



The major political party positions on Australia's mortgage broking industry

ISSUE	THE COALITION	THE AUSTRALIAN LABOR PARTY
<p>TRAIL COMMISSION</p>	<p>The Coalition Government has decided not to prohibit trail commissions on new loans, but rather review their operation in three years' time with the Australian Competition and Consumer Commission (ACCC) and the Council of Australian Financial Regulators (APRA, ASIC, Reserve Bank and Treasury).</p>	<p>The Labor party initially said they will implement all 76 recommendations from the Royal Commission report if voted into government. They committed to abolishing trail commissions on new loans from 1 July 2020, and will grandfather loans completed before this date.</p> <p>Labor subsequently changed their position on one of the 76 recommendations (see 'Upfront Commissions' section below).</p> <p>They will also engage the Council of Financial Regulators, along with the Australian Competition and Consumer Commission (ACCC) and review the impact of their changes on the industry in three years' time.</p>
<p>UPFRONT COMMISSIONS</p>	<p>The Coalition has said it will ban campaign and volume-based commissions and payments but will not ban upfront commissions, although industry participants have been making individual decisions to meet ASIC's expectations and move away from these commissions and payment structures.¹</p> <p>The value of commissions will also be linked to the amount drawn down by the borrower, not the loan amount, although the industry has already begun to implement this reform.</p> <p>The Coalition will apply a two-year limit on clawbacks from aggregators and brokers, starting from 1 July 2020.</p>	<p>Despite the initial commitment to implement all recommendations of the Royal Commission, Labor changed its position and announced it would not support a consumer pays model. Instead it will cap upfront commissions at 1.1% of the property loan as part of their strategy to remove trail commission and convert the remuneration structure to an upfront fee model.</p> <p>Labor also intends to ban volume-based commissions and 'soft dollar' payments to brokers by lenders, although industry participants have been making individual decisions to meet ASIC's expectations and move away from these commissions and payment structures.¹</p> <p>The Labor Party will apply a two-year limit on clawbacks from aggregators and brokers, although they have not committed to a date of implementation. They will also prohibit clawbacks from being passed on to consumers.</p>

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BEST INTEREST DUTY	Further to the current recommended 'Customer First Duty' by the Combined Industry Forum (CIF), the Coalition is committed to implementing a best interests duty in response to recommendations by the Hayne Royal Commission that will legally obligate mortgage brokers to act in the best interests of consumers.	<p>Labor will expand upon the recommended 'Customer First Duty' by the Combined Industry Forum (CIF) and implement a duty for mortgage brokers to act in the best interests of borrowers as a matter of priority, with this enforceable by civil penalty, as per recommendations by the Hayne Royal Commission.</p> <p>The best interests duty will not change the current responsible lending obligations for broker originated loans.</p>																							
RELEVANT TAX POLICY / ECONOMIC STIMULUS MEASURES	The SME instant asset tax write off has been extended to 2020 and increased to \$30,000. This policy is in addition to the Coalition government's intention to cut small business tax to 25 per cent.	Labor will limit negative gearing to newly built property from 1 January 2020 in order to boost housing supply and jobs, which is a significant exemption to the party's proposed complete removal of negative gearing.																							
	The Coalition has committed to introduce tax cuts over the next ten years with the aim of getting individual tax rate down to 30 per cent. This includes low and middle-income tax rebates (see below). According to the Treasurer, this should help people pay off mortgages faster.	<p>Labor will halve the capital gains tax (CGT) discount for properties purchased after Jan 1, 2020. This is not to be confused as halving the tax, as they are halving the discount, effectively adding greater CGT to properties sold.</p> <p>This will reduce the CGT discount from 50 per cent to 25 per cent for assets held longer than 12 months. All investments made prior to the 1 January 2020 will be fully grandfathered.</p> <p>The changes to the CGT discount will not apply to superannuation funds or to the 50 per cent active asset reduction concession that applies to small businesses.</p> <p>The Labor party has also introduced tax rebates (see below).</p>																							
	<p>Compare the pair: Annual tax offset (tax rebate) by taxable income</p> <table border="1"> <thead> <tr> <th data-bbox="395 1850 501 1883">Income</th> <th data-bbox="756 1850 879 1883">Coalition</th> <th data-bbox="1142 1850 1230 1883">Labor</th> </tr> </thead> <tbody> <tr> <td data-bbox="395 1888 501 1921">\$25,000</td> <td data-bbox="756 1888 820 1921">\$255</td> <td data-bbox="1142 1888 1206 1921">\$350</td> </tr> <tr> <td data-bbox="395 1924 501 1957">\$35,000</td> <td data-bbox="756 1924 820 1957">\$255</td> <td data-bbox="1142 1924 1206 1957">\$350</td> </tr> <tr> <td data-bbox="395 1960 501 1993">\$40,000</td> <td data-bbox="756 1960 820 1993">\$480</td> <td data-bbox="1142 1960 1206 1993">\$549</td> </tr> <tr> <td data-bbox="395 1995 501 2029">\$45,000</td> <td data-bbox="756 1995 820 2029">\$855</td> <td data-bbox="1142 1995 1206 2029">\$881</td> </tr> <tr> <td data-bbox="395 2031 501 2065">\$80,000</td> <td data-bbox="756 2031 847 2065">\$1,080</td> <td data-bbox="1142 2031 1233 2065">\$1,080</td> </tr> <tr> <td data-bbox="395 2067 517 2101">\$100,000</td> <td data-bbox="756 2067 820 2101">\$915</td> <td data-bbox="1142 2067 1206 2101">\$915</td> </tr> <tr> <td data-bbox="395 2103 517 2136">\$120,000</td> <td data-bbox="756 2103 820 2136">\$315</td> <td data-bbox="1142 2103 1206 2136">\$315</td> </tr> </tbody> </table>		Income	Coalition	Labor	\$25,000	\$255	\$350	\$35,000	\$255	\$350	\$40,000	\$480	\$549	\$45,000	\$855	\$881	\$80,000	\$1,080	\$1,080	\$100,000	\$915	\$915	\$120,000	\$315
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<p>RELEVANT TAX POLICY / ECONOMIC STIMULUS MEASURES CONTINUED</p>	<p>The Coalition most recently committed to lowering the required first-home buyer deposit from about 20 per cent to 5 per cent.</p> <p>First home buyers will require an income of up to \$125,000 or couples with a joint income of up to \$200,000 to be eligible. The Coalition will guarantee the difference between that lower deposit (down to 5 per cent) and the industry standard (about 20 per cent), which means the first home buyers would not have to pay mortgage insurance.</p> <p>The Coalition will set aside \$500m of equity through the National Housing Finance and Investment Corporation to guarantee loans up to a value of 20% of the home. Once the first homebuyer has borrowed 95% of the value of the house, the government guarantee lasts until the homeowner refinances.</p> <p>The scheme is limited to 10,000 first homebuyers, roughly one-in-10 of the 110,000 Australians who bought their first home in 2018.</p>	<p>The Labor party committed to matching the Coalition's first-home buyer policy</p>

¹Based on considerations by the Combined Industry Forum (CIF) in response to ASIC's proposal for changing standard commission models.