

## **The importance of doing your research in a growing lender marketplace** [1]



A dramatic increase in the number of lenders has highlighted the need for greater research and consideration, or 'due diligence', when searching and applying for a loan.

The act of purchasing a property, commonly requiring the production of significant personal information, coupled with the commitment of large sums of money, can be stressful.

And now, with a wide variety of new lenders entering the marketplace, confidently choosing a lender you are comfortable with can feel downright overwhelming.

Fortunately, there are steps you can take to help you make the right choice and reduce your risk of misfortune.

Trust your gut and be wary of behaviour or hints that may suggest something isn't quite right.

Your first step should be to speak to a mortgage broker who is a member of the Mortgage and Finance Association of Australia (MFAA). The MFAA maintains high ethical standards for its brokers and ensures its members meet industry-leading educational criteria - they are the best educated brokers in Australia. MFAA member mortgage brokers will be able to educate you on the variety of reputable lenders available to you.

There are also a number of government operated organisations and websites that provide tools and opportunities to help you to conduct due diligence checks. The Australian Prudential Regulation Authority (APRA) is an independent authority that supervises deposit-taking banking institutions. After

a bank is licensed by APRA it is subject to ongoing supervision to ensure it is managing risks and meeting regulatory requirements. APRA-regulated banking institutions are licensed, so you can check the APRA site to see if a potential bank is licensed and adhering to APRA's requirements [here](#) [2].

There are lenders out there who are reputable, but aren't deposit taking institutions or banks, and therefore don't need to be licensed and supervised by APRA. There are generally two types – private lenders or mortgage managers/white-label lenders. Private lenders are able to provide you credit and operate as a lender because they lend their own private money and they aren't deposit taking organisations (that is, you can't deposit and save money with them). Mortgage managers and white-label lenders, on the other hand, offer credit and loans, such as mortgages, but do so on behalf of other financial institutions such as banks. Again, they don't take deposits.

Whilst private lenders and mortgage managers/white-label lenders don't need to be licensed by APRA, they do need to be licensed by the Australian Securities and Investment Commission (ASIC) and require an Australian Credit Licence (ACL) if they engage in lending regulated by the National Credit Code, which includes making loans to buy residential property.

If you find that a potential home lender is not licensed by APRA, this should not be a concern provided that they hold an Australian Credit Licence. You can check this via ASIC's search tool [here](#) [3].

Also, all Australian companies must be registered with ASIC. Helpfully, the ASIC website has several registers that you can search for free, including the [Organisations and Business Names register](#) [4], which indexes Australian corporate and registered business names. It also includes some incorporated associations.

If the business is not a company (such as a sole trader, a joint venture or a partnership), it will need to be registered on ASIC's [Business Names Register](#) [5].

Search the Organisations and Business Names register on the ASIC website or the Australian Government [ABN Lookup website](#) [6].

ASIC also hosts a [search function for unlicensed companies](#) [7]. If a company is on this list, you should not deal with them.

Lenders that engage in home lending (as well as many other types of lending such as some short-term or 'payday' lending) must be a member of the [Australian Financial Complaints Authority \(AFCA\)](#) [8], which provides access to a dispute resolution process if things do go bad.

They must also provide an Internal Dispute Resolution (IDR) service. Check the lender's website and call and ask their representatives. If the entity you are considering dealing with is not an AFCA member, the MFAA recommends you seek appropriate legal and/or financial advice or steer clear of that particular entity, as AFCA membership is a statutory requirement for such lenders.

Finally, it is always advisable to deal only with a business that has publicly listed contact details. Be sure to call the number provided, to confirm its legitimacy and consult with your broker. If there is anything you are unsure about, contact your local MFAA accredited broker.

**For more information on a Mortgage Broker for a Home Loan in Darwin call Nick Kirlew today on 0447 499 794. You can access our Mortgage Calculator [here](#) [9].**

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**Source URL:** <https://arafin.com.au/importance-doing-your-research-growing-lender-marketplace>

#### **Links**

[1] <https://arafin.com.au/importance-doing-your-research-growing-lender-marketplace>

[2] <https://www.apra.gov.au/register>

[3] [https://connectonline.asic.gov.au/RegistrySearch/faces/landing/ProfessionalRegisters.jspx?\\_adf.ctrl-state=1bw1o1ujow\\_4](https://connectonline.asic.gov.au/RegistrySearch/faces/landing/ProfessionalRegisters.jspx?_adf.ctrl-state=1bw1o1ujow_4)

[4] [https://connectonline.asic.gov.au/OPH/HelpLandingPages/SCH\\_ACON\\_TH\\_ORG\\_BUS\\_NAMES\\_SCH](https://connectonline.asic.gov.au/OPH/HelpLandingPages/SCH_ACON_TH_ORG_BUS_NAMES_SCH)

[5] <https://asic.gov.au/online-services/search-asics-registers/business-names/>

[6] <https://abr.business.gov.au/>

[7] <https://www.moneysmart.gov.au/scams/companies-you-should-not-deal-with>

[8] <https://www.afca.org.au/make-a-complaint/findafinancialfirm/>

[9] <https://arafin.com.au/mortgage-calculator>

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