

CONSUMER AFFAIRS

Finance/Mortgage Brokers

A finance broker is someone who negotiates with banks, credit unions and other lenders on your behalf to arrange loans, usually for a fee and/or a commission. A mortgage broker is a finance broker that specialises in home loans.

Finance brokers in the Northern Territory are not required to be licensed and their activities are not regulated, however they must act fairly and honestly and must disclose fees and charges that apply to the services they offer.

You may choose to go to a finance broker to help you find a loan. Whether the loan is for a home, a car or just so that you can consolidate your debt, you need to be aware of the issues involved with using a finance broker.

SHOULD I USE A FINANCE BROKER?

You already have access to all the loans that brokers will offer you by directly approaching banks, credit unions and other lenders; and these are available to you without having to pay a brokerage fee.

However, finance brokers can be worthwhile as they are able to shop around for you in order to find a loan that suits your particular financial circumstances and lifestyle needs. While this can save you time and effort, you should ensure that the broker is in fact offering you products that meet your needs.

HOW MUCH IS A BROKER ALLOWED TO CHARGE?

There is no restriction on the fees that a broker can charge, and the fees will vary depending on which broker you choose. There are three types of brokers:

- Brokers who are paid only a commission by the lender that you sign up to. This is the most common type of broker.
- Brokers who receive a commission from the lender and charge you a fee for their services.
- Brokers who do not receive a commission but do charge you a brokerage fee.

Ensure that you are aware of the brokerage fees or commissions that apply before you agree to use a broker, and do not sign a contract that does not clearly state the amount of any fees that you will be liable for.

Commissions may vary from broker to broker – you should ask your broker what their commission would be for each loan they recommend to you and compare this with the features of the loan.

Check for an 'up front fees' clause in your broker's contract - it is strongly recommended that you do not pay any fees to a broker until they successfully sign you up to a loan. If in doubt – do not sign anything without seeking independent advice.

WILL A BROKER FIND ME THE BEST LOAN?

Not necessarily. You should be aware that a broker may recommend a loan because it will provide them with a large commission, not because it is the best loan for you.

Be careful to ensure a loan suits your needs and do your own research to work out what is available and what particular features you want in a loan.

ARE BROKERS ALLOWED TO APPROACH ME AT HOME?

A broker is allowed to approach you at home, as are any other sales representatives. However, if they do come to your home, they must act in accordance with the 'door-to-door trading' provisions of the Northern Territory's *Consumer Affairs and Fair Trading Act*.

Brokers must provide you with their identification details upon request and they can only approach you at certain times during the week:

- Monday to Friday – between 9am and 8pm
- Saturday – between 9am and 5pm
- A broker **may not** approach you on a Sunday at all.

If you sign up with a broker that approaches you at home, you are entitled to a 10 day cooling off period. If you change your mind about using the broker's services within 10 days of signing the agreement, you can cancel/rescind the contract.

The broker is not allowed to charge you a fee for cancelling during the cooling off period.

IF I AM NOT ABLE TO GET A LOAN, WILL A BROKER BE ABLE TO ARRANGE ONE FOR ME?

No. Banks and other lenders have certain criteria that you must fulfil before they will lend you money, and these will apply whether you approach a bank directly or go through a broker.

You should not falsify your financial circumstances. If you or your broker provides misleading information when requesting approval for a loan, you may end up with a loan you cannot afford to repay and you may face criminal charges for credit fraud.

If you are having trouble obtaining a loan it may be as a result of bankruptcy or a poor credit record. In either of these cases, you should seek advice from a financial counsellor.

TIPS FOR USING A FINANCE BROKER

- Ask for references and speak to family and friends about their experiences with any brokers you are considering.
- Shop around for a broker – do not be afraid to ring a number of brokers and compare fees and commissions.
- Ask which lenders the broker deals with and what commissions they will receive.
- Do not leave any parts of a contract for the broker to complete. If your broker fills in an application for you, ensure you read it thoroughly before signing it.
- Do not pay an upfront fee. There are plenty of brokers available who do not charge upfront fees, but if you do choose one who requires an upfront fee be paid, make sure that you are not liable to pay the fee until you sign up for a loan.

- Do not sign any agreement or contract without reading it carefully first and, if in doubt, seek independent advice.
- Make sure the contract or agreement you have with the broker details:
 - any fee that you must pay and when this must be paid;
 - the type of loan being sought;
 - the amount of the loan;
 - the length of the loan you are seeking;
 - the current interest rate;
 - whether interest will be variable or fixed;
 - any other features you want in the loan.

WHAT IF I AM HAVING PROBLEMS WITH MY BROKER?

If you cannot negotiate a resolution with your broker, you should seek legal advice, or phone 1300 780 808 for further assistance through the appropriate Ombudsman's office.

If you are unsure whether you are dealing with a broker – ASK! You may think you are speaking with a lender, when in fact you are dealing with a broker.

For further information contact Consumer Affairs

Old Admiralty Towers, 68 The Esplanade, GPO Box 1722, Darwin NT 0801
Ph: 08 8999 1999 - Fax: 08 8935 7727

or

Level 1, Belvedere House, Parsons Street, PO Box 1745 Alice Springs NT 0871
Telephone: 08 8951 8606 Fax: 08 8951 5442

or phone 1800 019 319

Email: consumer@nt.gov.au

Web site: consumeraffairs.nt.gov.au

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