



# What The Banks Can't Offer

## *– But We Can!*

What a difference a year makes. After the turmoil of lockdowns and employment uncertainty around this time last year, things are looking up for many of our clients – in more ways than one!

26% of Australians say their families are now 'better off' financially than this time last year<sup>1</sup> and some recent auction clearance results are nearly 90%<sup>2</sup>.

We suspect we will continue to experience a level of uncertainty as borders and restrictions ease and then tighten again, however ***many of our clients are taking advantage of the current opportunities to buy their first home, invest or upgrade. These are the key reasons that you could too...***

- First home buyer incentives, discounts, cashbacks and concessions are available
- Interest rates remain at an all-time low
- Consumer confidence is lifting
- Simpler lending rules for home loans are expected shortly

For many Australians who are considering taking advantage of the current opportunities to secure a home loan at the lowest rates in history, the choices and process itself can be a little daunting.

If you don't have a good understanding of the financial services industry or the many products and features available for home loans, it can be difficult to decide on the right property finance for you. Plus, mortgage applications can sometimes be confusing and time consuming. But not for those using a mortgage broker.

***It's all about your best interests – one more reason to use a mortgage broker.***

**The Best Interest Duty (BID) for mortgage brokers came into effect on 1 January 2021<sup>3</sup>.**

The Best Interest Duty and related obligations ensure that you receive advice that meets your objectives, financial situation and needs, and that we act in your best interests when providing advice.

This new duty gives you additional peace of mind knowing that we are now legally required to act in your best interests.

**Did you know that Best Interest Duty does NOT apply to any banks or other lenders?**

ASIC, the industry regulator, released Regulatory Guide 273<sup>4</sup> which sets out obligations for mortgage brokers under the Best Interest Duty.

The Best Interest Duty obligations:

- are intended to more closely align mortgage broker practices with consumers' expectations
- should improve the support, guidance and communication provided to consumers throughout the credit assistance process
- should lead to a higher quality of credit assistance being provided

The new obligations include a duty for mortgage brokers to prioritise the interests of clients over their own - which we have always done anyway!



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Products recommended by us must be in your best interests and the reasons for product selection should be recorded and explained to you.

While costs (interest rates, fees and charges) are often a major determining factor when deciding on a home loan, the cheapest may not always be the best outcome for the borrower.

ASIC's BID guidelines state that some consumer circumstances will mean that the benefits provided by certain features may outweigh the importance of cost.

While some people may value access to an offset account, others may prioritise faster approval time. Mortgage brokers are expected to exercise judgement in considering the relevance of these factors with reference to the consumer's individual circumstances.

Regardless of legislation, how could a bank or other lender always 'act in your best interest', if they can only offer you a limited number of products?

The ANSWER is... **They can't!**

***A lender may offer you products, but a mortgage broker MUST act in your best interest.***

We have always sought finance options for our clients that best suit their own individual circumstances and work in their best interests, so don't expect anything to change from us. We will keep focussing on doing the right thing by our clients.

Not only are market conditions and interest rates tempting our clients to buy, but there is now the added confidence that, amongst the other benefits of using a mortgage broker, we are legally obliged to offer finance options that are in your best interests.

To find out how you could secure a better mortgage deal that MUST be in your best interest - read our guide here.

#### Sources

1. ANZ-Roy Morgan Consumer Confidence virtually unchanged a108.9 to start 2021, but 2.7pts higher than a year ago - Roy Morgan Research
2. Real Estate Auction Results for Saturday 6th February 2021 (domain.com.au)
3. Acting in the client's best interests | ASIC - Australian Securities and Investments Commission
4. Regulatory Guide 273 RG 273: Mortgage brokers: Best interest duty (asic.gov.au)



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**Contact us** on how the 'Best Interests Duty' can help you find the best home loan.

