

MORTGAGE BROKING: THROUGH A DIFFERENT LENS



DRIVING VALUE FOR CUSTOMERS AND COMPETITION FOR THE BENEFIT OF ALL AUSTRALIANS

WHAT DOES THE AVERAGE MORTGAGE BROKER LOOK LIKE?



There are now approximately

17,000¹

registered mortgage brokers

This is one broker for every

1,452¹

people in Australia

More than

50%²

of all residential mortgages are originated through brokers

Earns a consumer Net Promoter Score of

+70³

Rural and regional Australia make up

29%⁴

of customer base

From 2008 to 2017 the number of mortgages originated through the broker channel doubled to more than

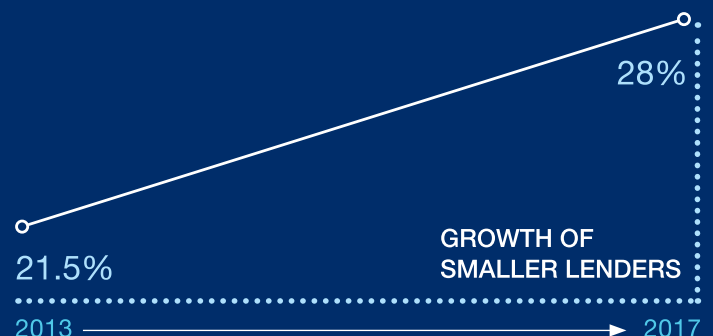
500,000⁵ loans per year

BROKERS DRIVE COMPETITION AND ACCESS TO CREDIT FOR ALL AUSTRALIANS

Brokers drive more competition by increasing the market share of smaller lenders.

Market share for smaller lenders not affiliated to the four majors has grown from **21.5%** to **28%** over just the last four years.⁶

As lending competition has increased, the Net Interest Margin of the major lenders has decreased significantly in line with increased broker activity.



Footnotes: 1. MFAA Industry Intelligence Service Finance Broker Benchmarking Report, Sept 2017 2. MFAA's Quarterly Survey of leading mortgage brokers and aggregators for July, August and September 2017 produced by Comparator (a CoreLogic company) 3. Data provided by aggregators, Aussie and the Advantedge group 4. Industry analysis to be released imminently by Deloitte Access Economics 5. Data supplied by CoreLogic 6. Mortgage & Finance Association of Australia, Industry Intelligence Service - Exclusive Finance Broker Benchmarking Report, 5th ed produced by Comparator (a CoreLogic company)

COMPLAINTS AND PENALTIES DECLINE AS BROKER CHANNEL GROWS STRONGLY



MFAA COMPLAINT DATA: 2008-2017

As broker activity increased, complaints declined **78%** from a modest 251 to a negligible 55 per year.

MFAA expelled, cancelled or suspended the membership of 75 brokers - fewer than **1 in 1,580 per annum**.

In 2017, fewer than

1

complaint for every

9,250 new loans

In 2017, fewer than

1

consumer complaint for every

21,000 new contracts

WHAT HAVE REVIEWS INTO THE MORTGAGE INDUSTRY REVEALED?

2 significant reviews in the past 18 months - ASIC's *Remuneration Review* and the *ABA Sedgwick Review*. The ASIC Review was the biggest-ever data collection exercise in its history.

ASIC made **6** recommendations for improvement but no findings of systemic harm. This was echoed by the *Sedgwick Review*.

CIO AND FOS COMPLAINT DATA: 2018-2017

In 2016/17 CIO broker member numbers tripled to more than **22,000** or **91%** of CIO membership. Despite this, mortgage brokers only made up **6.1%** of complaints.

FOS complaints in 2016/17 about mortgage brokers made up fewer than **1%** of all complaints.

ARE BROKERS DRIVING HIGHER RECORDED ARREARS?

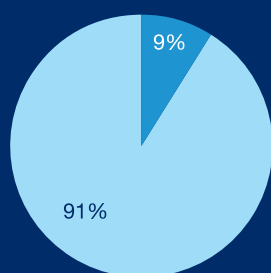
ASIC found the difference in arrears between broker and proprietary channels was minimal.

ASIC Review: "There does not appear to be any significant relationship between the level of broker commissions...and the level of 30-day or 90-day loan arrears."

ASIC PENALTIES ON BROKERS

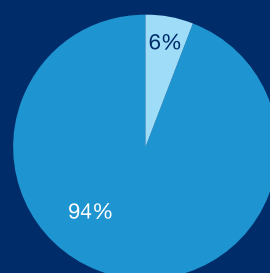
140 recorded finance broker matters between 2010 and 2017, with **15** recorded convictions.

Fewer than **1** in approximately **9,000** broker convictions per year.⁷



CIO MEMBERSHIP: 2016-17

■ Mortgage Brokers
■ Other



CIO COMPLAINTS: 2016-17

■ Mortgage Brokers
■ Other