



Preliminary Assessment and Credit Proposal Compliance Commentary Guidelines

This guide is to assist Brokers with the key areas or topics to help populate Compliance commentary in the Preliminary Assessment and Credit Proposal document. This includes Broker Analysis and Recommendation commentary.

Section	Question	Prompt
Client's Background	Clients' circumstances, goals and priorities	<p>Provide details on your discussion about your clients' circumstances, goals and priorities in seeking finance. Some examples of what to ask include:</p> <ul style="list-style-type: none"> • Purpose for requiring a loan • Personal circumstances that may affect the loan - e.g. employment status, family status • Collecting information about their financial situation • What they are attempting to achieve and what features they value - e.g. pay off quickly, lowest interest rate • Specific loan requests – e.g. current lender
	Client's financial awareness	<p>Provide details on your discussions about your clients' understanding of their finances and how the loan will impact them. Some examples of what to ask and include are:</p> <ul style="list-style-type: none"> • Financial awareness – e.g. understanding of loan terms, loan features and risks • Understanding repayment conduct and how it may impact their credit score should they wish to apply for credit in the future • Financial habits – e.g. have they shown good savings habits
Foreseeable Material Changes	Foreseeable material changes	<p>Confirm with your client(s), circumstances and future anticipated changes. Some examples of what to ask and include are:</p> <ul style="list-style-type: none"> • Does the client(s) anticipate any material changes to their financial situation (other than retirement)? <ul style="list-style-type: none"> - <i>If yes</i>, what is the nature of the planned or anticipated change, the estimated period, and monthly financial impact? - How does the client(s) intend to meet their loan repayments following the planned or anticipated change(s)? • Is the client(s) planning to retire during the proposed loan term? <ul style="list-style-type: none"> - <i>If yes</i>, how would the client(s) propose to repay the loan?
Loan Features	Loan features	<p>Provide details on your discussion about your clients' preferred loan features. Some examples of what to ask and include are:</p> <ul style="list-style-type: none"> • Preferred loan features including interest rate type, repayment type and other product features • Priority of the loan feature (important, not important, do not want) • Reasons for prioritising this feature • The characteristics of the feature, including its risks and benefits specific to the clients' circumstances • Additional details with regards to the feature – e.g. preferred duration of a fixed rate period

Product Recommendations	Why is the recommended lender in the best interests of your clients?	<p>Why is the recommended lender in the best interests of your client(s)?</p> <p>For example:</p> <ul style="list-style-type: none"> • The recommended lender has a quick turnaround time, which matches the client's need to settle the loan in a short timeframe • This lender has products with all the features the client(s) prefer and is their current lender
	Why is the recommended interest rate in the best interests of your client(s)?	<p>Why is the recommended interest rate in the best interests of your client(s)?</p> <p>For example:</p> <ul style="list-style-type: none"> • This is the lowest cost appropriate option with this lender, factoring in all associated fees and charges
	Why is the recommended loan amount in the best interests of your client(s)?	<p>Why is the recommended loan amount in the best interests of your client(s)?</p> <p>For example:</p> <ul style="list-style-type: none"> • The loan amount is affordable and meets the clients' goals and objectives. Assessment of the clients' finances confirms they will be able to meet the repayments without substantial hardship
	Why is the recommended loan structure (including features) in the best interests of the client(s)?	<p>Why is the recommended loan structure (including features) in the best interests of your client(s)?</p> <p>For example:</p> <ul style="list-style-type: none"> • The client had initially stated an offset account as being an important feature. As the client is not buying for investment purposes and their goal is to reduce the interest paid over the life of the loan, the recommended scenario provides a redraw facility. This allows them to save interest, while not paying the added fees that come with an offset facility • The client is investing in a property and has asked for an interest only loan. As an investor the client can take advantage of the higher tax deductions, therefore the recommended product provides an interest only period for the first two years. After this period, the client is aware the loan will revert to principal and interest repayments and their repayment amount will be calculated over the remaining 28 years
	Are the loan features the client requested; in the loan product you recommended? If not, explain why?	<p>There are circumstances which may demonstrate that a feature is irrelevant or detrimental to a particular client.</p> <p>For example:</p> <ul style="list-style-type: none"> • The client wanted the flexibility to refinance, and a fixed rate will lead to substantial break costs • The client wanted an offset account; however, this may not be relevant to them as they do not have substantial savings or envisage being able to increase savings in the future to benefit from an offset account. They also do not wish to incur additional costs for the feature
	How does the recommended product meet the clients' goals and objectives ?	<p>How does the recommended product meet the clients' goals and objectives?</p> <p>For example:</p> <ul style="list-style-type: none"> • The clients' objective is to pay off their loan as soon as possible with additional payments, which is met by the principal and interest portion of the loan • The clients' objective was to obtain a better rate on their loan by refinancing however refinancing exceeded the cost of staying within their current loan and would take some time before they would see a benefit. Therefore, I have recommended they stay with their current lender
Conflicts of Interest Disclosure	Are there any identified conflicts of interest?	<p>What is a conflict?</p> <p>The conflict priority rule means that you must not recommend a product or service of a related party that would create extra revenue for yourself, your credit licensee or another related party unless doing so would also be in the clients' best interests.</p>

	<p>List the conflicts and how you have prioritised your clients' interests</p>	<p>Provide details of the identified conflicts and how you have prioritised your clients' interest ahead of your own.</p> <p>When assisting a client with their loan, your recommendation should only be influenced by factors that are genuinely relevant to the client. You should not be influenced by the impact the recommendation might have on you, your remuneration or the remuneration of a related business.</p> <p>Things to consider:</p> <ul style="list-style-type: none">• Identify where you may have multiple roles on the same or related transactions. This can cause a conflict based on the earning of two or more income streams, depending on the transaction• You need to inform the client where ownership structures or other commercial relationships have the potential to affect the credit assistance provided. You cannot comply with the conflict priority rule by merely disclosing a conflict of interest or having the client consent to a conflict, it must be resolved in favour of the client
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