

Changes to the way we calculate upfront broker commissions for Advantagedge home loans, clawback model, and commission payments cycle

Advantagedge is changing the way upfront commissions are calculated for Connective Home Loans Essentials home loans – including both new loans and variations.

Effective Monday 12 November 2018, the upfront commission for Connective Home Loans Essentials home loans will be calculated based on the drawn loan balance, instead of the total approved facility amount.

The changes centre around the importance of ensuring customers obtain a loan which is appropriate for their needs in terms of size and structure, is affordable, is applied for in a compliant manner, and meets the customer's objectives at the time of seeking the loan.

These changes are in line with the reforms agreed to by the Combined Industry Forum, and align with the recommendations of the ASIC Broker Remuneration Review and Sedgwick reports.

We are also making changes to the Advantagedge clawback model, and commission payments cycle.

Advantagedge is committed to ensuring we continue to deliver good customer outcomes – and supporting brokers to do this, and maintaining confidence in the mortgage broking industry.

Changes to how we calculate upfront commission

Effective Monday 12 November 2018, the upfront commission you will receive for a Connective Home Loans Essentials home loan (including both new loans and variations) will be calculated based on the **drawn loan balance on the 5th calendar day after drawdown**, instead of the total facility amount.

Please see below for full details:

Loan type	Current calculation	New calculation, effective Monday 12 November 2018
New loan	Upfront commission is calculated based on the total loan facility.	<p>Upfront commission for new loans approved and instructed from Monday 12 November 2018 will be calculated based on the drawn loan balance on the 5th calendar day after the date of drawdown.</p> <p>New calculation Net Balance at the date of drawdown + 5 calendar days * Commission %</p> <p>Net Balance includes the drawdown amount, prepayments, fees, applied interest (not accrued) and transactions.</p> <p>Note: Construction loans will continue to be calculated based on the settled limit.</p>
Variations	Upfront commission is calculated based on the total facility increase amount.	<p>Upfront commission for variations involving increases approved and instructed from Monday 12 November 2018 will be calculated based on the net debt increase on the 5th calendar day after the loan is drawn down.</p> <p>New calculation Net debt increase * Commission %</p> <p>The net debt increase is established by calculating the difference between:</p> <ol style="list-style-type: none"> Loan account balance on the day before the date of drawdown, and Loan account balance on the 5th calendar day following the date of drawdown.

Subsequent drawdowns

If a customer retains funds to be used at a later date, **we will pay upfront commission on the subsequent drawdown amount** (i.e. on loan funds used after the initial drawdown), provided the initial settlement occurs after Monday 12 November 2018 and the subsequent drawdown:

- Occurs on or after the 6th calendar following the initial draw date; **and**
- Occurs within 12 months of the initial drawdown date; **and**
- Is for an amount equal to, or greater than \$20,000, up to the maximum loan split limit.

The maximum commission payable for a subsequent drawdown must not exceed the commission that would have been payable if the loan account was fully drawn as at 5 calendar days after the initial settlement date.

Advantagedge will not pay upfront commission for subsequent drawdowns on construction loans, variations, or if the purpose of the subsequent drawdown is not disclosed in the loan application.

New Advantagedge clawback model

Advantagedge will make the following changes to its clawback model for new loans and variations approved and instructed from Monday 12 November 2018 as follows;

Current calculation	New calculation
0-18 months: 50% clawback >18 months: 0% clawback	0-12 months: 100% clawback 13-24 months: 50% clawback >24 months: 0% clawback

Changes to the Advantagedge commission payments cycle

The Advantagedge commission payments cycle will now be paid twice per month, on the 12th and 26th of each month, instead of on the day of settlement. This will commence with the first payment on Monday 26 November 2018.

Pipeline process

- Commission will be calculated and paid based on the new model (including the new clawback model) for all eligible Connective Home Loans Essentials home loans approved and instructed from Monday 12 November 2018.

We're here to support you

To ensure you are supported through these changes, please see the following:

- [Broker remuneration change pack and scenario guide](#)
- [Broker remuneration changes - FAQs](#)

If you have any questions, please contact your Connective Home Loans Essentials Business Development Manager.

Regards,



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