

SFGcompliance

COMPLIANCE

MARK NORMAN NATIONAL COMPLIANCE MANAGER

SPECIALIST FINANCE GROUP

Best Interests Duty

Chief integration

Compliance Requirements

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BID practicality

The burden of proof

With **Responsible Lending** - it has been a case of **proving you haven't done the wrong thing**

Best Interests Duty (BID) - its going to be a case of **proving you are doing the right thing (the best thing)**

Documenting how you have met their best interests is the proof you require

Requirements and Objectives

Summary of investigation with BID

The purpose is to obtain reliable information to:

- determine what the individual consumer's best interests are;
- determine that there are certain credit products which are in the consumer's best interests, and others which are not;
- determine that there are no conflicts of interest (and if there are, prioritise the consumer's interests);
- weigh up features according to their benefit to the consumer; and
- provide recommendations to the consumer.

Requirements and Objectives

Different standards in what has been documented

Need to move from mediocre interest to best interest documentation

- “To find a home loan”
- “Buying an Investment Property”
- “Purchasing first home”

Chief has mandatory fields

- 1 details | Jasmine Lee
- 2 Income
- 3 Expenses
- 4 Assets
- 5 Liabilities
- 6 **Needs and objectives** ⓘ
- 7 Product requirements ⓘ
- 8 Insurance
- 9 Other advisers
- M Connect to Mercury
- F Connect to Flex
- 10 Analysis
- iii Broker tools ^
- 11 Security details
- 12 Funding worksheet
- 13 Maximum borrowing
- 14 Search loan products
- 15 Review loan products
- 16 Compare loan products

Needs and objectives

Please state primary reasons for seeking credit/your needs & objectives

Immediate Needs & Objectives - within the next two years (e.g. holiday, purchases, renovations, savings, protect the family etc.)

Longer term – between 2 to 10 years' time (e.g. repay mortgage, buy a new car, education expenses, purchase investment property, retirement planning etc.)

Requirements and objectives

Tick the applicable box to confirm the loan purpose type

Owner occupier Investment

Select the purpose for which the loan proceeds will be used and specify the proposed amount required for each purpose selected (Multiple purposes can be selected):

• If the purpose is wholly or predominantly commercial or investment (other than in residential property), this interview guide is not intended to be used.

Purpose

Purchase a property

Amount
\$0

Construction

Amount
\$0

Renovations

Amount
\$0

Needs and Requirements Tab

Client profile

1 Personal details | Storman Norman

2 Income

3 Expenses

4 Assets

5 Liabilities

6 Needs and objectives

Product requirements

Broker tools

10 Security details

--- BID process steps

Needs & objectives > Product requirements > Analysis, assessment & > Options presented & > Signed authority to

Needs and objectives

Please state primary reasons for seeking credit/your needs & objectives

Purchase investment property

Immediate Needs & Objectives - within the next two years (e.g. holiday, purchases, renovations, savings, protect the family etc.)

To build equity in property for further potential investment purchase

Requirements and objectives

Tick the applicable box to confirm the loan purpose type

Needs and Objectives relates to the primary reason

☑ Requirements and objectives

Tick the applicable box to confirm the loan purpose type

Owner occupier

Investment

Select the purpose for which the loan proceeds will be used and specify the proposed amount required for each purpose selected (Multiple purposes can be selected):

• If the purpose is wholly or predominantly commercial or investment (other than in residential property), this interview guide is not intended to be used.

Purpose

Purchase a property

Amount
\$0

Construction

Amount
\$0

Amount

Loan Purpose & Loan Splits

Purchase a motor vehicle, boat, trailer etc.

Amount
\$0

Refinance

Amount
\$0

Debt consolidation

Amount
\$0

Other purpose

Other purpose(s) being

Amount
\$0



Needs and Requirements Tab

Possible adverse changes to financial situation

Do the applicant(s) plan or anticipate changes to their future financial circumstances that could ADVERSELY Impact their ability to repay the loan?

Yes No

Possible beneficial changes to financial situation

Do the applicant(s) plan or anticipate changes to their future financial circumstances that could POSITIVELY Impact their ability to repay the loan?

Yes No

Foreseeable changes

Product Requirements Tab

Client profile ↑

1 Personal details | Storman Norman

2 Income

3 Expenses

4 Assets

5 Liabilities

6 Needs and objectives

7 Product requirements

8 Insurance

9 Other advisers

Broker tools ↑

10 Security details

--- BID process steps

Needs & objectives > Product requirements > Analysis, assessment & > Options presented & > Signed authority to

5 Rate type

Fixed rate

Important Not Important Do Not Want

Indicate the preferred duration of the fixed rate period


6 months 12 months 18 months **2 years** 2 years plus

Where fixed rate is important, why?

Avoiding risk of increasing variable interest rate during fixed interest period Make budgeting easier Other

Please give details

Provides lower interest rate in the current market



Priorities with Rate type and Repayment type

Product Requirements Tab

Why does each section need to be addressed

It is important that each feature is addressed, irrespective of whether the consumer has initially mentioned the feature or not.

This is an opportunity to educate the clients on risks and benefits of loan features, which may ultimately impact on the features that are important to them

Product Selection

- 4 Assets
- 5 Liabilities
- 6 Needs and objectives
- 7 Product requirements
- 8 Insurance
- 9 Other advisers
- Broker tools
- 10 Security details
- 11 Funding worksheet
- 12 **Maximum borrowing**
- 13 **Search loan products**
- 14 Review loan products
- 15 Compare loan products
- 16 Commissions
- 17 Compliance comments and documents
- 18 Summary

LENDER	PRODUCT DESCRIPTION	INTEREST RATE	REVERT RATE	UPFRONT FEES	TOTAL LOAN COST (OVER LOAN TERM)	MAXIMUM BORROWING	SELECT TO COMPARE
Bankwest	Complete Variable \$750k+ Speci...	2.68%	2.68%	\$250	\$1,152,216	\$1,769,019	<input checked="" type="checkbox"/> SELECT
Bankwest	Premium Select Variable \$500K+...	2.83%	2.83%	\$250	\$1,155,409	\$1,769,019	<input type="checkbox"/> SELECT
Heritage	Home Advantage \$700k+	2.88%	2.88%	\$150	\$1,159,888	\$1,584,810	<input type="checkbox"/> SELECT
Bank of Queensla...	FHB Clear Path > \$500K - \$800K ...	2.89%	2.89%	\$150	\$1,161,211	\$1,583,048	<input type="checkbox"/> SELECT
Bank of Queensla...	Clear Path > \$500K - \$800K LVR ...	2.89%	2.89%	\$150	\$1,161,323	\$1,583,048	<input type="checkbox"/> SELECT
Suncorp	Home Package Plus LVR 80% - 9...	2.99%	2.99%	\$0	\$1,163,216	\$1,565,589	<input type="checkbox"/> SELECT
Suncorp	Home Package Plus LVR 80% - 9...	3.04%	2.99%	\$0	\$1,163,987	\$1,556,970	<input type="checkbox"/> SELECT
My State	Special Residential Variable	3.08%	3.08%	\$650	\$1,171,216	\$1,742,888	<input type="checkbox"/> SELECT
St George	FHLDS Advantage Package LVR ...	3.19%	3.19%	\$100	\$1,173,278	\$1,531,550	<input type="checkbox"/> SELECT
St George	Advantage Package LVR > 60% - ...	3.19%	3.19%	\$100	\$1,175,456	\$1,531,550	<input type="checkbox"/> SELECT
Westpac Bank	Premier Advantage Rocket Repay...	3.29%	3.29%	\$0	\$1,183,314	\$1,514,959	<input type="checkbox"/> SELECT

Table lists products by total cost or loan as default

Compliance Comments and Documents tab

9 Other advisers

Broker tools

10 Security details

11 Funding worksheet

12 Maximum borrowing

13 Search loan products

14 Review loan products

15 Compare loan products

16 Commissions

17 **Compliance comments and ...**

18 Summary

19 Diversification opportunities

--- BID process steps

Needs & objectives > Product requirements > Analysis, assessment & > Options presented & > Signed authority to

📄 Compliance comments and documents

☰ Advice comments

Analysis, assessment and applicant education comments [?]
In our discussions, you have stated that the purpose of this loan is for the purchase of a property in Long Terrace, Hill View Heights. TAS. You have stated that this will be your permanent residence and plan to hold the property over the medium to long term. In the discussion of loan features you have mentioned that a low interest rate, internet banking, offset account and low ongoing fees. These features were desired for the sake of affordability capacity to maintain a savings plan and the

Options presented and recommendation comments [?]
In making this recommendation, I assessed products that I hold accreditations with to find a loan that met your requirements of a low interest rate, internet banking, offset account and low ongoing fees. In making my recommendation I ensured the products compared were fixed rates which gave you the capacity to help you maintain a savings plan and give you convenience in access. The fixed rate option was your key priority. Ultimately, I recommend PRODUCT X from LENDER Y which has a

Commentary on needs assessment and recommendations

Compliance Comments and Documents Tab

Why does each section need to be addressed

It is important that each field is completed. This is a summary of the investigation that has taken place and represents all of the findings throughout previous tabs.

There are numerous information boxes that provide hints on what data should be expected.

Requirements and Objectives

What is needed in the analysis

In our discussions, you have stated that the purpose of this loan is for the purchase of a property in Long Terrace, Hill View Heights. TAS. You have stated that this will be your permanent residence and plan to hold the property over the medium to long term. In the discussion of loan features you have mentioned that a low interest rate, internet banking, offset account and low ongoing fees. These features were desired for the sake of affordability, capacity to maintain a savings plan and the convenience in access. With regards to loan type, you indicated that you would like a fixed rate as it provides consistency in repayments which was important in the current economic and social climate. We discussed the benefits and risks of a fixed rate, and have also discussed whether the offset account would be a benefit to you based on you existing savings history. Ultimately, we identified that a low cost fixed rate product was the most important priority, but not at the expense of meeting the finance date.

Product Recommendation

What is needed in the options presented and recommendation

In making this recommendation, I assessed products that I hold accreditations with to find a loan that met your requirements of a low interest rate, internet banking, offset account and low ongoing fees. In making my recommendation I ensured the products compared were fixed rates which gave you the capacity to help you maintain a savings plan and give you convenience in access. The fixed rate option was your key priority. Ultimately, I recommend PRODUCT X from LENDER Y which has a competitive 3 year fixed rate. We have discussed the benefits and risks of the fixed rate and have selected LENDER Y as they are also capable of meeting the finance due date.

Requirements and Objectives

What is needed in the analysis

273.54 A failure to **consider cost and investigate the lowest cost options available to the consumer may suggest non-compliance with the best interests duty.** Any situation where a higher cost loan is recommended will need to be supported by evidence demonstrating why that recommendation is in the consumer's best interests.

Commentary to always include a reference to cost (interest rate, application fees and charges, ongoing costs, LMI)

Requirements and Objectives

What is needed in the analysis

273.57 **Cost is not the only matter relevant to whether recommending a product is in the consumer's best interests.** Some consumers' circumstances will mean that the benefits provided by particular features might outweigh the importance of cost:

“Ultimately, we identified that a low cost fixed rate product was the most important priority, but not at the expense of meeting the finance date.”

Requirements and Objectives

Lender spread

NOTE: 273.37 : It is important for you to determine the significance of various product features or options that may be relevant to the consumer

As part of your BID product comparison process you must be satisfied that your lender spread is adequate. This does not only refer to your spread of accreditations, but the spread of lenders used on an annual basis. Top 6 lenders will ultimately have a percentage ratio attached.

Requirements and Objectives

Summary of commentary on needs

Ultimately, ensure that a thorough assessment has taken place that investigates and clarifies each aspect (purpose, product features, preferences / priorities)

Then demonstrate and articulate a link between the requirements and objectives and the subsequent recommendation

Requirements and Objectives

Summary of commentary on needs

- Establish purpose with appropriate commentary
- Investigate Loan type and record preference
- Discuss product and lender features and confirm level of importance
- Have a conversation with clients over any inconsistencies (notations made)
- Prioritise those features (with cost as a mandatory aspect)
- Discuss and report on any grants or deposits that could influence the scenario

Product Recommendation

Presenting the product as a recommendation

RG 273.90

When you recommend a product, we consider that you should **present the information** to the consumer **in a way that clearly articulates how taking the recommended action would achieve their objectives** and be in their best interests (relative to the other options available).

Product Recommendation

Summary of Product recommendation

- Lender accreditations - demonstrate whether you have access to products that meet the consumer's needs, objectives, preferences and priorities
- Summarise the features that were important – articulate which options are consistent with the consumer's best interests
- Product Comparisons should ensure consumers are presented with options and understand why those options were considered
- Recommendations to consumers should identify and consider how those products will meet the consumer's needs, objectives, priorities and preferences