



WHAT IS A MORTGAGE/FINANCE BROKER?

Brokers are now the number one choice for consumers who are seeking a home loan or to refinance their existing loan. Businesses too use finance brokers to help them with their finance needs from car and equipment leasing to loans to help their businesses expand.

WHAT BROKERS DO

Brokers work with clients to determine their borrowing needs and ability, select a loan suited to their circumstances and manage the process through to settlement.

Some benefits of using a broker:

- They do all the legwork for you
- Access to a wider range of loans
- Experts in a wide range of loans
- More flexible
- Greater expertise as they focus on loans only

TYPES OF BROKING

Brokers can specialise in areas such as:

- Residential Loans/Mortgages
- Reverse Mortgages/Equity Release
- Equipment Leasing
- Chattel Finance
- Car and personal loans
- Business Loans
- Debtor Finance
- Commercial Property Finance

PANEL OF LENDERS

Brokers can only offer loans from the lenders they are accredited with. They call this their panel of lenders. Lenders will normally range from the large banks through to specialist non-bank lenders and mortgage managers. The size of a panel of lenders will vary from broker to broker. You can ask to view your broker's panel.

HOW BROKERS ARE PAID

Residential brokers are remunerated by the lender and receive an upfront commission and a trailing commission on the loans they settle. It is not standard industry practice for a residential broker to charge a customer for their service due to this arrangement.

The normal practice for commercial, equipment and general finance brokers is that they enter into a mandate or agreement with the commercial or business borrower which provides for a fee to be paid by the borrower to the broker for sourcing their required finance.

WHY USE AN MFAA MEMBER

The Mortgage & Finance Association of Australia is the peak industry body for finance brokers. Members must adhere to the industry Code of Practice which required high professional standards, fair business practices, ethical behaviour and compliance with both the letter and the spirit of the relevant laws and regulations – all in the interest of you, the borrower.

MFAA sets the highest standards in the industry for its members:

- Industry experience
- Education standards
- Ongoing education to maintain accreditation
- Probity checks
- Professional indemnity insurance
- Membership of an external dispute resolution service

LEGAL REQUIREMENTS FOR BROKERS

There is currently no national regulation for brokers. However, some state laws and regulations exist, such as:

- Brokers are required to hold a licence in Western Australia
- Brokers are required to be registered in the ACT
- A finance broking contract (FBC) has to be signed in NSW and Victoria between the broker and the borrower before the broker can approach the lender on your behalf. The FBC ensures brokers fully disclose all details of the loan transaction, including any monetary or non-monetary benefits they receive. The MFAA asks its members to adopt this process in all States.