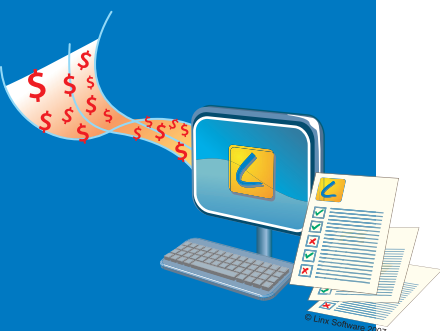


Your commissions – missing in *in*action?



In the last article we talked about the need to take control of your computer and have a clear picture of what you want it to do for you. Only by doing this can you be sure that it will earn it's keep. You need to be totally focused on its output before deciding what sort of equipment to buy, or what sort of software you want to install on it.

Nowhere is this more important, I would suggest, than in getting some help with the financial control of your business. And the first step to getting financial control is to ensure you get paid properly for the services you render – which for most brokers means accurate and timely commission payments.

I was planning to discuss this subject a little later in the series, but some information has come to light which merits more urgent discussion – there appears to be a great deal of your commission "Missing in *In*action" – sitting there just waiting to be claimed!

'Orphan' commission accounts

My software business recently sent out some marketing information regarding helping brokers to claim their full commissions, not leaving them in the 'orphan' commission accounts being held by the major aggregators. The response we had was both overwhelming and alarming.

Firstly, some background:

- 'Orphan' commission accounts are accounts where commission funds are held (by lenders or aggregators) that have not been paid out, as it cannot be determined who wrote the business.
- Reports indicate that the three largest aggregators in Australia have around \$6,000,000 collectively in these accounts – and these are just the amounts that the lenders have told them about. (It may be worth asking your aggregator or lender exactly how much they have.)
- If we include the lenders themselves, plus all the other aggregators, then it may be reasonable to assume that the total amount could be around \$10,000,000 or more – and it's getting worse every day.

- This is money that belongs to you, the loan writer – the folk who work the long hours at the coalface of the lending industry, sometimes for a very modest return.

You'd have to assume that someone's computer is not earning its keep – but that doesn't have to be true of yours, as we'll see later.

The feedback

We received feedback from all quarters, not the least of which were the somewhat depressing stories of hard-working brokers who don't have time to check their commissions – particularly their trails.

But some of the feedback that really surprised us included:

- The BDM of one of Australia's largest aggregators (reportedly with \$2,000,000 sitting in their orphan account) told me that, because they pay their commissions through a Trust Fund, then, under the Statute of Limitations and Unclaimed Monies legislation, any undistributed funds would have to be paid to the government if not claimed within 7 years. They were concerned that, as they are coming up to the 7-year limit on some commissions then they would soon have to start handing over cash that rightfully belonged to their broker members.
- A senior director of the same aggregator later told me that the frustrating thing for them was that they (the aggregator) couldn't access their share of the commission until a proper allocation of funds had been made. (By my estimates, in their case that would represent a potential loss of around \$300,000 off their bottom line.)
- We also heard from another broker that told us that their aggregation agreement said in the small print that any commissions not claimed within 2 years would be retained by the aggregator! While you can understand this from the perspective of the aggregator (trying to sort out a claim over 2 years old would be extremely difficult) it's the broker that loses out yet again. (It might be time to check your small print!)

Many brokers I spoke with said that while it's reasonably easy to check their upfronts it's a

total nightmare to check their trails. And, as their loan book grows, the problem just keeps growing with it.

To compound the problem, recent research by Fujitsu Australia & New Zealand (as quoted in *Mortgage Professional Australia*, issue 7.2) has led Martin North, their Managing Consulting Director to "expect to see commissions getting squeezed" resulting in a "reduction in lender commissions". With this additional threat it's imperative to put systems in place now to secure your future income.

The solution

Clearly you need to find a way to 'adopt' some of those orphans, in a cost-effective manner. But if you have to spend 10 hours to find \$10, then it wouldn't be a very good investment!

...it's like someone reaching into your wallet, borrowing your credit card to buy themselves a new toy, and expecting you to be happy!

This is where your computer can be trained to earn its keep and here's a case in point:

About three months ago I found around \$1,200 in missing commissions (outstanding from my time in lending) that had been 'overlooked' by a mortgage manager. Then, just a couple of weeks ago, I received a further \$2,500 or so as a result of a claim to one of the country's largest aggregators – some of the funds having been previously allocated to the wrong loan writer. That's

\$3,700 arrears recovered from a fairly small loan book – and it only took me a few minutes to do!

This could be happening to you and it's like someone reaching into your wallet, borrowing your credit card to buy themselves a new toy, and expecting you to be happy!

There are a number of software programs out there that can help you track your commissions. The best ones will import (i.e. read in) the commission files and report discrepancies within seconds.

Naturally I use our own product (LoanLinx), but you should find one that you are comfortable with and that is easy to use. It should be industry-specific and be able to read in your aggregators' files automatically.

No standards

Be aware that lenders, mortgage managers and aggregators have not standardised their formats and so each file (usually in Excel or .csv format) will be different. A good processing system will be able to sort this out and should not require you to do any pre-manipulation of the file to change its format.

It should be as simple as:

1. Save the RCTI spreadsheet on your system (from a download or email).
2. Import the file with your software.
3. Voila! Within a minute or so you will have processed hundreds of commissions – both upfront and trails – and generated a discrepancy report.

It's worth repeating that, when looking for software that imports commission files, make sure it automatically processes the lenders/aggregators/mortgage managers with whom you deal – you should not have to fiddle with the data to make it work.

What about LIXI?

The Lending Industry XML Initiative (LIXI Ltd) is a voluntary industry organisation that is trying to get all industry players to work to the same electronic data standards, so that there can be an easy interchange between them. However, this has, unfortunately, not yet been extended to commission payments and therefore everyone still has a different standard.

LIXI technical director, Barry Thomas, told me recently that they are very close to finalising a commission standard "... shortly (within a few weeks), at which


stage at least CBA, St George and Westpac have expressed an intention to implement the standard as soon as possible".

That's good news, but unfortunately most brokers receive their commissions through aggregators, and Barry went on to say: "... the standard could be used aggregator-broker but I haven't heard any aggregator express a desire to use it that way at this stage."

So it could be years before the benefits of the LIXI commission standards filter down to the coalface. It's worth remembering too that, even if standards were adhered to by aggregators, this only makes the electronic processing of reports a bit easier. It will still not help you 'check the checker' and isolate cases where loans are not attributed to the right loan writer by the lender or aggregator.

So, the mistakes being made at the moment will still have the potential to be there in years to come (though hopefully reduced) and, while everyone seems to agree that there needs to be better systems employed by lenders and aggregators NOW, the wheels of progress are turning slowly and it's you – the loan writer – who is losing out.

Are you really happy to work without getting paid the full amount you are due? Or worse, having it paid to the government, without your consent, because of sloppy practices? Fortunately, the right systems are available at the broker level now and, with them, you can be sure of your full entitlements, with very little time, effort and cost invested.

Put your computer to work and make it earn its keep soon – some of that \$10,000,000 is probably yours! 

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