



# Banks penalising brokers for selling line of credit mortgages

**Mortgage Ezy CEO Peter James** has blamed the major banks for penalising brokers who recommend line of credit mortgages to their clients.

James told *AB* that some of the banks are not paying brokers full commissions on lines of credit and this was pushing brokers to no longer recommend the product.

"There are many banks now that don't pay full commission on lines of credit," he said.

"Instead, they pay on 70-75% of the balance," he explained.

"Others are clawing back from brokers' commissions further down the line when clients don't use the whole facility.

"This is a real pity because a number of brokers feel they're being penalised for giving clients the right advice," he continued.

James added there was "no doubt" that this was leading brokers to no longer recommend lines of credit to their clients.

However, James said the blame was not only being attributed to the banks.

He explained that there is also a number of brokers who have been deliberately steering

clients into line of credit mortgages even when this type of loan was unsuitable for their needs.

"There are brokers who are charging for budgeting and debt minimisation and so they're steering everyone into a line of credit mortgage," he said.

Southern Cross Home Loans CEO Mark Bonaventura backed up James's claim and said it is quite common for brokers to "bamboozle" their clients into a line of credit mortgage.

"With the proliferation of clever marketing tools, graphs and computer programs that are now available, it's not difficult to bamboozle financially unsophisticated borrowers into applying for something that will potentially cripple them financially in the long run," Bonaventura explained.

"We see evidence of this occurring quite regularly," he continued.

Bonaventura said brokers who are selling line of credit mortgages or any other product should always ask themselves one question: 'Am I doing the right thing by my client?'

*To read more on line of credit mortgages, see the feature article on p44*



Peter James