

Dear Commissioner

I write this submission as a representative of the Mortgage/Finance Broking industry. My business Habitat Finance is a boutique Mortgage Brokerage, located in Perth W.A. We assist consumers with a range of finance matters. Habitat Finance was established in 2003 and has been trading successfully since. The company employs 4 staff members (including myself). We settle approximately \$70,000,000 in residential finance per calendar year, plus a small amount of commercial finance. Our conversion rate is approximately 85% (meaning 85% of all applications lodged with a lender, move to a successful settlement). This is quite high when compared to the industry average of approximately 65% . We have an exceptionally high consumer satisfaction rate. Underscored by an extremely high repeat/return customer rate. Most of our new business, is directly referred by our existing customers. We represent what the industry can and does do best. Providing an exceptional level of service, delivered without a direct customer payment.

I believe there are several aspects of service a Mortgage/Finance Broker provides which are being overlooked. The first and most important is, financial education/literacy. Before our customers can make an educated decision about their plans, they first must be educated/informed. In most cases are customers come to us, as we provide this education, obligation free. Meaning we may spend several hours understanding their needs and empowering them with education so they can make an informed decision. In many cases this decision doesn't lead to a sale for our business, as it's not in the customers best interest to move forward. To simplify our proposition purely down to a "a lowest interest rate option" is to not understand, what it is we do.

Before we can provide a pre-qualified range of lender/product options. We first must carry out our duties in-line with the National Consumer Credit Protection act, 2009. Meaning we must;

- Make reasonable enquires about their requirements and objectives
- Make reasonable enquiries about their financial situation
- Take reasonable steps to verify that financial information

The above process can be extremely complicated, depending on the clients circumstances. Over and above this many Brokers subscribe to a best practice approach. Whereby they educate their customers on how to structure finance products in the client's best interest, and not the Lenders. There are many examples of this in the consumer lending space, low interest rates are certainly one. However, there are many more specific examples that will directly correlate to the clients short, medium and long-term plans. These include, but are not limited to; negotiating interest rates, fixed and variable loan options, structuring of security offered, cash flow maximisation and niche lender offerings. In many cases the "lowest interest rate option" will actually not be in the client's best interests when all factors are taken into account. Our process is to first look at who will lend the client the money they require based upon qualification criteria, then out of those options, who will lend in the structure most appropriate to the client's goals and objectives and then we look at who out of those short-listed lenders have the lowest interest rate. Compare this to the marketing of lenders who simply splash a low rate about to draw potential customers into their business and then try to close a sale. It is very much a case of an advice model vs. a sales model and we know which of those is most beneficial to the consumer.

We know if our business model moves to a fee for service model, the average consumer will not be willing to pay a fee. Further to that, it is our belief a fee for service model would actually benefit the big banks. As they would have the resources to effectively provide the "advice" free. Meaning consumers

would almost always end up with a limited scope of information. With that information being directly supplied by the retailer. Whilst the broker model isn't perfect. It is most certainly better than a direct sales option whereby the banks are charged with educating their customers.

Unethical operators will almost always find a way to exploit the vulnerable, regardless of the laws or consequences. This has been proven over and over again in the financial planning space. We believe all financial service operators should act in the best interest of their clients. In fact, we've built our business around this model and gone from strength to strength by doing so.

The current business model isn't broken, nor is it perfect. I urge you to consider the consequences of major reforms that could remove good operators from the industry? We are not all bad apples and most of us are striving to make our customers lives better.

Thank you for your time and consideration.

Rory Cowman
Habitat Finance