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Association of Expert Mortgage Advisors

**Enhanced Mortgage Measures:
Transparency and Switching.**

Consultation Paper CP112



Association of Expert Mortgage Advisors

This document has been compiled by the Association of Expert Mortgage Advisors in response to the Consultation Paper on Enhanced Mortgage Measures: Transparency and Switching (CP112).

The Association of Expert Mortgage Advisors represents a group of Financial Advisors who specialise in the area of mortgages advisory services. Our experienced and qualified members have practical and direct experience in assisting borrowers on a daily basis in obtaining the mortgage most suitable to their individual needs and requirements. Our members promote professional standards and are well regarded by both their clients and the Lenders they transact business with. We strive to develop long-term relationships with our customers who, in turn, can rely on our independent advice in all aspects of their mortgage requirements, based on our substantial experience, expertise and knowledge. According to independent sources, we currently account for approximately 50% of all residential mortgage loans arranged by suitably qualified mortgage intermediaries.

The AEMA welcomes and endorses any reasonable measures designed to enhance transparency in the mortgage switching process. The introduction of additional measures such as informing consumers of other available mortgage options, comparing their existing mortgage to other mortgage options, standard switching informing and the imposition on lenders of a time bound switching process will play a vital role in attempting to ensure a level playing field across the financial services industry, ultimately benefitting and protecting consumers.

Question 1

Do you have any views on the proposals to enhance the transparency measures for fixed interest rates and for variable interest rates based on LTV?

- We welcome any measures that will improve and enhance the transparency measures for fixed and variable interest rates based on LTV. We would respectfully suggest that with regard to fixed interest rates the consumer should be notified 90 days before the expiry of the fixed rate as not only will this provide the consumer with a timely notification of the fixed rate options available with their current lender, it would also afford them the opportunity to review alternative options and where necessary provide them with an appropriate timeframe to switch mortgage provider, if applicable.
- Lenders should notify consumers on an annual basis on whether they can or cannot move LTV interest rate bands on the provision of an up to date valuation report to their lender. In addition we recommend that this process is also followed whenever the lender changes their variable interest rates.
- From the point of view of consumer information, consumers should be encouraged to contact suitably qualified mortgage intermediaries who may be able to explain any queries arising from the information provided in plain English.

- A link to CCPC mortgage comparison and switching information should be provided to consumers annually by their mortgage provider.

Question 2

Do you have any views on the proposal to extend the existing code protection on incentives linked to mortgages for existing mortgage holders to all mortgage holders i.e. for new, existing and switching mortgages?

- It is essential that consumers are fully aware of the impact that any incentives offered have on their mortgage both in the short term and long term.
- It should be made clear that there is no clawback of cashback offers. In our opinion this is not the case in certain loan offer documentation and consumers who avail of cashback offers often assume they are tied into the mortgage provider offering such incentives. Clearly this is not in the consumers best interests.
- It is essential that all advertisements are presented in such a way so as to ensure the consumer fully understands the incentives being advertised and their implications.

Question 3

What are your views on the impact of lenders offering incentives linked to mortgages to consumers, whether in terms of risk or benefits to consumers?

- Incentives linked to consumer mortgages can offer both risks and benefits to the consumer. A benefit may be derived in the form of an associated cost being covered by the incentive e.g. legal or valuation fees. A risk may arise where an incentive such as cashback blind the consumer to the actual cost of the mortgage or in some cases convinces the consumer to avail of an interest they may not normally wish to avail of e.g. a fixed rate over a variable rate.
- Incentives which require the consumer to avail of an additional product with the same lender for an extended period of time are not appropriate in our opinion unless it is reflected in the interest rate policy of the lender which would ultimately benefit the consumer.
- Ultimately there is no one size that fits all in relation to mortgage finance. The consumers' unique circumstances and requirements should be taken fully into consideration when recommending the most suitable product.

Question 4

Do you have any views on the proposal to introduce a transparency measure on potential mortgage switching savings?

- The 'on request from the consumer' reference makes the introduction of requirements for transparency somewhat redundant unless the consumer is aware they can request this information. It needs to be clear and comprehensible and outlined in simple terms for the consumer for example savings in a year, 10 years and over the term of the

mortgage. In addition to this information being available from lenders, perhaps it would be appropriate that consumers should be encouraged to avail of this information via third parties such as CCPC and suitably qualified mortgage intermediaries.

- CCPC mortgage comparison and website should continue to be promoted as a valuable resource.
- Mortgage intermediaries are a resource in the market to be used by consumers for independent advice regarding market offerings. They are in a position to look beyond cash incentives and focus on rates and ultimately the consumers' specific and unique requirements. Lenders should be advised by the Central Bank to engage with an intermediary on the consumer's behalf in a timely manner and subject to the provision of an appropriate letter of authority.

Question 5

Do you have any views on the proposal to require lenders to provide a suite of standardised switching information to consumers?

- We would absolutely welcome the requirement to provide a suite of standardized switching information to consumers. This information should be provided in plain English and in all format that make it accessible to all consumers.

Question 6

Do you have any views on the proposed standardised information for consumers or what other information should be provided? Do you have views on whether lenders should be required to provide this standardised information in a specific format, for example, digitally?

- We agree with the standardised suite of information proposed and recommend that it would be made available in all formats to include digitally, if possible.

Question 7

Do you have any views on the proposal to introduce a three business day timeline for the provision of redemption figures?

- This is a very welcomed change however based on current experience we do not believe that such a timeline is practical and we respectfully suggest that it would be more appropriate to extend this to 5 working days in order to manage the process and consumer expectations.

Question 8

Do you have any views on the proposals to introduce a time-bound switching process, and in particular, on proposed specific timelines for:

- a) acknowledgement within three business days of receipt of each item/documents required to complete the mortgage application;
 - b) acknowledgement within three business days of receipt of completed mortgage application;
 - c) decision within 10 business days following receipt of all required information for assessment of mortgage application?
- We agree with each of the timelines, they appear reasonable to us based on current practical experience in the market.

Question 9

Do you have any views on the proposal to require lenders to establish a switching point of contact/switching team?

What are your views, if any, on whether the format for the switching point of contact should be prescribed, for example, a digital contact point or hub in addition to a person?

- We propose that each lender should have a dedicated switcher helpdesk and online support facility to answer any queries regarding the switching process. This should be resourced by qualified and experienced personnel and not by employees simply following a script.

In conclusion, taking out or switching a mortgage is one of the biggest and most important financial decisions that consumers will make in their lives. The mortgage intermediary plays an essential role in this process as they are able to provide fact to face contact for the client and provide answers to questions arising from the information available on such invaluable resources such as the CCPC website. In this regard, we welcome any reasonable measures that strengthens the mortgage switching process so as to make it more transparent for consumers and protects their best interests.

As a representative body of intermediaries and an industry stakeholder, we would welcome the opportunity to meet and discuss these points with you.