

COMPLIANCE UPDATE

September, 2021

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NEWCO/NLG NEWS

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. 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):

SMSF Products Upfront 0.75% incl GST Trail 0.10% incl GST (**Correction from previous notification**)
All other Products Upfront 0.60% incl GST Trail 0.15% incl GST
(Non Res, X-Pat & Full doc only – funder must align with Choice Lender Panel or Perpetual)

When using Mortgage Ezy, don't forget to complete the Lender Commission section in the My Profile section. Ensure the correct upfront and trail commission information is entered via the "Other" Lender as detailed below.

▼ Other

Upfront Commission	Highest Trail Commission (p.a.)
<input type="text" value="0.0000%"/>	<input type="text" value="0.0000%"/>

Current product information can be gathered from our Mortgage Ezy Business Development Manager Scott Hayes, he can be contacted on 07 5554 3365.

**Attachment: Latest Mortgage Ezy product information
Full Doc Solution
Expat-Non Resident
SMSF**

Credit Proposal Disclosure Document (CPDD) in SOCA

We have noticed that some CPDD's are reflecting incorrect information in the SOCA. The CPDD provides information to clients about commissions that will be paid at settlement, it is important that the information be correct and demonstrate the flow of funds from the lender to all who are involved in the transaction.

Please review the CPDD information before presenting your SOCA to clients, ensure the flow of information is correct. The CPDD is an NCCP document, incorrect information will mean you contact the client and provide them with a corrected version.

Detailed below is a standard layout which must be customised by you in Podium. If you are having trouble with updating the information in Podium please don't hesitate to contact either brokersupport@nlg.com.au or compliance@nlg.com.au.

To update the details in Podium please go to the My Profile section and then to Commission Disbursement.

Commission Disbursement

Retained By Broker Group
CHOICE

Upfront: \$ % Trail: \$ %

Commission Group: Resi Deals Group Name: Resi Deals + Add New Group Remove Group

Payable By	Payable To	Upfront (\$)	Upfront (%)	Trail (\$)	Trail (%)
CHOICE	Kerrie Giles				

+ Add New Payable By + Add New Split Line

Payable By	Payable To	Upfront (\$)	Upfront (%)	Trail (\$)	Trail (%)		
1 CHOICE	Licensee (NewCo or NLG)		100		100	Add Split	Del
2 Licensee (NewCo Or NLG)	Broker details					Add Split	Del
3 Licensee (NewCo Or NLG)	Referrer details (if applicable)					Add Split	Del

Cancel Save & View Save

Upload documents to Podium at SUBMISSION TO LENDER

If you have presented a SOCA to a client you have provided credit assistance and engaged in credit activities, all documents must be uploaded to Podium whether the application proceeded to settlement or not.

NewCo/NLG require 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 requested 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, the work load was being spread through the application process.

In some circumstances we are finding that brokers are not uploading documents to Podium, even several weeks/months after settlement. The information must be available so a file review can take place, file reviews can take place anytime after submission to lender.

Please note Applications submitted to Lenders without a CNA and SOCA generated without good reason, are unfortunately a breach of NCCP and our licence, a copy of the SOCA must be available at all times.

Broker Admin Staff – IMPORTANT – please do not blur the lines between Broker and Admin duties

Admin Staff

Admin Staff are an important component to the smooth operations of a brokers business. It is important to remember that Admin Staff are **not allow to under any circumstances engage in credit activities or provide credit assistance.**

Admin Staff who engage in credit activities or credit assistance without being appropriately qualified or authorised would be in breach of the NCCP Act.

If a client is questioned and they indicate that the only person they deal with was a member of your Admin Staff and they believe that it was the staff member who engaged in credit activities and provided credit assistance then the Admin Staff member will be in breach.

This is not only a breach of the NCCP Act, it will also be a breach of the NewCo or National Lending Group Australian Credit Licence.

In addition to the above, not only is provision of the SOCA and its contents in question, as noted above, if a loan application is submitted to a lender without your authorisation by a Admin Staff member this means unauthorised credit assistance has been provided it will most likely result in a breach of the Lender agreement with Choice which would lead to your accreditation will be terminated.

Please ensure at all times staff engagement with clients is purely on an administrative basis and at your direction.

Podium and Lender Logins

Podium Logins

We would like to remind Brokers of your obligation **not share your Podium Logins with a 3rd party including Admin Staff.** It is important that client data be secure at all time and that unauthorised access is not allowed.

If you have Admin Staff who require access to Podium please let us know so we can arrange individual logins, the cost per login is a one off \$181.50.

If you have Admin Staff who no longer work for you, their logins must be terminated, if this is the case, please email brokersupport@nlg.com.au so we can make the logins inactive.

Lender Logins

Many Lender accreditations come with logins to the Lender portal which will allow you to track the application, as per the previous, you are not allowed to share your Lender logins with Admin Staff, if you do, you may be in breach of your accreditation obligations with the Lender and Choice. Some Lender (eg. CBA) have the ability to issue Admin Logins.

We urge you to review your internal processes to ensure at all times your login details are secure and are not being used by anyone else.

Please see our Business Practices guidance in the Information Hub. Copies were distributed in the August Compliance Update.

Best Interests Duty

Does your SOCA contain sufficient information?

Best Interests Duty came into force in January 2021, Brokers are now required to ensure they have acted in the Best Interests of their client. One of the key documents to ensure compliance with BID is the SOCA document.

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?
- Has the client mentioned the Lender Cash Back Offers and is this important to them?
- 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

Detailed below are some examples from recent SOCA's, many of the questions noted above have not been addressed. While the list above is not exhaustive, the questions noted above do give you an idea of the level of detail required.

Your circumstances, goals and priorities [REDACTED] requires a lower rate and repayments on home loan. He is currently paying 4.45% and we can offer 2.99% with other bank.

Your circumstances, goals and priorities Clients are seeking to refinance to achieve a better rate

Your circumstances, goals and priorities Applicant wishes to conduct property improvements, to improve the look and livability of the property.

Your circumstances, goals and priorities To save on interest and lower their repayment
To finish the loan as soon as possible
To get a better rate making budgeting easier

Your circumstances, goals and priorities [REDACTED] purchaser her first home 2 years ago and has now reached the end of her initial fixed rate. She is interested in refinancing her loan to an ethical lender.

Your circumstances, goals and priorities [REDACTED] is currently living with her parents and wishes to purchase a home to live in. She wishes to enter the property market so she can grow equity and build wealth for her future.

Your circumstances, goals and priorities To own our own owner occupied place of residence

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.**

Insufficient information is detailed in the examples below:

Your financial awareness and habits Client's are aware of LMI and wants to include in the loan

Your financial awareness and habits Clients showed a fine financial awareness and understood what they wish to achieve.

Your financial awareness and habits [REDACTED] are fully conversant with their financial goals having worked with a family member who is a qualified accountant

Your financial awareness and habits Very Good

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?

Reviews have captured "standard paragraph" formatting in some SOCA, each client is to be treated differently, each SOCA must be individually customised to meet the needs of the client.

We suggest that the "Reasons for Recommendations based on" section should start with ***"after considering the lender panel I have ...***

Detailed below are some examples we have found in SOCA reviews, the level of information is insufficient especially as in most cases there are no supporting file notes to further bolster the credit assistance provided. We urge all brokers to ensure the file in Podium contains details of all correspondence with the client, including emails. We suggest using the Notes Section in Podium as much as possible.

 Notes (0)

These examples don't sufficiently provide information about comparisons to the other lenders considered, a clear explanation as what was the real driving force behind the final lender selected. And, there is no real link back to the clients requirements, objectives, goals and priorities.

Example 1

Reasons for recommendation based on

Lender I recommended 3 lenders to the client based on price and the chosen lender is the most competitive option.

Interest rate Client is looking for the lowest possible interest rate. The variable rate offers the flexibility required to meet the client's needs.

Loan amount The loan amount is far below their maximum borrowing capacity but the client prefers to take a low risk approach.

Loan structure (including features) Single variable rate loan is most appropriate for this client because they would like the flexibility to make unlimited extra repayments and have those extra funds as available redraw. Principal and Interest suits the client best as they seek an owner occupied home loan.

Meeting your goals and objectives The client wishes to gradually pay down the loan over time so principal and interest suits that objective.

Example 2.

Reasons for recommendation based on

Lender Bank of Melbourne has competitive interest rates and is currently rebating \$4,000 to new refinance customers.

Interest rate 2 year fixed rate suits the clients circumstances and risk profile. Fixing this loan suits their plans with their other lending.

Loan amount The loan amount is affordable and meets the client's needs. My analysis of the client's finances suggests that they could meet the repayments without substantial hardship.

Loan structure (including features) Their intention is to make extra payments to their Owner Occupied home loan during ht time this loan is fixed.

Meeting your goals and objectives The product meets the clients objective to grow their property portfolio in the most economical way possible.

Does the recommended scenario include your 'Must have' loan features?

Eg.2 did not contain any information about the clients "Must Have" loan features, the information in the CNA was not completed in sufficient detail.

Example 3.

Reasons for recommendation based on

Lender Discussed lender options, rate and overall features with various lenders and the one chosen was the cheapest option overall

Interest rate AS explained above the interest rate was the least expensive for them.

Loan amount The loan amount is a dollar for dollar refinance and the features chosn could save them approx \$800 per month

Loan structure (including features) Because if the clients decide to move to the South Coast in future the existing property will become an investment property with resulting tax benefits.

Meeting your goals and objectives The product meets the goals and objectives considering they will likely move to the South Coast in future

Example 4

Reasons for recommendation based on

Lender currently clients are on visa subclass 489 and they are getting good deal which suits their needs and requirements

Interest rate As they are getting better deal which suits their needs

Loan amount clients do not want to pay LMI so they want to keep 80 % LVR

Loan structure (including features) Clients is after comparative rates and they are getting better deal.

Meeting your goals and objectives currently clients are on visa subclass 489 and they are getting good deal which suits their needs and requirements

We encourage you to provide more detail in the SOCA to ensure that you can adequately demonstrate how you met your BID requirements. Remember:

ASK, EDUCATE, ASSESS, RECOMMEND AND RECORD.