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By Michael Schulze

Thursday, March 01, 2007

Mr Gavin Jones
Director, Adjudication Branch,
ACCC
GPO Box 520
MELBOURNE VIC 3001

Dear Mr Jones

Notification N92787 lodged by AHL Investments Pty Ltd (Aussie)

MortgageCredit would like to provide a submission to the ACCC in relation to the above Notification.

MortgageCredit is a broker support organisation for the Australian mortgage & finance industry. It's purpose is to educate and support brokers / loan writers, ensuring that they conform with the appropriate level of expertise and product knowledge in their day to day operation. Customer service including duty of care to strategies is the MortgageCredit broker support priority.

This notification however I find unwarranted, unnecessary and is detrimental to the broker industry as a whole, which will ultimately effect consumer choice and trust towards brokers with membership other than MFAA. It will alter the competitiveness only benefiting the very few elite organizations like AUSSIE HL. Such exclusion for Aussie HL to be approved would open the floodgates for a dictated culture towards brokers by lenders and broker manager groups only interested in profit by market advantage and not freedom of choice for consumers.

Thoughts to be considered before granting Aussie HL request:

MFAA press to have themselves as the sole industry regulator already at the expense of brokers. Unfortunately they do not represent brokers true purpose for existence but rather use brokers as an income stream to operate as a body more in favour of representing lenders priorities.

If Aussie HL was to be successful, this will encourage lenders to force loan writers from other broker organisations to follow suit giving legitimate brokers the disadvantage of fair trade and independence to make decisions over their own independent operations and choice of membership.

This will encourage other lender organisations to force brokers without consultation or reasoning to join the MFAA as a compulsory demand when the broker might be better represented by other associations e.g. AIMB and FBAA.

The MFAA and AUSSIE HL will be in a position to manipulate, influence and control the mortgage broker industry as they would like it to operate. This is a narrow minded, self-serving benefit rather than a "what's best for all". This is illegitimate, unconstitutional, dictatorial and restricts individual broker choice which will be no benefit to consumers looking for a free independent lenders agent.

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Last year the MIAA imposed compulsory membership for all staff of members last year. This is a revenue making exercise in its conception which is limiting brokers from offering consumer choice from brokers who have membership other than MFAA.

Jon Denovan from Gadens who is on the MIAA board is writing the National Regulations. This is a conflict of interest. Why is a lender representative drafting new rules for brokers? Shouldn't it be a Broker association drafting broker legislation.

In August 2006 Commonwealth bank announced it will no longer recognise FBAA external disputes only COSL. This is another conflict towards broker and consumer choice. COSL is not a broker friendly organisation to start with plus they have no equal authority like the Fair Trading Tribunal. Why should a broker be forced to join an organisation that has no legal legitimacy? If COSL is to exist then another choice like the FBAA's dispute should also be an option for brokers without question.

Feb they change their name to MFAA from MIAA. Obviously aligning them selves to be recognised as the only industry body for brokers. This is a move to eliminate competition from e.g. FBAA & AIMB for broker financial support.

At the same time Aussie who is a strong supporter seeks to exclude all but MFAA members. A ridiculous and unnecessary tactic to eventually make other associations obsolete. Where is fair competition for brokers?

90% of MFAA members are brokers now yet brokers only get 1 vote on the national board. Who is representing brokers when it's a lenders dictatorship? Here we have a broker network Aussie HL supporting this arrangement whole heartedly. Conflict of interest here too!

None of this would be an issue if brokers ran the MFAA. A proposal was made ages ago that the existing national board become an advisory board and that a new board made up of 100% elected people make the decisions. It hasn't happened therefore the MFAA do not represent brokers, only lenders.

How can a lender committee made up of say 50 members have an equal vote to 11,000 brokers? Dictatorship and an unethical advantage towards brokers. How can Aussie HL endorse this unless they have their own agenda to miss represent the term "broker" at the expense of the industry as a whole.

I have no trouble with the principle of a company saying what the membership standard they would like. I do have a huge problem that it dictates to it's loan writers a no option but the membership of a body where the broker has a minority say.

Brokers should follow similar guidelines of diploma and educational standards similar to Real Estate, Accountant, and Financial Planners to operate as legitimate loan writer. No broker or organisation should be granted privileges, or special right of passage outside of the familiar industry standard of self governing already being pushed with the minimum Cert IV qualification.

Aussie HL isn't that special to be granted a legal exclusion from an even playing field that everyone else has to abide by. Such an approval will open the floodgates to perceived legitimacy, which doesn't exist for the consumers benefit. It will also undermine the legitimacy of brokers who aren't members of the MFAA but who are equally qualified and better represented by the AIMB or FBAA membership.

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Lenders and Broker management Organisations like Aussie HL should never be in a position to dictate to independent / contractor loan writers a specific industry association they have to be members of, especially when that association does not represent brokers best interest with a majority vote.

In my opinion this is an AUSSIE HL attempt to legally exclude the FBAA & AIMB to it's members so that through the influences and power of the MFAA will influence the industry to follow the AUSSIE HL operations manual rather than a competitive free trade between lender, broker and consumer.

If Aussie wants this exclusion then they should not seek a notification which will affect and disadvantage the self-employed commission brokers not loan writing for Aussie or who aren't MFAA members but instead should put their loan writers on pay roll. They can then dictate all they want to their own loan writers without affecting the industry as a whole.

In this way a notification isn't required to be granted.

Regards
Michael Schulze.