

Article Information

Authors: Andrea Beatty, Chelsea Payne, Chloe Kim

Service: Banking & Finance

Sector: Financial Services

The consumer mortgage experience: do lenders shape up?

The report is intended for lenders, mortgage brokers, consumer advocates, industry associations and other participants and outlines the findings from the ASIC commissioned consumer research. The research was aimed at better understanding consumer experiences and expectations when taking out home loans.

On 29 August 2019, ASIC released [Report 628: Looking for a mortgage: Consumer experiences and expectations in getting a home loan \(REP 628\)](#).

The research undertaken by ASIC involved both qualitative research by following over 300 consumers in the process of taking out a home loan and quantitative research by surveying over 2,000 consumers who had recently taken out a home loan or were in the process of doing so.

ASIC found from the research that current remuneration practices create conflicts of interest that may contribute to poor consumer outcomes. There were six findings from the research:

1. consumers expected brokers to find them the 'best' loan;
2. consumers were most likely to take out their loan with a lender they had an existing relationship with;
3. consumers who used brokers were different to consumers who went direct to a lender;
4. the way brokers presented loan options to consumers was inconsistent;
5. consumers had a mixed understanding of how brokers are paid;
6. the importance of finding a good rate seemed to decrease throughout the lending journey; and
7. one in ten consumers surveyed said they were struggling to meet their repayments.

The report showed that consumers who took out loans directly through a lender were more likely to be a refinance or have had previous experience taking out home loans. Furthermore, the consumers who went directly to a lender valued convenience and 69% of consumers took out their loans with a lender they had an existing relationship with.

This report highlights the issues raised in the Banking Royal Commission with respect to broker remuneration and a mortgage broker's best interests duty, in line with the Government's release of the exposure draft *National Consumer Credit Protection Amendment (Mortgage Brokers) Bill 2019*. The exposure draft Bill, which requires mortgage brokers to act in the best interests of consumers when providing credit assistance, imposes changes including:

1. requiring the value of upfront commissions to be linked to the amount drawn down by borrowers instead of the loan amount;
2. banning campaign and volume-based commissions and payments; and
3. capping soft dollar benefits.

With the release of REP 628, ASIC Commissioner Sean Hughes commented that since home loans are important financial commitments, lenders, brokers and aggregators must make it easier for consumers to compare loan options and ensure brokers can communicate how a home loan option has been selected for them.

ASIC also announced that they are working alongside other regulators to develop a new home loan interest rate tool to increase transparency so that consumers can easily compare options. They expect this tool to be available on ASIC's MoneySmart website in 2020.