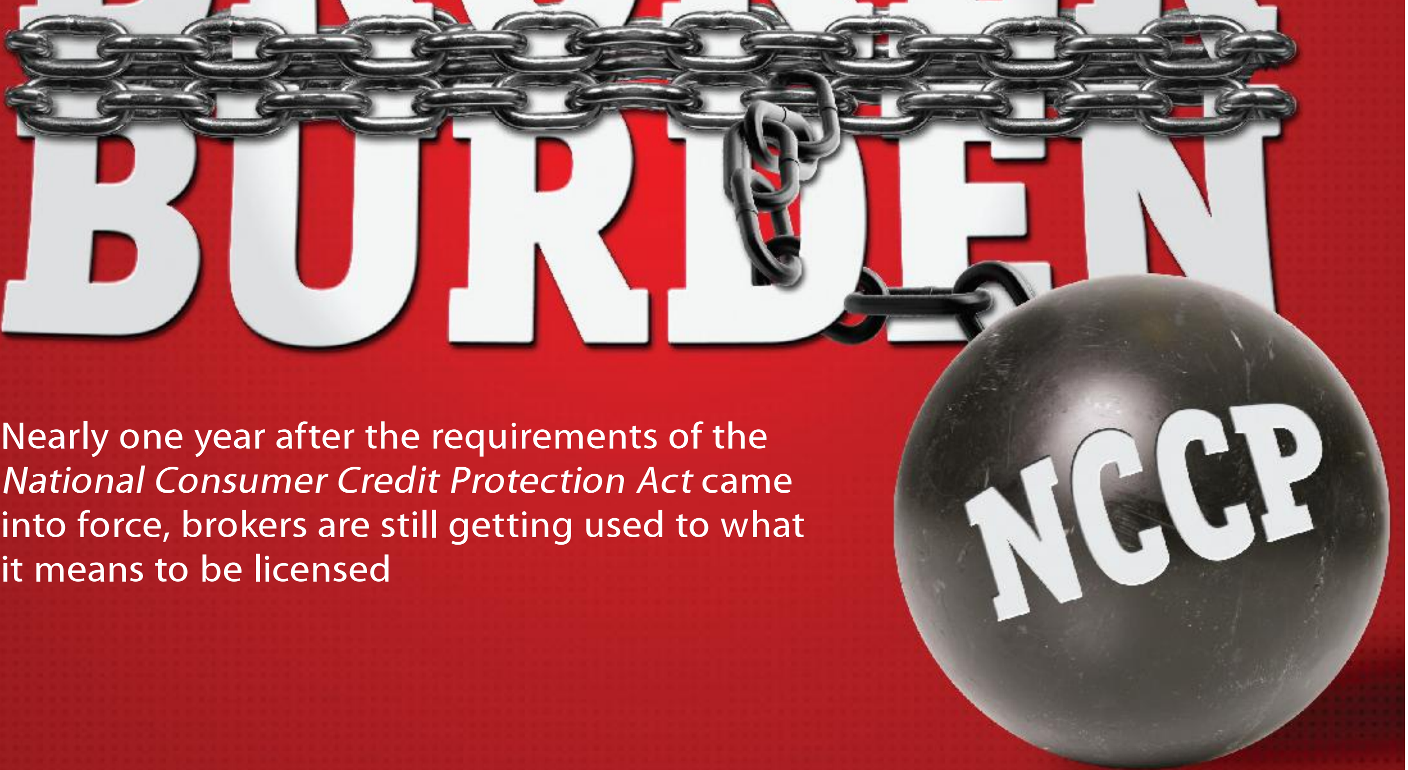
# BROKER BURDEN




Nearly one year after the requirements of the *National Consumer Credit Protection Act* came into force, brokers are still getting used to what it means to be licensed

***THE NATIONAL** Consumer Credit Protection Act* (NCCP) has reshaped the broking industry, but found only a few friends within the third party distribution space.

A clear majority – 62.2 per cent – of the 435 respondents to a comprehensive online survey conducted by *The Adviser* say they feel NCCP has had a negative impact on their business.

Meanwhile, 98.5 per cent feel NCCP has increased their workload in one way or another.

Nearly three quarters – 73.4 per cent – say NCCP has "substantially" increased their workload, while 25.1 per cent admit to seeing "a small increase". Just 1.4 per cent say they did not have to do more work under the legislation.

The survey also found that of those who have seen an increase in their workload, one third say they are working at least five additional hours per week.

So, why are brokers working harder and longer under the NCCP legislation?

According to FYI Group director Sam Ayliffe, it all comes down to one word: paperwork.

**" WE HAVE HAD TO EMPLOY AN ADDITIONAL ADMINISTRATIVE STAFF JUST TO COPE WITH THE SURGE IN PAPERWORK "**

"The amount of paperwork we have to complete under NCCP is incredible," he says.

"Pre-NCCP, we completed a client's needs analysis (CNA) for every customer but now, after NCCP, the forms are a lot more onerous because the lenders are asking for greater details all the time in order to approve the loan."

Mr Ayliffe says his workload has increased "five-fold" since NCCP was introduced.

"We have had to employ an additional administrative staff just to cope with the surge in paperwork," he adds.

More than 64 per cent of brokers admit they are spending additional time completing CNA following the introduction of the regulations, *The Adviser*'s survey reveals.

Meanwhile, 17.7 per cent say they are spending more time talking to clients and conducting additional client meetings – not that this would come as a surprise to those familiar with the industry.

Even before the NCCP regulations took effect at the start of the year many industry stakeholders predicted brokers would spend more time conducting client meetings once NCCP was in place.

Liberty's Brendan O'Donnell says a majority of brokers now have to conduct a minimum of two client interviews per loan.

"Under the new regulations, brokers are required to have a lot more detailed information about their clients, which could take several meetings to extract," he says. "This would obviously increase their workload and the number of hours they would spend servicing each client."

If a broker is required to spend more time with each client analysing their financial situation this will not only have a negative impact on the way they are able to manage their time but also on their overall productivity, Mr O'Donnell says.

The less productive a broker is, of course, the lower their annual volumes. From this perspective, NCCP is already having a negative impact on brokers' bottom lines.

## AT WHAT COST?

Brokers' hip pockets are indeed suffering under NCCP, according to *The Adviser's* survey.

When asked whether the regulatory requirements had cost brokers and their businesses money, an overwhelming 82.9 per cent of respondents said yes.

When pressed for how much NCCP was costing them, fewer than one in five brokers said NCCP was costing them and their business less than $1,000 per year.

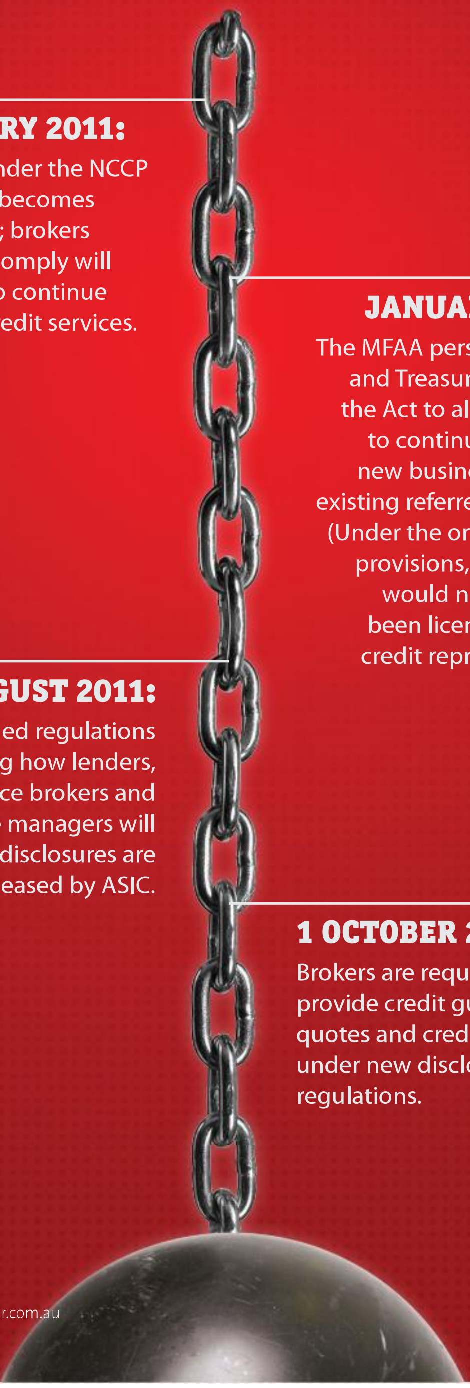
Meanwhile, more than one in three said meeting the requirements of the Act was costing them more than $5,000 per year.

This suggests many brokers – like Mr Ayliffe – have been forced to take on additional staff in order to cope with the onerous paperwork.

But additional paperwork is not the only thing brokers have to worry about; Pink Finance's Nicole Cannon says learning the new software systems has also proven to be challenging.

# A YEAR OF REGULATION

In the past 12 months, brokers have had to become licensed; learn new regulations and disclosure requirements; and get to grips with new technology and software systems. *The Adviser* looks back at the year in law...



**1 JANUARY 2011:**

Licensing under the NCCP regulations becomes compulsory; brokers who fail to comply will be unable to continue providing credit services.

**JANUARY 2011:**

The MFAA persuades ASIC and Treasury to amend the Act to allow brokers to continue to obtain new business through existing referrer networks. (Under the original NCCP provisions, all referrers would need to have been licensed or be a credit representative.)

**1 AUGUST 2011:**

Amended regulations specifying how lenders, finance brokers and mortgage managers will make disclosures are released by ASIC.

**1 OCTOBER 2011:**

Brokers are required to provide credit guides, quotes and credit proposals under new disclosure regulations.

“We have had to re-learn a lot of our processes,” Ms Cannon says. “When you have been in this industry for a while, you tend to develop your own way of completing certain tasks. NCCP really turned that on its head.

“I have had to re-educate myself in a lot of areas. That is not only time consuming, but also highly frustrating.”

Of course, not everything about NCCP can be bad – can it?

“Absolutely not,” continues Ms Cannon. “There are a lot of benefits that come with the new legislation. While it is time consuming in terms of client appointments, learning new technology and paperwork, the legislation has also helped enhance the profession in the eyes of consumers.”

According to Ms Cannon, many clients understand the broking industry is now regulated and as such, they feel more confident using a broker to help them achieve their financial goals.

“Clients are being protected by NCCP in several ways,” she says.

“First of all, brokers are required to ask their clients a lot more questions, which give us a good understanding of their financial situation. While good brokers always understood their client’s financial history, NCCP forces us to take it a step further.

“Secondly, I have found lenders are a lot more fastidious when it comes to providing finance.

“They require us to look at all of the client’s financial expenses, including Foxtel bills or insurances – things we didn’t need to necessarily investigate in the past.

“While knowing exactly what they spend and how much they have left at the end of the month ultimately reduces a client’s borrowing capacity, it means they are not over committing themselves,” Ms Cannon says.

“As such, my arrears rates and client turnovers are lower.”

MFAA chief executive Phil Naylor says it is pleasing to know some brokers are starting to see the benefits of regulation.

“The MFAA understands that the paperwork can be onerous,” Mr Naylor says, “but brokers need to understand that the NCCP benefits consumers and the industry alike.

“As time goes on, brokers will become more accustomed to what is required of them and

NCCP will become second nature. At the end of the day, NCCP has effectively increased the professionalism in this industry and helped improve the way we are perceived by potential home buyers."

> **WHILE IT IS TIME CONSUMING IN TERMS OF CLIENT APPOINTMENTS, LEARNING NEW TECHNOLOGY AND PAPERWORK, NCCP HAS ALSO HELPED ENHANCE THE PROFESSION IN THE EYES OF CONSUMERS**

### COULD BE WORSE

While some brokers are still quick to complain about the compliance requirements of NCCP, according to Mr Naylor, things could have been a whole lot worse.

"The MFAA championed the government to ensure ... compliance was not unachievable," he says. "We saw what happened with the financial planning industry a few years ago and we were mindful of not letting that happen to the mortgage broking industry.

"The amount of work that brokers currently have to do under NCCP is far less than what would have been required under the *Financial Services Reform Act*.

"We continue to work with the industry regulator [ASIC] to help make things easier for brokers in any way we can. We believe regulation is great for the industry; it has helped rid it of 'part-time' brokers.

"We always felt regulation was necessary," he says. "However, we are careful to make sure it is not so difficult that it sends good players out of the industry.

"It is a fine balance, but we think we are walking on the right side of the line at the moment."

So, while a majority of brokers believes NCCP is too onerous in terms of paperwork and client interaction, other industry stakeholders – including Mr Naylor – believe there are benefits associated with the legislation.

Mr Naylor also believes compliance will become easier as brokers begin to understand exactly what is required of them.

Will this prove to be the case? Only time will tell. ■


# 5 Minute Check Up

## How does your Aggregator compare?

**Find out how LoanKit can save you!**

LoanKit provides brokers with all the tools to run a successful broking business - how does your current aggregator stack up?

| | | | |
|---|---|---|---|
| 1 | Earn 100% Lender Commissions | 2 | Award Winning Software/CRM |
| 3 | 3 Compliance Solutions | 4 | Commission Security Backed by Publicly Listed Company |
| 5 | No Trail Book Handcuffs | 6 | Phone Calls Returned Within 2 Hours |
| 7 | 12 Free Training Sessions Per Year | 8 | Marketing Tools |
| 9 | Big Fish in New Pond | 10 | Lead Generation |

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