

**Submission To The Committee On Inquiry Into
Bank Prudential Supervision : APRA**

By

JOHN COSSTICK

30/8/2001

Inquiry Conducted By

**The Australian House of Representatives
Standing Committee on Economics, Finance
and Public Administration**

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Margaret Cosstick

From: Zimoch, Natalie (REPS) [Natalie.Zimoch.Reps@aph.gov.au]
Sent: Wednesday, 26 September 2001 14:29
To: 'cosstick@bigpond.com'
Subject: RE: Standing Committee on Economics, Finance and Public Administration

Dear Mr Cosstick

Thankyou for your email below requesting information regarding the status of your submission. I hereby confirm that your submission to the Inquiry into Bank Prudential Supervision Inquiry: APRA has been accepted and authorised for publication at the committee's meeting on Thursday 20 September 2001.

As your submission is now a public document, anyone can access a copy by contacting the secretariat directly or by visiting the committee's website at <http://www.aph.gov.au/house/committee/efpa> The submission will be available on the internet next week, w/e 5 October 2001. I will contact you on (03) 9884 9704 to advise you when the internet site has been updated with your submission. Alternatively, you yourself can provide a copy of the submission to others or direct them to us for a copy. Anyone can encourage others to make a submission, so you may invite others to write or email the committee regarding this inquiry.

Should you have any further questions please don't hesitate to contact me on (02) 6277 4587.

Kind Regards
Natalie Zimoch

- > -----Original Message-----
- > From: Margaret Cosstick [mailto:cosstick@bigpond.com]
- > Sent: Wednesday, September 26, 2001 8:57 AM
- > To: 'EFPA.Reps@aph.gov.au'
- > Subject: Standing Committee on Economics, Finance and Public Administration
- >
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- >
- > The Secretary,
- > Standing Committee on Economics, Finance and Public Administration,
- > Bank prudential supervision: Australian Prudential Regulation Authority:
- > Review of Audit report no. 42 2000-01,
- > Committee Secretariat,
- > Canberra, ACT
- >
- > Dear Sir,
- >
- > Re Submission dated 30.8.2001 - John Richard Cosstick
- >
- > I have been advised verbally that the abovementioned submission has been
- > accepted and is now a public document. Please confirm by e-mail that this
- >
- > is the case and when it will appear on the web page with other
- > submissions.
- >
- > If I wish to invite other members of the public or other organisations to
- > write or e-mail the committee in support of the submission is this allowed
- >
- > under standing procedures, including giving them a copy of the submission?
- >
- > I ask for approval to do this as I have been a Liberal Party supporter



HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON ECONOMICS,
FINANCE AND PUBLIC ADMINISTRATION

Parliament House
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<http://www.aph.gov.au/house/committee/efpa/>

27 September 2001

Mr John R Cosstick
82 Brunswick Road
MITCHAM VIC 3132

Dear Mr Cosstick

**INQUIRY INTO BANK PRUDENTIAL SUPERVISION – APRA
AUSTRALIAN NATIONAL AUDIT OFFICE REPORT NO. 42 2000-01**

I am writing to advise that your submission of 30 August 2001 to the *Australian Prudential Regulation Authority: Review of Audit Report No.42 2000-01 Inquiry* has been authorised for publication by the committee.

The matters you have raised will be given careful consideration by the Committee. The secretariat will contact you again if the Committee requires further information from you or would like you to attend a public hearing.

As you have made a submission you will receive a copy of the report of the inquiry. Copies of public submissions and the transcripts of evidence given at public hearings are available on the committee's website at:
<http://www.aph.gov.au/house/committee/efpa/apraaudit/index.htm> or by contacting Ms Sonya Ristevski on (02) 6277 4587.

Should you have any queries regarding this matter, please contact Ms Natalie Zimoch on (02) 6277 4587.

Thank you for your contribution to the inquiry.

Yours sincerely

Beverley Forbes
Secretary

30th. August 2001

82 Brunswick Road,
Mitcham, Vic. 3132
Telephone 03 9884 9704
E-mail: cosstick@bigpond.
Com.au.

Mr. David Hawker MP,
The Chairman,
House of Representatives,
Standing Committee on Economics,
Finance and Public Administration,
Parliament House,
Canberra ACT 2600

Dear Sir,

**SUBMISSION TO THE COMMITTEE ON ENQUIRY INTO BANK
PRUDENTIAL SUPERVISION: APRA**

MATTER FOR CONSIDERATION

(A) Provision of an interest rate monitoring service to clients where they have a choice between fixed rate and variable rate borrowings.

It is recommended that all banks and associated lending institutions establish and adhere to adequate policies, practices and procedures for evaluating the clients' limit in the ability to increase their repayments to service increasing repayments as a result of rising interest rates.

The procedures would establish the clients' increased repayments limit at the time of the loan application. It would be expressed as a switch rate that triggers the lenders offer to transfer to a fixed rate from a variable rate to stop repayment increases. It could be called a stop loss rate from the clients' perspective.

(B) Timing of the introduction of the service to clients by lenders.

It is recommended that there would be no past time limit as to the introduction of the service by the lenders to existing clients with existing loans. This would mean that existing borrowers with loans could ask for the service at any time, but lenders would be required to offer the service to existing borrowers within six months of the introduction of appropriate legislation. For all new borrowers it would be a requirement that all lenders be required to offer the service.

(C) Monitoring of the provision of the interest rate monitoring service.

It is recommended that compliance with the introduction and provision of the interest rate monitoring service should be an essential part of the "bank's policies, practices and procedures related to the granting of loans and making investments and the ongoing management of the loan and investment loans" (P104 of The Australian National Audit Office Performance Audit on Bank Prudential Supervision).

(D) Change in the basis of the provision of mortgage protection insurance.

It is recommended that all lenders be required to offer mortgage protection insurance in case of the death or disability of any borrower so that the debt is cleared in case of the event occurring. This would be subject to normal insurance standards in the acceptability of the clients as insurable after their personal medical attendant's report is evaluated. The insurance evaluation could be outsourced.

It is recommended that the practise of lenders utilising mortgage insurance be reviewed. Lenders use mortgage insurance when an application has an unacceptably high loan to security ratio. Lenders use mortgage insurance to protect themselves against a shortfall in case of a borrowers' default in repayment of their loan. This may lead to a mortgagee's auction which may leave a shortfall in clearance of the debt. It is normal practise for the premium for the mortgage insurance to be added to the amount borrowed and paid off over the period of the loan. However, this does not occur with mortgage protection insurance premiums which protects the borrowers.

It is recommended that the premium for mortgagee protection insurance become an amount of the loan structure so that the reduction arrangement becomes principal, lender's mortgage insurance (paid for by the borrower), interest, lender's fees and mortgage protection insurance for the borrowers.

BACKGROUND

(A) The need for an interest rate monitoring service.

Currently, all banks and other lenders in the personal sector are aggressively marketing loans when the interest rates on the loans are the lowest for a generation. These loans are often as a result of government home loan grants and are at a very high loan to security ratio with the lenders utilising mortgage insurance to manage the risk. This assumes that the interest rates will not rise quickly nor that there will be a slump in the value of homes. Where there is a high outgo to income ratio for the borrowers they often require a second income to manage the loan repayments.

Historically, there have been two types of interest rates for personal borrowers: fixed and variable. The variable rate is usually the lower rate and is often between 1.00-% pa. to 1.50% pa.

In the current market clients are reluctant to use fixed rate loans because it is difficult for borrowers on a tight budget to decide to increase their repayments. Often these vulnerable borrowers are young families in outer suburbs and are in marginal electorates. In the 1980's and early nineties many young families (and others) were

caught in an interest rate spiral and couldn't afford the repayments. Many current borrowers need help to know when to cap their costs and move to a fixed rate loan. It often reached the stage in the 1980's early 1990's that home loan borrower's (typically young families) were capitalising interest and their loans were increasing.

SUMMARY

The scenario for a social disaster for young families (and others) has been set. Lenders have a social responsibility to prevent it occurring, but it needs legislation to make sure the protection to borrowers happens.

I believe that it is not only the social responsibility that should make lenders make the recommended changes, but prudent lending practice to ensure that the quality of their assets does not deteriorate. This is where APRA should ensure that the recommended changes occur because the potential criticism will be directed to them.

I have had long experience as an accountant, banker and certified financial planner and can provide my resume as proof of this fact.

Pease advise whether this submission is accepted or otherwise.

Yours faithfully,



John R. Cosstick PNA NIA



HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON ECONOMICS,
FINANCE AND PUBLIC ADMINISTRATION

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27 September 2001

Mr John R Cosstick
82 Brunswick Road
MITCHAM VIC 3132

Dear Mr Cosstick

**INQUIRY INTO BANK PRUDENTIAL SUPERVISION – APRA
AUSTRALIAN NATIONAL AUDIT OFFICE REPORT NO. 42 2000-01**

I am writing to advise that your submission of 30 August 2001 to the *Australian Prudential Regulation Authority Review of Audit Report No 42 2000-01 Inquiry* has been authorised for publication by the committee.

The matters you have raised will be given careful consideration by the Committee. The secretariat will contact you again if the Committee requires further information from you or would like you to attend a public hearing.

As you have made a submission you will receive a copy of the report of the inquiry. Copies of public submissions and the transcripts of evidence given at public hearings are available on the committee's website at: <http://www.aph.gov.au/house/committee/efpa/apraaudit/index.htm> or by contacting Ms Sonya Ristevski on (02) 6277 4587.

Should you have any queries regarding this matter, please contact Ms Natalie Zumoch on (02) 6277 4587.

Thank you for your contribution to the inquiry.

Yours sincerely

Beverley Forbes
Secretary



FPA

FINANCIAL PLANNING
ASSOCIATION
of Australia Limited

ABN 62 054 174 453

11 March 2004

Mr John Cosstick
82 Brunswick Road
MITCHAM VIC 3132

Dear John

Re: Consultant Agreement

Please find enclosed a Consultant Agreement relating to the writing of the multiple choice questions and solutions for the CFP Certification Assessment.

Under this agreement, we request you to provide the following Services with the specified timetable and Fees outlined below:

Service	<ul style="list-style-type: none">• Includes writing and preparing twenty multiple choice questions and solutions for CFP Certification Assessment, as well as ancillary tasks such as meeting and liaising with FPA personnel, practitioners and instructional designers, as appropriate
Timelines	<ul style="list-style-type: none">• First draft to be supplied by 13 January 2004• Final version to be supplied by 30 January 2004
Fees	<ul style="list-style-type: none">• \$45 (GST inclusive) for each multiple choice question submitted by the Consultant and deemed of appropriate standard by FPA to be used for the CFP Certification Assessment. FPA will advise the Consultant which questions are usable and the Consultant will itemise and invoice the FPA for each service in accordance with Clause 3
Standard	<ul style="list-style-type: none">• Questions must be original• Questions must examine mastery of both conceptual and technical aspects of a topic including specific detail.

Member freecall 1800 337 301
Consumer freecall 1800 626 393
Fax (03) 9627 5280
Email fpa@fpa.asn.au
www.fpa.asn.au

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Please return one copy of the signed agreement at the earliest opportunity. If you have any queries, please call me on 9627 5234.

Yours sincerely

Kerry Curtin
Certification Standards Manager
Financial Planning Association

Westpac Banking Corporation

Robert J. White
Managing Director

First Bank in Australia
60 Martin Place
Sydney, Australia 2000
Reply to Box 1 GPO Sydney 2001

8 December, 1987.

Mr. J.R. Cosstick,
Manager, Operations,
360 Collins Street,
MELBOURNE.

Dear John,

By now you will have been advised that you have been selected as a winner of the 1986/87 Managing Director's Special Award.

I congratulate you on this outstanding achievement which was earned against stiff competition from the many thousands of Managers within the Westpac Group.

Nominees for the Award were judged against the following demanding criteria :

- . Rating of "excellent" in the 1986/87 annual performance appraisal
- . Significant achievement ahead of annual objectives
- . Clearly superior performance in relation to peers
- . Outstanding business introduction/gain
- . Contribution to public image of Westpac
- . Degree of innovation
- . Long term potential, and
- . Outstanding subordinate development.

As an Award winner, you have shown that you were one of the top performers in Westpac last year. Thank you for your hard work, your dedication and the excellence of your contribution.

To recognise your achievements we are doing two things this year. Firstly, a special bonus of \$10,000 will be paid to you on 17 December. Secondly, as an Australian Award Winner, I invite you to join the Board for dinner in Sydney on Thursday, 18 February 1988 when the Award presentations will be made. We will contact you shortly concerning the details.

With best wishes for continuing success in your career with Westpac.

Yours sincerely,


