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ON CREDIT

by Nick Samios

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Posted 5 MAY 2009 11:43 AM

An appeal to reason

Mortgage brokers have been complaining for some time about receiving short shrift from their banking "channel partners". It seems that commercial equipment finance brokers are also feeling the cold. Yesterday, a spy sent me a copy of a letter addressed to all major equipment financiers (predominantly the banks) from the peak body representing commercial finance brokers, CAFBA.

The letter is reproduced in full below and speaks for itself. Looking forward to seeing your comments.

Current Restrictions on Lending Practices

The Commercial Asset Finance Brokers Association of Australia Ltd (CAFBA) represents broking firms whose prime area of business is the distribution Equipment Finance facilities.

CAFBA members are career professionals who understand the funding process and recognise the difficulties experienced by all lenders in the current environment.

These broking firms are small businesses whose client base is largely made up of other small businesses.

We believe that banks have a responsibility to continue to lend to small business and have made several undertakings to government to do so.

Members' experience, however, is that banks are taking excessively cautious attitude to small business which is constricting trade and could in fact hasten the segment decline that banks are seeking to avoid.

Recovery will come from the small business sector but will be delayed by restrictive lending practices. To that extent, the speed and size of the recovery is in the hands of the banks.

CAFBA recognises a shortage of funds means reduced margin for risk and a prudent approach to credit.

However, lending risks can be reduced within the distribution channel by giving preference to those brokers who are dedicated to the Equipment Finance market and whose businesses adopt "Know Your Client" practices.

Those brokers are identified by their membership of CAFBA, and are quite distinct from mortgage aggregators, home loan salesmen, "business brokers" and accounting groups whose principal activities all lay elsewhere.

I am writing to all major lenders, not singling out any one in particular, and I recognise the support you have given CAFBA by being a financial affiliate member.

However as the President of CAFBA, it is incumbent on me to make all lenders aware of the concerns being expressed by brokers, and to remind every lender of the importance of this dedicated



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distribution channel.

I am therefore asking you to review any credit practices which could adversely impact on business borrowers and hamper the recovery of business confidence and investment.

Commercial Asset Finance Brokers Association of Australia Ltd
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