Changes to commission calculations

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Background

While recognising the high calibre of our mortgage broker network, we also acknowledge the need for our industry to evolve.

Due to recommendations arising from the ASIC Broker Remuneration Review, Sedgwick Report and recent reforms agreed to by the Combined Industry Forum, we will be changing the method by which upfront commissions are calculated as of **Thursday 17 January, 2019.** These changes are set out in the following pages.

We remain fully and proudly committed to the mortgage broker industry as we have been for over 25 years.

Upfront commission

Loan type	Effective Thursday 17 Jan 2019
New Loan	Upfront commission for new loans will be calculated based on the drawn amount less any offset balance as at the end of the month the loan is settled, subject to a minimum payment of $400.
Variations	For credit increases to existing facilities, a commission payment of $250 will be made.

Upfront commission recovery (clawbacks)

Current upfront commission recovery provisions will not change.

Bridging and construction

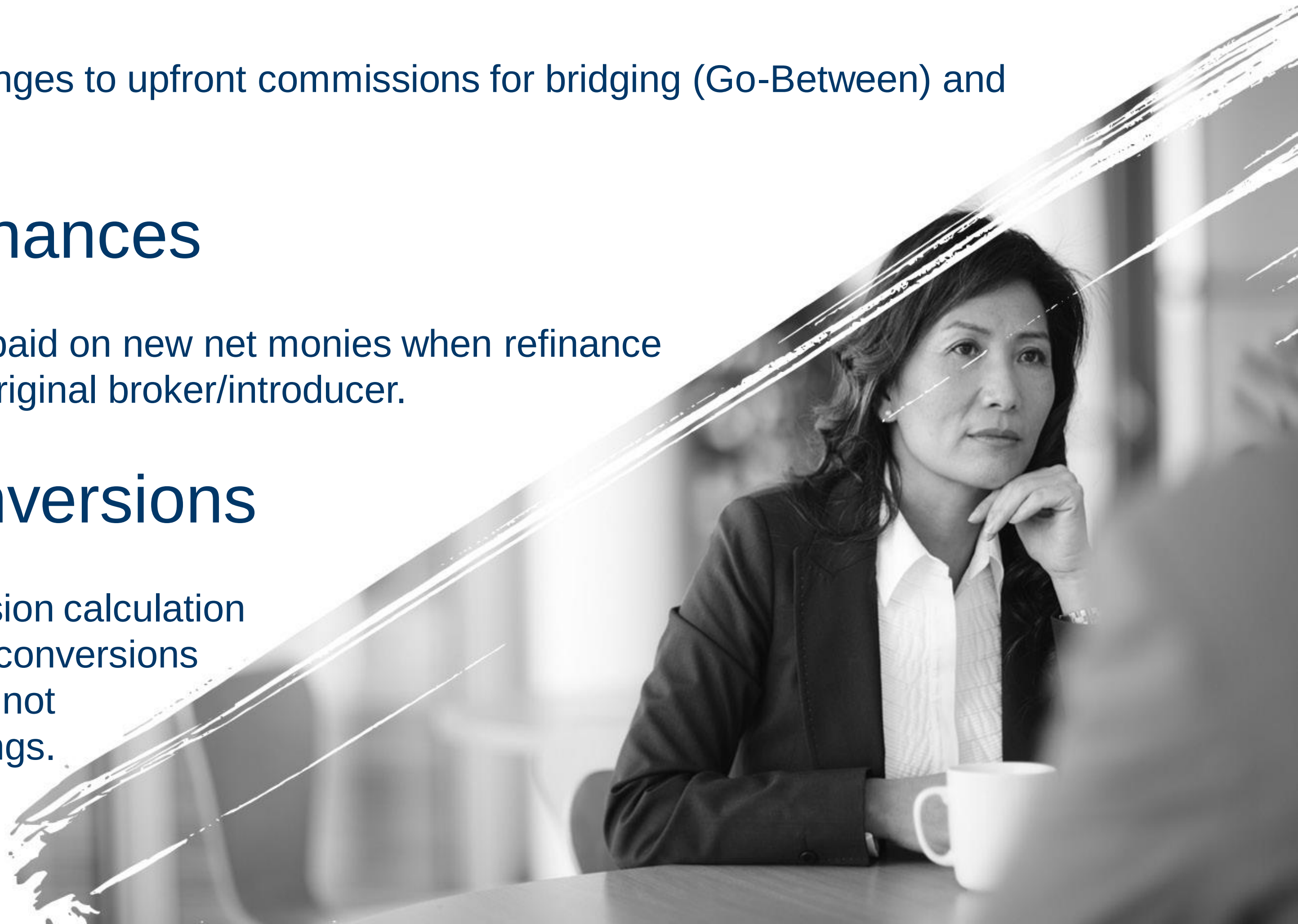
There will be no changes to upfront commissions for bridging (Go-Between) and construction loans.

Internal refinances

Commission will be paid on new net monies when refinance is facilitated by the original broker/introducer.

Product conversions

There is no commission calculation required for product conversions as the process does not involve new borrowings.



Scenario 1

New home loan with surplus funds in a linked offset account.

New loan facility of $400,000 is established. The customer has added $20,000 to a linked offset account.

Upfront commission calculated at end of the month will be based on the net balance of on the **last day of the month** in which **loan settled;** $380,000.

However, if the loan facility settles on the 15th of the month and the $20,000 in the offset is utilised in full by the client post settlement and prior to the 1st of the following month, then the upfront commission will be based on the full $400,000.

Scenario 2

<u>New home loan with surplus funds paid back into loan account from offset account.</u>

New loan facility of $550,000 is established. As part of the settlement conditions surplus funds of $85,000 are paid back into the loan facility for redraw.

The upfront commission will be **calculated** on the **net balance** on the **last day of the month** in which **loan settled**. For example:

- If the loan settles and the client doesn't use any of the $85,000 surplus funds available in redraw within the same month, the upfront commission will be calculated on $465,000.
- If the client utilises $50,000 of the $85,000 available redraw prior to end of the month the loan settles, upfront commission will be calculated on $515,000 ($465,000 + $50,000 from redraw).
- If the client utilises all of the $85,000 available in redraw prior to end of the month the loan settles, upfront commission will be calculated on $550,00 (i.e. the full amount of the new loan facility at the day of settlement).

Scenario 3

<u>Increase to existing loan facility (top up).</u>

Existing customer increases their home loan by $50,000.

Commission payment will be $250.00. Maximum increase amount $100,000 and 80% LVR for top ups to existing loans or a new loan facility is required and commission will be determined as a “new loan” accordingly.

If you have any questions, please contact …

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