

**SUBMISSION ON POLICY ISSUES IDENTIFIED IN THE INTERIM REPORT**

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Submission for: My Self

Name of other person, business or organisation:

Do you agree to your submission being published: Yes

Do you agree to your full name being published: Yes

Your submission:

The Commission has raised the issues of the role and duties of a mortgage broker and has asked for the customer's expectation of the role and duty.

These issues appear to be raised in the context of a presumption that mortgage brokers act in their own interests by recommending loans larger than needed by the customer. I provide my personal experience as an example of a customer's expectation.

I saw a mortgage broker 3 years ago and, on the recommendation of my broker, I ultimately obtained a loan which was twice as much as I needed to borrow to complete the property purchase. I did not expect this.

In fact, the actions of my broker exceeded my expectations. My broker visited my wife and I at a time and place which was convenient to us. He took the time to understand not just our financial situation but our broader goals in terms of the property purchase. He took the time to understand that we were buying a fixer-upper and would look to fund the renovation with a loan in 2 to 3 years after the purchase was completed. My broker informed us that as we had savings we should look at borrowing the money needed for the renovation upfront and offset that part to be used for the renovation with our savings. This strategy would increase our chances of securing a larger life of the loan discount off the standard variable rate (which we ultimately did secure), would avoid the costs of making another application or refinancing in 2-3 years time and avoid the risks of a change in credit policy/lending and market conditions which might mean we would not achieve the same life of the loan discount or not obtain a sufficient amount of credit when we came to renovate.

The recommended strategy was not a strategy which maximised the income of the broker. He was only to be paid an upfront and a trail in respect of the amount drawn down to complete the purchase and he would miss out on another fee for the new application/refinance in 2 years. The recommended strategy of borrowing more than we needed to complete the transaction was in our interests.

My broker met my expectations of being a person with a foot in both camps, that is he was working for us to search/compare products/lenders and then to obtain a loan but when obtaining the loan he also had a connection with the lender which he could use to negotiate a loan package and structure which worked for us. My broker was in a better position to push the lender to give us a larger than normal discount and to obtain information from the lender in answer to our queries than either I would have been if I went directly to the lender or than an employee of the bank. I understood my broker had a familiarity with the lender and was doing things for the lender and that is the very reason he was better able to agitate and negotiate on my loan for me. My broker would have been less effective for me if he was just as "outside" the lender as I was.

regards

Scott Gandy