep yourself apprised with offers from lenders as you may have clients who require support.

### Debt Management Services

From 1<sup>st</sup> of July the following services (if a fee is charged to a client) will be defined as a credit activity and will fall under the requirements of the NCCP Act. This means to offer this service and charge a fee you will need to be appropriately licensed.

- **Debt management assistance** – which includes suggesting or assisting a consumer to
  - apply for a change to a credit contract or guarantee
  - make a complaint to the credit provider, AFCA or ASIC in relation to the credit contract or guarantee
- **Credit reporting assistance** - which includes suggesting or assisting a consumer (in relation to a credit contract or guarantee) to
  - apply for a change in information collected or held by a credit reporting body
  - - make a complaint or claim to the credit provider, credit reporting body, AFCA, ASIC about information collected or held

It is our understanding that no NewCo/NLG brokers are currently engaging in “Debt Management Services”, or provide “Credit Reporting Assistance”, and therefore not charging a fee to provide these services. Never-the-less please be aware that as of the 1<sup>st</sup> of July 2021 to charge a fee for such services you will need to be licensed. If you have or intend on engaging in these activities please let us know so we can assist in providing an appropriate solution for you.

Beware that **Debt Management Assistance currently** includes suggesting or assisting a consumer to apply for a change to a credit contract or guarantee, hence until further notice you cannot charge a fee for **Top Up's/Loan Increases**. We understand the MFAA is currently seeking to have this requirement removed.

## Key Takeaway

**Top Up's/Loan Increases** – do not charge a client a fee for this service

**Credit Report Issues** – refer to the client to a credit repair agency or Equifax directly

**Lender complaints** – refer the client directly to the lender free of charge

**AFCA Complaint** – have AFCA deal with the complaint through their system, do not charge the client a fee

**ASIC Issue** – have the client deal directly with ASIC

**Again, if you have or intend on engaging in any of the above credit activities please let us know so we can assist in providing an appropriate solution for you.**

## NEWCO/NLG NEWS

### Upload document at Submission to Lender

In May, 2019 we requested all brokers upload all documents to Podium when applications are at the Submission to Lender stage in the application process. The client file in Podium was then to be finalised no later than 2 weeks after settlement. The request was made to assist us with answering lender questions, and to assist brokers with their workload so as not to be overwhelmed with finalising files at settlement.

We once again would like to reiterate that we require all documents (received to date) to be uploaded to Podium at Submission to Lender.

### Lender Panel including Mortgage Ezy

Best Interest Duty not only covers the requirement to act in the client's best interests, but you are also required to ensure you have access to a diverse range of lenders.

As a broker, you are required to have a good knowledge and understanding of all lenders on the Aggregator lender panel. You can however distil that list down while still ensuring you have sufficient accreditations and knowledge to cover a wide spread of lending situations.

When comparing the market, you should ensure that you research the full lender panel in Podium, please remember that Mortgage Ezy is also on our Panel, this product can be added via the Custom Product option in Simulations and Comparisons. Please remember with Mortgage Ezy you must submit to Head Office a manual commission claim and the loan application must be submitted to Mortgage Ezy directly via their portal.

Commission rates on Mortgage Ezy applications are as follows (this is inline with BID – no dialing up or down of commission is permitted):

<b>SMSF Products</b>	Upfront 0.75% incl GST	Trail 0.20% incl GST
<b>All other Products</b> (Non Res, X-Pat & Full doc)	Upfront 0.60% incl GST	Trail 0.15% incl GST

**To ensure all lenders are selected and all lender appear in your product search, go to the My Profile section then Lender Selection. Click on SELECT ALL, this will allow all lender to appear in your product search.**

If a lender appears in your product search that might be an option for the client you have the ability to seek an accreditation with that lender and in the meantime provide it as an option for the client.

Product Search Simulation & Comparison Serviceability Assessment Loan Worksheet

Product Search Product Shortlist Disclaimer

Lenders 47 Selected Loan Amount \$450,000 LVR 80% Search

## Credit Guides uploaded to Podium

We have commenced validating QED Self Assessments and it appears that some brokers are forgetting to upload a copy of the Credit Guide to Podium. Please remember we require a copy of the Credit Guide given to your client on file. One of the easiest ways to avoid duplication of this task is to email the Credit Guide to the client from within Podium, that way a copy of the email and the Credit Guide will be recorded in Podium.

## AFCA Renewals

We will shortly provide you with a notification that your AFCA certificate is available for download from the AFCA website. To access your updated certificate you will need to log into Secure Services on the AFCA website, input your username and password and go to the certificates section. You can download from there.

We require copies of your updated certificate to be emailed to us by no later than Friday the 30<sup>th</sup> of July.

As you send copies to us, we will onforward copies to Choice for their records.

Any brokers who have not provided a copy of their updated AFCA certificates by July 30th may find they will be suspended by Choice and unable to access Podium.

## Malicious Emails

Be on the alert, malicious emails are becoming an issue. If you do not know the sender of the email, or it looks like a strange request, please make a phone call to the sender or delete the email. Do not respond via email.

If you receive an email from someone in your Contacts List, but the tone and terminology used seems unusual, please check the email address, does it look legitimate? If not, delete the email immediately.

Several brokers have sent us examples of email they have received, and all have been malicious. Please ensure your security settings are up to date and your Anti-Virus software active and current.

## SMSF Lending

### **Podium Processing**

We would like to remind Brokers that SMSF's while not covered by NCCP, must be treated as a normal residential loan application. The Client Needs Analysis is to be completed as normal (assets, liabilities, income, expenses, loan requirements), CNA information would relate to the SMSF fund (i.e. earnings from existing investments, member contributions, rental income from investment properties, and expenses associated with fund maintenance and operations). Lender Comparisons, preparation of a SOCA document and appropriate disclosures should also be completed in Podium as normal.

The requirement to process all SMSF loans through Podium has always been a NewCo/NLG requirement, we made this decision many years ago as we believe that Podium handles the situation well and the process provides you with documentation and reasoning behind why a lender has been chosen. This level of detail is exceptionally important in the event of an AFCA complaint and or a PI Insurance claim. Your defence will be held in good stead if you can clearly demonstrate and support your actions. Remember, you are dealing with a clients retirement strategy, it is therefore important that all your recommendations are fully documented.

## SMSF Qualification

We remind all Brokers who wish to work in the SMSF space that we require Brokers to have obtained an appropriate qualification. Both AAMC and the MFAA offer courses that are acceptable in providing Brokers with guidance with SMSF lending. A certificate of completion is provided at the completion of these courses, a copy of which must be provided to NewCo/NLG once completed.

## Diploma Upgrade Reminder

It is a requirement of both NewCo/NLG and Choice that all Brokers to hold or complete the Diploma in Finance and Mortgage Broking Management **within 12 months of joining**.

For those of you who are yet to start/complete the Diploma please provide an email confirmation informing us when you intend on completing the Diploma.

## Lender Commission Schedule

Choice have recently added some new lenders to their panel. As these changes occur you need to ensure Podium is up dated. To update this information go to the My Profile section of Podium and update the commission rates for each lender. The commission figures must be correct at all times as this data feeds into the Statement of Credit Assistance (SOCA), if the information is incorrect your SOCA document and commission disclosure to the client will be incorrect. Attached is a copy of the latest Schedule, please update the information in Podium as soon as possible.

**Attachment: Lender Commission Schedule**

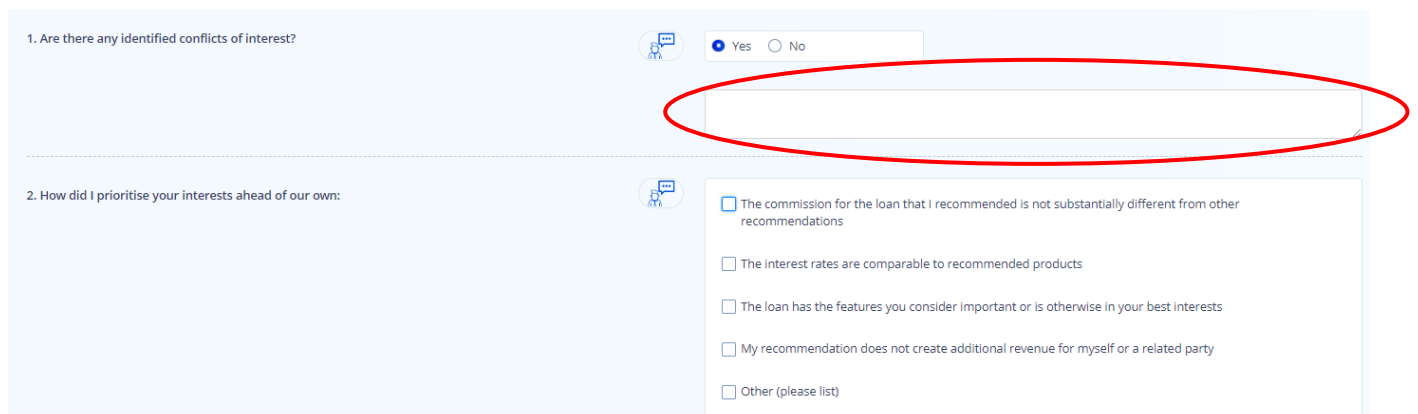
## BID Information – Reminders for completing the SOCA

We like to once again remind all Brokers how important it is to ensure the detail in the Statement of Credit Assistance is sufficient.

There are many examples of various presentations in Podium, however in addition to this we have uploaded copies of the internal training presentations held both by NewCo/NLG and Choice to the NLG Information Hub, ([www.nlg.com.au](http://www.nlg.com.au)). Please ensure you are familiar with the requirements of BID, and how it impacts the documentation provided to clients and the education you must provide.

In addition to the above, we have noticed that some brokers are still not providing sufficient detail in the Prioritising Your Interests section in the Important Conversations Section.

### 4. Prioritising Your Interests



With **customisation for the transaction at hand**, we suggest the additional text be placed in the TEXT box in section 1 – “Are there any identified conflicts of interest”. Then in section 2 tick all relevant boxes.

Insert the below into the text box.

***“We receive commission for loans we lodge with lenders on your behalf. This commission is paid to us by the lender, you do not pay commission to us for applications submitted to and settled with lenders. The commissions we (myself and our licensee) and/or a referrer are clearly disclosed to you in Section 3 “Credit Proposal Disclosure” within our “Statement of Credit Assistance”. We believe that the remuneration we receive from lenders has not influenced the recommendations made in the Statement of Credit Assistance. We have at all times prioritised and acted in your best interests”.***

## REMINDER – have you sufficiently explained and can demonstrate.....

### Clients Requirements, Objectives and Goals

Ensure all conversations are well documented and that you have clearly noted why the client is seeking credit, what they wish to achieve, and their goals. Remember “Refinancing to a cheaper rate”, “Buying a house to live in long term”, “Purchasing a new car” are insufficient answers (and have never been compliant with Responsible Lending, let alone BID). Ensure you have asked and documented questions such as:

- Why is the client seeking a loan?
- Is this the right time for the client to borrow?
- What are your client’s priorities and why?
- Does your client understand the benefits and challenges of the features and products they want?
- Why does your client want this kind of loan and/or product?
- Will there be a change in circumstances in the near future?
- Will entering into a credit contract now and committing to loan repayments impact a future planned event – i.e. travel or returning to full time education? and
- If a fixed loan is being considered, have break fees and future interest rates been explained and understood?

### Clients Financial Awareness

You need to consider and document your clients understanding of credit, a credit contract and the implications of entering into a credit contract with a lender. Considerations should include previous credit history (if applicable) and an explanation about the conversations you have had with the client regarding different products and loan types. Remember to ensure your files reflect your personal interactions with the client, standard paragraphs such as the one below are a GUIDE only, and must be customised. **A one size fits all approach cannot be used.**

### Recommendations – can you clearly demonstrate?

- Why the recommended lender is in the best interests of the client?
- Why the recommended product is in the best interests of the client?
- Why is the recommended interests rate in the best interests of the client?
- Why the loan amount in the best interests of the client?
- Why the loan structure in the best interests of the client?
- Have all client’s requirements, goals and objectives been acted on and considered?
- Have you educated your client to ensure they fully understand the lender/product/interest rate/loan structure?
- Have you considered government incentives or other bank offers that be applicable and in the best interests of the client?
- Have the consequences of the loan contract and any other mitigating circumstances been taken into consideration? and
- Ensure your recommendations are PERSONAL to your client.

### Other considerations

- Be aware of price competitive products; and
- Do you have access to a panel of lenders and credit products sufficient to allow you to act in your client’s best interests?

*Avoid standard paragraphs/sentences with terminology such as “the client”, “the applicant”. Don’t use lender jargon such as MAV, LVR, LTV etc, write in language your client can clearly understand. Your NCCP documents should be a **personal** reflection of your interactions with **each individual client**.*

### Conflict Priority

Have your client’s best interests been **Prioritised** above any/all conflicts of interest. Is there anything influencing you to make the recommendation that would lead to a benefit to you, your associated licensee, a referrer or other related party? Ensure clear explanations are documented in your NCCP documents.

There is a lot to consider, please ensure there is a heightened level of detail and explanation in your NCCP documents and client files.

### Remember:

- “Expand & Explain” when completing your NCCP documents;
- ASK, EDUCATE, ASSESS, RECOMMEND and RECORD – it’s never been more important;
- If it’s not written down it didn’t happen – it’s never been more important; and
- Use the Client File Checklist – it’s a starting point to ensure complete files.

The NewCo/NLG team are here to help, there is many resources available to Brokers that provide guidance and support, the BID section within the **Information Hub on the NLG website** ([www.nlg.com.au](http://www.nlg.com.au)) provides information that will assist brokers. Choice Aggregation Services have also provided information, most of which can be found within Podium. The MFAA and FBAA have also provided their members with guidance and training.