



# State of the Industry Update

Presented by Mark Haron, Executive Director, Connective

26 August 2020



# What we'll cover

- The end of loan deferrals
- Best interests duty update
- HomeBuilder Grant





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# Loan deferrals

How you can support your clients



# The current situation

- Initial loan deferrals to end 30 September
- 10% of Australian home loans have been deferred
- Over 20% of deferred loans have recommenced payment
- Loan deferrals can be extended for a further four months
- Loan deferrals can still be accessed



# The role of lenders

ASIC guidance released and lenders must:

- make 'reasonable efforts' to contact customers
- provide tailored assistance
- keep adequate records.



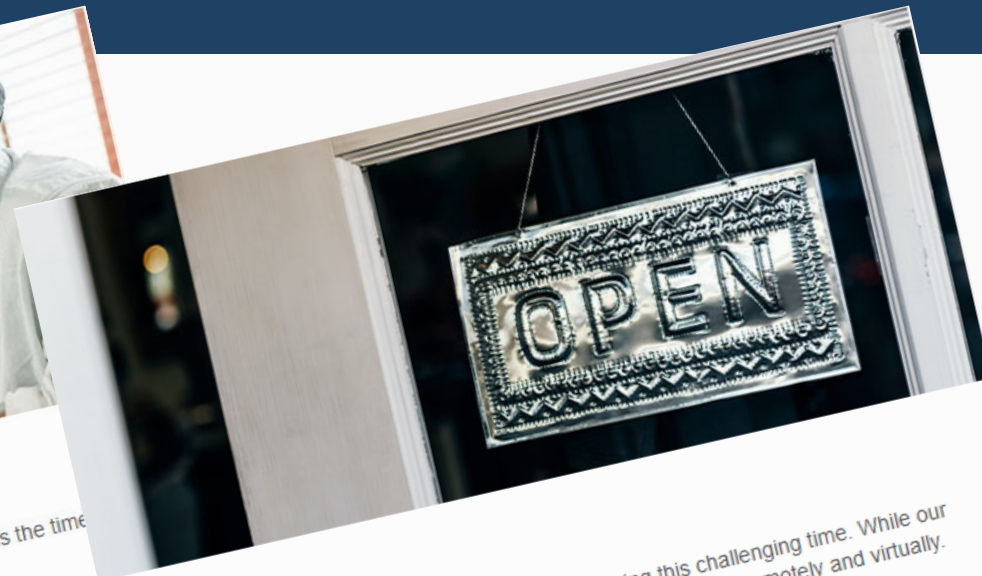
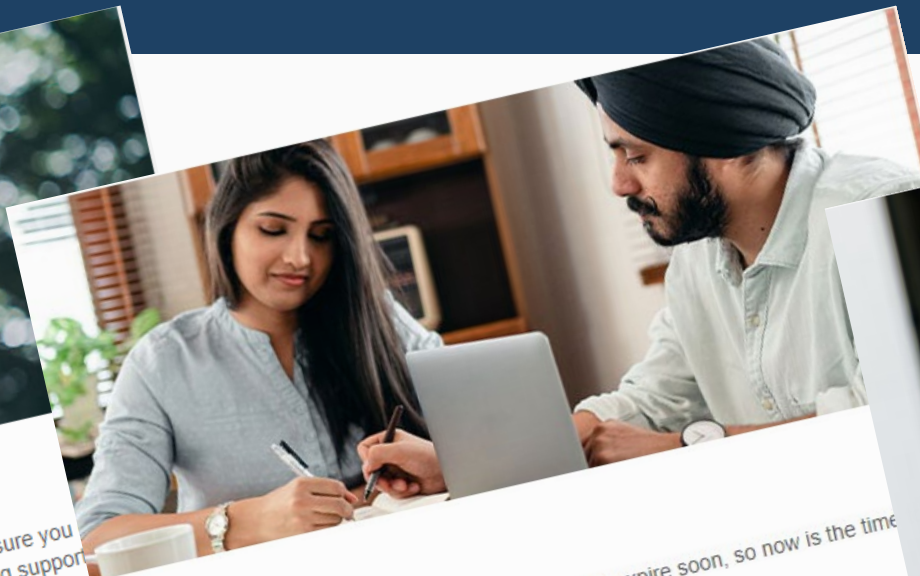
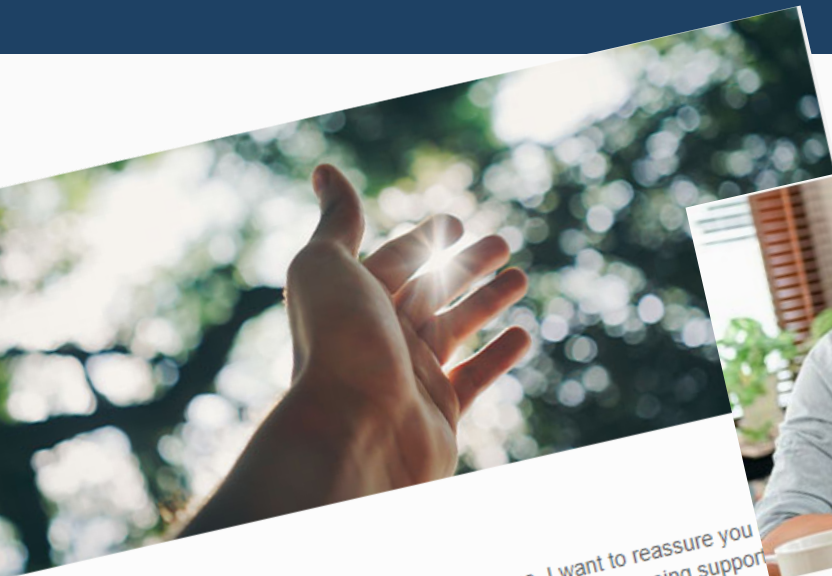
# Your role

- Reach out to your clients
- Educate clients
- Understand your clients' options
- Educate don't advise!





# Resources to support you



Hi ,

I hope you're doing well during this challenging time. I want to reassure you times of uncertainty I can support you to explore options for ongoing support lending. If you have deferred your mortgage repayments, now is the time to what to do when the deferral comes to an end. Or, if your circumstances have recently and you'd like to explore deferring your loan repayments, I can have discussion with you.

There are four options to consider which may apply to you:

1. recommence paying in full at the end of the deferral period
2. review your loan with options to restructure or refinance
3. discuss eligibility to apply for an extra deferral period of up to four months
4. explore what deferral options are available if you don't currently have arrangement in place.

I can help you navigate through the circumstances you're currently experiencing work with you to come up with a plan that will assist you now and into the future.

Please get in touch to discuss your finance options - I'm here to help.

information you can also [visit this link](#).

Hi ,

As you may be aware your loan deferral is due to expire soon, so now is the time to look at what to do when the deferral comes to an end.

There are three options to consider prior to your deferral period ending:

1. recommence paying in full at the end of the deferral period
2. review your loan with options to restructure or refinance
3. discuss eligibility to apply for an extra deferral period of up to four months

I can help you navigate through the circumstances you're currently experiencing work with you to come up with a plan that will assist you now and into the future.

For further information you can also visit this link.

I'm here to help during this difficult time, so please get in touch to discuss your finance options.

Take care  
%signature%

Dear ,

We hope you and your family are staying well during this challenging time. While our physical office remains closed, we are still operating as usual remotely and virtually.

Please continue to contact us by phone and email (details in signature below) for anything you need. We are also available for virtual meetings online. Get in touch to book a suitable time and we will provide details on the best meeting format for you.

This may be a good time to discuss:

- a home loan review
- refinance options
- financial hardship support options
- or other financial needs including pre-approvals, investments, and more.

As always, we remain committed to delivering quality service to you and are here to support your needs in any way we can. We're available and ready to help, so please don't hesitate to contact us.

In the meantime, here are few handy links to stay informed on financial support available from lenders and government information on COVID-19:

Association - [Support during COVID-19](#)  
Health - [Stay informed about COVID-19](#)



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# Best interests duty

Best practice note taking





# A quick recap

- Best interests duty (BID) in effect from 1 January 2021
- Mortgage brokers must act in the best interest of their customers
- Where there is a conflict of interest, mortgage brokers must place customers interests first
- We are waiting on further guidance from treasury and government



# BID key areas of focus

- The number of lenders used in last financial year
- The number of accreditations held by brokers
- The number of notes recorded



# What does a BID compliant note look like?

Notes are:

- a timeline of the opportunity
- a record of what was agreed and why
- are factual and use the client's exact words.

**TIP:** Get confirmation of decisions from your client via email and save to their record in Mercury.



# Example 1

## NOTE 1

10/2/2020 – Conducted fact find via phone as client living interstate. Client has deposit and wants to purchase first investment property. Client has found property and signed purchase contract. Discussed the following with the client:

- purchase price and required loan amount, IO v P&I, variable v fixed, current assets and liabilities, current living expenses, an exit strategy for the loan (sell investment and/or use cash to reduce loan).

Credit guide has been provided to the client.

## NOTE 2

6/7/2020 – Preliminary assessment not run due to internal admin error. Preliminary assessment now rerun and placed on client's file. Living expenses discussed with the client. I requested bank statements to confirm living expenses. Month of February from Bank XYZ statement used to calculate living expenses.

### Summary:

- ✓ Evidence of detailed conversation
- ✓ Credit guide provided to client
- × Significant gap in timeline
- × There is no indication of what the client has agreed to





# Example 2

## Living expenses

Monthly expenses completed by Jack and Jill through the needs analysis questionnaire.

They declared a monthly living expense of \$5,080. Given their income and three kids, I felt this was an accurate representation of their spend. Jack works away every second week so isn't home for 26 weeks of the year meaning food expenses are less.

In addition, the case lease covers all associated car expenses for the Mercedes.

This figure aligns with my review of their bank statements reviewed. Figure adopted for servicing.

### Summary:

- ✓ States how the client provided the information
- ✓ Demonstrates how the broker verified information
- ✓ Highlights exceptional circumstances



# Example 3

## Funding position – email to client

Hi Rosie,

Attached gives you an idea of the costs associated with purchasing the property, plus estimated bank charges including lenders mortgage insurance (LMI). Please refer to our fact sheet about LMI.

Based on these calculations, you should have approximately \$9,000 in surplus funds post settlement which will provide you with a buffer for anything unexpected relating to the purchase of your new property and which you advised you would like to retain.

### Summary:

- ✓ Email with more information attached
- ✓ High level summary in email
- ✓ Fact sheet to educate



# Example 4

## Product comparison – email to client

Hi Rosie,

This report details the 3 lenders that I am recommending. As your borrowing requirement exceeds 80% of the purchase price, there will be some LMI payable and I have included the estimated cost of each lender in the loan amount. This amount will not be paid out of your cash reserves – it is added onto the loan and paid off over the course of your loan term.

I have only looked at variable interest rates, at the moment as these are quite attractive, plus the fixed interest rate market is still moving around a bit and it might not be the right time to fix a rate just yet.

My recommendation would be to go with Bank ZZZ, given they have the lowest interest rates and whilst the application fees are slightly higher than the other 2 lenders, the overall savings this product delivers over the life of the loan makes up for the additional costs upfront.

Please review the information provided and let me know if you are happy to proceed with Bank ZZZ or if you have any other questions about the products listed in the report.

### Summary:

- ✓ High level summary with attachment
- ✓ Provides product comparison
- ✓ Makes recommendation and justifies why



# Key takeaways

Notes are:

- a timeline of the opportunity
- a record of what was agreed and why
- are factual and use the client's exact words.

**TIP:** Start implementing changes to your note taking now.







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# HomeBuilder Grant



# What is the HomeBuilder Grant?

## **\$25,000 to build a new home or substantially renovate an existing home**

- HomeBuilder will assist the residential construction market by encouraging the commencement of new home builds and renovations this year.

To access HomeBuilder, owner-occupiers must meet the following eligibility criteria:

- income no more than \$125,000 per annum for an individual or \$200,000 per annum for a couple
- contract signed between 4 June 2020 and 31 December 2020
- property value does not exceed \$750,000 or the renovation contract is between \$150,000 and \$750,000, and the value of the existing property does not exceed \$1.5 million
- construction must commence within three months of the contract date.





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