



Industry Intelligence Service

Exclusive Finance Broker
Business Benchmarking Report | One



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CEO's Report



The Board along with the MFAA team are very pleased to deliver industry leading benchmarking data for Australian finance brokers.

The MFAA's Industry Intelligence Service (IIS) Report provides the industry with the first ever data driven measures of broker performance that are mandatory reading for any member who wants to improve and develop a more sustainable business model.

In a mature market, it is essential that businesses have access to industry data which highlights key performance outcomes and metrics. Effective benchmarks help determine where a broker business is positioned in both the national and state markets.

In addition to providing a key benefit to members, industry benchmarking data also provides critical insights to our broader industry stakeholders, including regulators and legislators.

The MFAA will continue to work with industry partners to garner insights and publish these learnings through its IIS. We look forward to the report building over the next few years into the central source of information on how broker businesses really perform.

A handwritten signature in black ink, appearing to read 'Siobhan Hayden'.

Siobhan Hayden
CEO, MFAA

What is the IIS?

The MFAA's Industry Intelligence Service (IIS) for the finance broker community is designed, managed and produced by Comparator.

Comparator has partnered with the MFAA in providing the quarterly industry results, and IIS is an extension of this analysis.

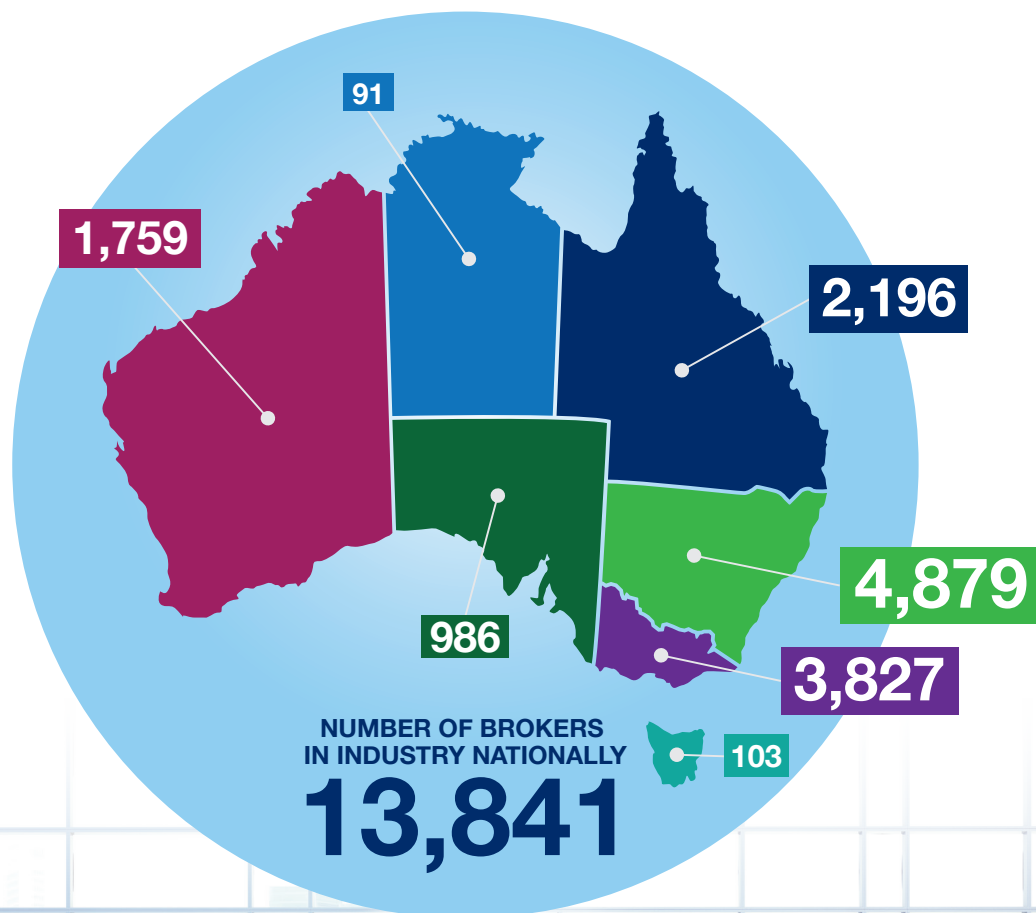
- IIS quantitative data is gathered from 16 aggregators, which represents over 90% of the industry
- Data represents broker activity March - Sept 2015
- IIS offers reliable, accurate and timely data for industry benchmarking
- Individual, confidential reports released to senior executives of the aggregators for their confidential use.

MFAA IIS - Data Source



Finance Broking - National Observations

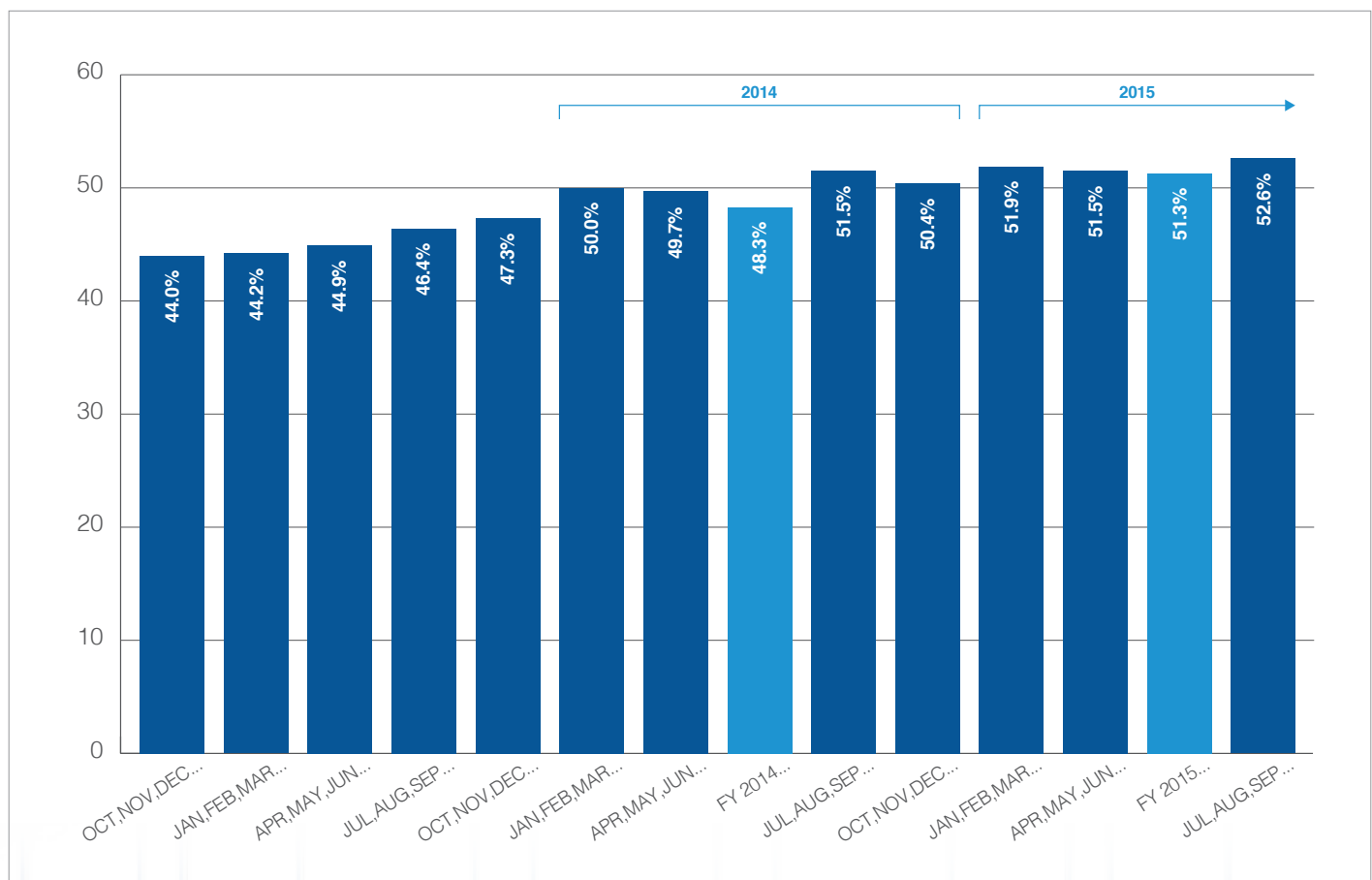
- MFAA IIS Report captured the total number of active brokers in the industry - 13,841 (Sept 2015),
 - > Aggregators represent - 11,468,
 - > Franchise brands represent - 2,373,
 - > MFAA represent over 80% of the active brokers.



Finance Broking - National Observations

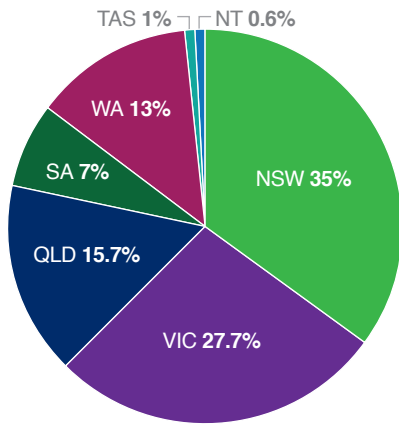
MFAA Quarterly Survey of leading mortgage brokers and aggregators

Market share of new residential home loans originated by all mortgage brokers and aggregators as % of ABS Housing Finance commitments.



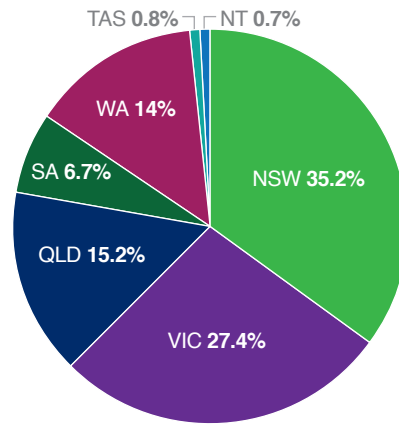
Finance Broking - National Observations

Broker locations from IIS data based on 13,841 industry brokers



■ NSW/ACT ■ VIC ■ QLD ■ SA ■ WA ■ TAS ■ NT

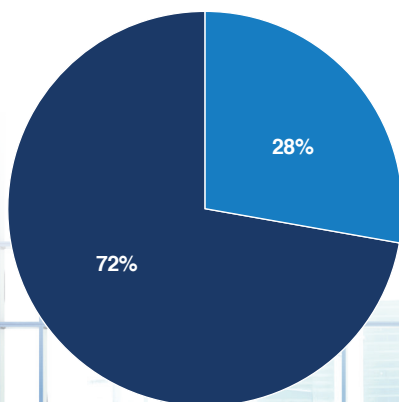
Broker locations from MFAA membership based on 11,200 broker members



■ NSW/ACT ■ VIC ■ QLD ■ SA ■ WA ■ TAS ■ NT

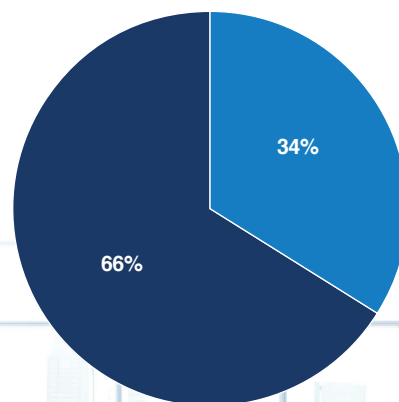
How many of your brokers were men and how many were women, at the end of the six month period?

■ Number of men at the end of the period
 ■ Number of women at the end of the period



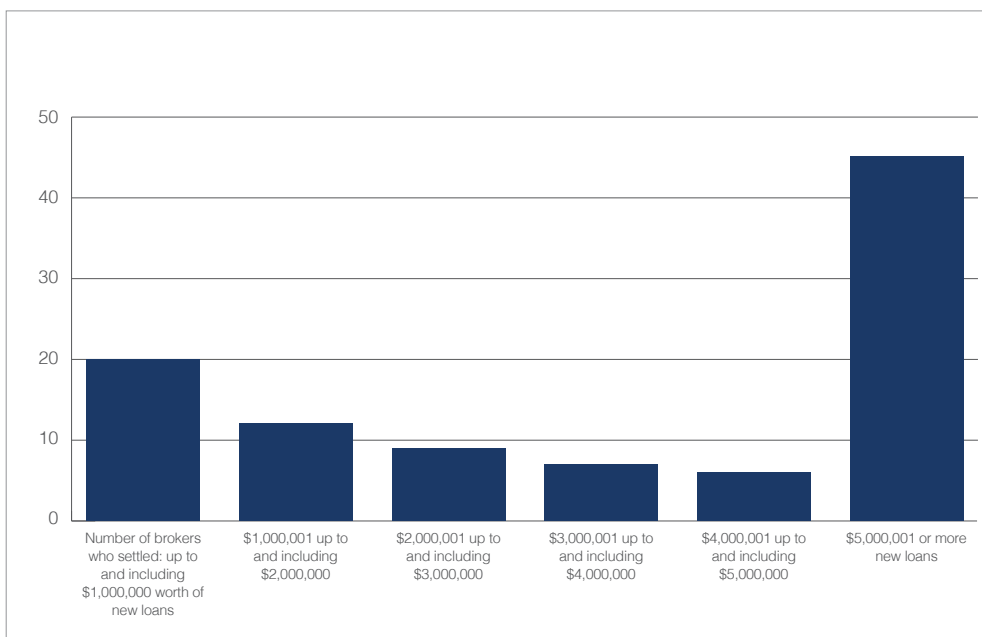
Of the brokers who were recruited during the six month period, how many were men and how many were women?

■ Number of men recruited during period
 ■ Number of women recruited during period



Finance Broking - National Observations

How many individual brokers settled new home loans in aggregate in the following bands of value during the six month period

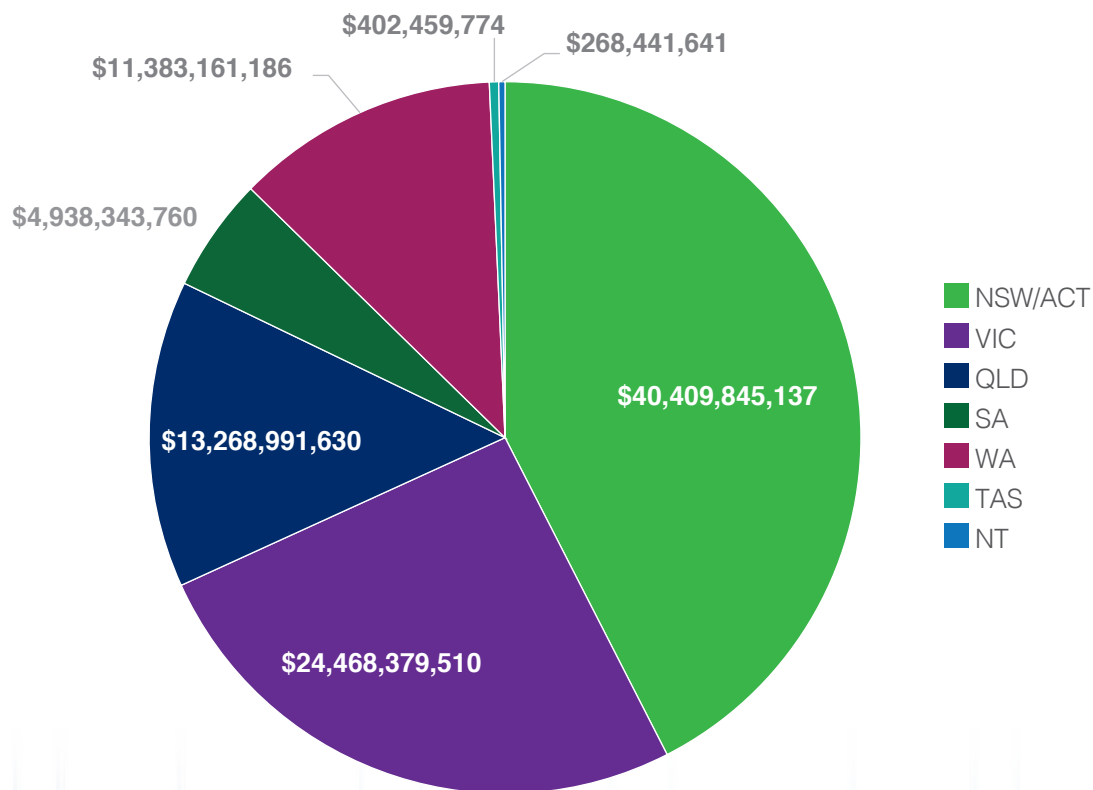


- Commercial loan volume in six months - \$5.9 Billion,
- Finance brokers that wrote a commercial loan - 1,673
- Average value of new commercial or business loans settled - \$3,522,405

Finance Broking - State Observations

- Total number of brokers who **moved** and/or entered the industry - 1,861
- Total number of brokers who **moved**/exited the industry - 1,077
- MFAA IIS captures 784 brokers have entered the industry during the 6 month period.

Value of new home loans settled during the 6 month period



Broker Business Benchmarks

Average earnings per broker from gross up-front commissions on new home loans, per annum	Average
National	\$89,000
State - NSW	\$108,000
State - Victoria	\$83,000
State - Queensland	\$79,000
State - SA	\$66,000
State - WA	\$85,000
State - Tasmania	\$56,000
State - NT	\$43,000

National Broker Business Benchmarks Portfolio

Average value of home loan portfolio per broker during the 6 month period	Average
National	\$49.1million
Your Business	

Value of loans settled per broker per month	Average for benchmark
National	\$1,149,293
State - NSW	\$1,382,951
Your Business	



Broker Business Benchmarks

Net growth of number of brokers in the 6 month period	Average for benchmark
National	6%
State - NSW	6%
State - Victoria	8%
State - Queensland	5%
State - SA	6%
State - WA	5%
State - Tasmania	-7%
State - NT	1%

Broker turnover over the 6 month period	Average for benchmark
National	8.2%
State - NSW	7.7%
State - Victoria	7.9%
State - Queensland	9.8%
State - SA	8.3%
State - WA	8.7%
State - Tasmania	10.9%
State - NT	6.2%

*The small number in Tasmania is disproportionate as a lot of the aggregators combine SA and TAS in their data.



Broker Key Success Factors

- Having links with suppliers
- Building a good reputation
- Experienced workforce
- Ability to franchise operations
- Economies of scale
- Maintenance of excellent customer relations.

Suppliers – It is important for brokers to have a strong relationship with lending institutions to offer their clients a wide range of loan products.

Reputation – Receiving referrals from related organisations (such as real estate agents), and recommendations from existing clients helps grow a broker's client base.

Workforce – Experience and knowledgeable staff involved in mortgage products is vital in providing a superior level of customer service. It is also vital to effectively communicate different loan products to client and to negotiate the best deal with lenders.

Franchise – Many larger, more successful brokers operate through a national network of franchisees. Additionally, with increased competition, many sole operators are also joining membership organisation to receive better training and operating techniques.

Economies of Scale – Many of the larger operators have a sizable business model, allowing them to grow their originations and loan book without growing their cost base at the same rate.

Customer Relations – Mortgage brokers must aim to continually provide a high level of support and service to their customers. They must also provide strong support to their franchisees in marketing, technology, training/professional development, legal and compliance.

*IBIS WORLD Industry Report- K6411b



What you can do to elevate your business

- Mature industry - revenue growth slows, business stabilisation, consolidation and lower margins
- Know your business - document business processes, calculate hourly rate and find process bottlenecks
- Identify opportunities to maximise income e.g. insurance
- Ensure follow up tasks are scheduled - pre-approvals, fixed rates, IO expiry, annual 'healthcheck'

The industry life cycle for finance broking is considered 'mature' by IBIS WORLD Industry Report –K6411b – Mortgage Brokers in Australia (Nov 2015). Key features of a mature industry are:

- Revenue growth reduces from previous highs and grows at the same pace as the economy
- Company numbers stabilise; M&A stage (consolidation)
- Established technology and processes (innovation in mature industries generally reduces)
- Total market acceptance of product & brand (mortgage brokers)
- Rationalisation of low margin products & brands

'Further reduction in commissions are likely to lead to accelerated levels of consolidation through mergers, acquisitions and industry exits. Lower margins on residential mortgages means that efficiency and scale will become more important, and smaller players will find it increasingly difficult to stay competitive'. (IBIS WORLD Industry Report).

Need to do in your business;

- Understand your business! Similar to know your client (KYC), brokers need same awareness of their own business
- Document business processes that deliver your service
- Identify the 'cost per hr' of each process and the resource responsible
- Identify areas where your business has 'bottlenecks' (business is also cyclical) and then find solutions to these bottlenecks
- Understand your key performance indicators – Lead to Lodgement, Lodgement to Settlement
- Update your Business Plan for 2016-2017.



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