

# MFAA INDUSTRY INTELLIGENCE SERVICE

FIFTH EDITION

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Exclusive finance broker  
benchmarking report



For the six month period  
1 April 2017 – 30 September 2017

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## CEO's Report

Dear Members

On behalf of the MFAA, it's with pleasure that the team and I provide you with the fifth edition of the MFAA's bi-annual Industry Intelligent Service (IIS) Report.

This report aims to provide a set of robust, data-driven insights on what we are seeing take place in the broker-originated mortgage market.

This edition is being released during unprecedented times of intense regulatory scrutiny of our industry. Together, as a sector – and a community, we have come together to address these challenges.

Credible data is becoming increasingly important in the current climate. The data in this report demonstrates the continued growth and strength of our industry; however, it also suggests a number of potential challenges on the horizon.

In this edition you can find data covering a wide range of industry measures including information on residential lending – both from origination and portfolio size, broker population and recruitment levels – including the proportion of female brokers in the industry, broker remuneration, consumer preferences for lender channels, and the continued growth in diversification in commercial lending.

The challenges, as indicated by the per-broker data in the report, arise from declining measures in broker efficiency, such as average value of home loans written per broker, the number of home loans written per broker, and brokers' average gross annual earnings.

As an industry we need to ensure that we continue to work with, and support the brokers so that they are equipped with the right skills and knowledge to be successful.

The 'Benchmark your Business' section has proven to be a success, allowing brokers to measure their individual performance against state-based markers, and adjust their strategies accordingly. Having benchmarked your business, if you would like some additional support we encourage you to get in touch with your state's MFAA BDM.

I would like to thank everyone who has contributed to the compilation of this report, including the aggregators who supply their data, and Comparator for their efforts.

If you have any thoughts on this latest IIS Report, as always, we're happy to hear from you. Please join me on Facebook ([www.facebook.com/mikefeltonMFAA](https://www.facebook.com/mikefeltonMFAA)) to share your ideas.

Regards

**Mike Felton**  
MFAA CEO

## With thanks to the contributors

Information for this edition of the MFAA's leading market intelligence resource for brokers was provided by the following leading aggregators:

The logo for AFG, consisting of the letters 'AFG' in a bold, blue, sans-serif font.The logo for Aussie, featuring a stylized house icon with three horizontal lines above the word 'Aussie' in a white, sans-serif font, all contained within a dark purple rectangular background.The logo for choice AGGREGATION, featuring a large orange 'C' with a white outline, followed by the word 'choice' in a bold, black, sans-serif font and 'AGGREGATION' in a smaller, orange, sans-serif font below it.The logo for connective, featuring the word 'connective' in a blue, sans-serif font with a small orange icon of two connected nodes to the right.The logo for eChoice, featuring a stylized sunburst icon in red and orange above the word 'eChoice' in a red, sans-serif font.The logo for FAST Stay Ahead, featuring the word 'FAST' in a bold, black, sans-serif font with a grid of orange squares to the right, and 'Stay Ahead' in a smaller, italicized, black, sans-serif font below it.The logo for FINSURE FINANCE AND INSURANCE, featuring a blue circular icon with a white 'F' inside, followed by the word 'FINSURE' in a bold, black, sans-serif font and 'FINANCE AND INSURANCE' in a smaller, black, sans-serif font below it.The logo for LoanKit AGGREGATION SERVICES AND SOFTWARE, featuring the word 'LoanKit' in a bold, black, sans-serif font with 'Loan' in white and 'Kit' in yellow, all on a red rectangular background, with 'AGGREGATION SERVICES AND SOFTWARE' in a smaller, black, sans-serif font below it.The logo for Loan Market, featuring the words 'Loan Market' in a bold, black, sans-serif font and a blue triangle icon with a white outline to the right.The logo for Mortgage Choice, featuring a stylized icon of three overlapping shapes in blue and orange, followed by the words 'Mortgage Choice' in a blue, sans-serif font.The logo for nmb National Mortgage Brokers, featuring a gold circular icon with 'nmb' in white, followed by the words 'National Mortgage Brokers' in a black, sans-serif font.The logo for PLAN AUSTRALIA, featuring a stylized icon of a house with a square window, followed by the word 'PLAN' in a bold, black, sans-serif font and 'AUSTRALIA' in a smaller, black, sans-serif font below it.The logo for smartline personal mortgage advisers, featuring a stylized house icon in blue and yellow, followed by the word 'smartline' in a bold, black, sans-serif font and 'personal mortgage advisers' in a smaller, black, sans-serif font below it.The logo for wow FINANCIAL, featuring the word 'wow' in a green, cursive font and 'FINANCIAL' in a smaller, green, sans-serif font below it.

## Executive summary

This latest IIS Report provides broker loan data - both quarterly and six-monthly – for the periods of July-to-September 2017 and April-to-September 2017.

The broker channel continues to be the channel of choice for residential lending, with the market share at 55.7% of all new residential lending for the July-to-September 2017 quarter. The broker channel continues to be an attractive proposition for Australia's consumers with just over \$100billion settled in the six-month period, the highest value recorded since 2012.

In the twelve months to the end of September 2017, brokers settled \$197billion of new home loans, the highest amount ever, and a 4.9% increase on the previous year. The aggregate value of brokers' home loan portfolios returned solid growth, boosted by new business, to exceed \$630billion.

The recent buoyancy in the population of brokers appears to be a double-edged sword, dampening some key measures of sales productivity. This is reflected in new loans settled per broker declining by 14.5% to \$5.9 million over the last four six-month periods. Coupled with the increase in the number of brokers, the average number of loans per broker has softened over the last three half-year periods to its lowest total observed: 18 new loan applications per broker in this period. The conversion rate of new loan applications to settlements increased marginally to 75.6% for the six months to the end of September 2017.

Solid growth at the national level both in terms of broker population growth and new loans settled disguises starkly different growth rates at the state level. The larger states, New South Wales and Victoria, display their dominance, cementing their positions as having the largest populations of brokers and new residential loans settled – both measures growing more than 8% over the period. Most other states recorded a more muted rate of growth. This trend also echoes the settlements of residential lending.

In contrast, the marked contractions in growth rates in settlements for residential lending in Western Australia and the Northern Territory, and very weak growth in Queensland, serve to highlight the effect on home loan activity in states with prevailing higher speed and lower speed economies. The number of brokers compared to the share of new residential home loans settled per state is not evenly spread, with the most challenging market being Western Australia where 12.1% of brokers are located, however they only contributed 8.7% of the settled home loans for the period.

Australia's broker population has continued to grow by approximately 900 brokers compared to the previous 6-month period, as at 31st March 2017, to nearly 17,000 brokers. This is the largest incremental growth in broker numbers in a single six-month period since the first IIS report in 2015. Such growth represents increased consumer awareness but means a more crowded marketplace.

There is now one mortgage broker per 1,452 people in Australia. Inactive brokers still represent a sizeable minority of the broker population at 16%, dampening productivity for the whole sector. Broker remuneration averages remain stable since the last period with the estimated national average of brokers' gross annual earnings now at \$132,800, but this has declined by 8.4% in the twelve months to the end of September 2017.

This period demonstrated the highest recruitment in the absolute number of female brokers, however the overall proportion of women in broking remains stable at 27.3%. Broker turnover has increased to 9.9% during the six-month period, a function of apparent frenetic recruitment activity. The average value of brokers' portfolios has been diminished very slightly thanks to the growth in the broker population, and offices made up of sole or dual operators dominating the broking landscape.

## Executive summary *(cont.)*

The lender landscape continues to show signs of change through the ongoing shift in the types of lenders that brokers are offering. This is evident in the growth of new business placed with smaller lenders including non-bank lenders and independent regional banks, and away from major banks, a likely consequence of policy changes made to interest only and investment lending by these segments. Non-bank lenders accounted for 7.5% of new lending in the September 2017 period, up from 6.9% the previous period. Changes to the lender landscape are reflective of the value proposition provided by brokers in meeting their customers' needs as brokers can source broader lender and product categories to best fit their customers' loan requirements.

Although still a minority of the population, report findings show a positive take up of once-residential brokers diversifying into commercial lending products. This has increased steadily to 2,932 brokers, up from 2,647, with the value of commercial loan settlements increasing period-on-period to well over \$8.8billion in the six-month period ending September 2017.

**\*NOTE:** 'Active brokers' are defined as brokers who appeared to have lodged a residential property loan within the reported period. 'Inactive brokers' appear not to have lodged a loan for the period.

# Industry Snapshot

Industry Intelligence Service (IIS) Report – Fifth Edition, April-to-September 2017

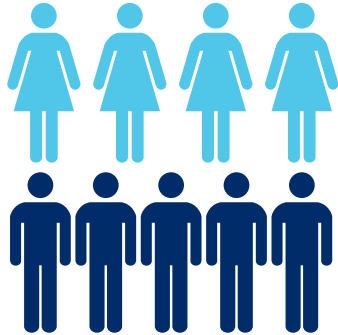
**Population of Mortgage Brokers**

**16,940**

up from

**16,009**

in March 2017



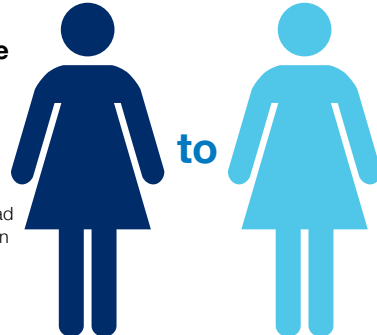
**Ratio of Mortgage Brokers**

**1**

to

**1,452**

Brokers per head of the Australian population



**Net Population of Brokers**  
**+5.8%**

Growth in the population of brokers continued to out-pace growth in new lending Apr 17 – Sept 17



**New Lending**  
**+5.7%**

**Average Gross Annual Earnings**

**Sept 2017**

**\$132,800**

**-6.8%**

**Sept 2016**

**\$142,500**

The national average of brokers' gross annual earnings dropped 6.8% from the IIS Report (third edition).



**Average number of new home loans per broker**

18 (Sept 17) down from 19 (Mar 17)



**Average Value of New Home Loan Settlements Per Broker**

**\$5.9 Million**



**Mar 2017**



**\$5.9 Million**



**Sept 2017**

The average value of new home loan settlements per broker was \$5.9 million, flat compared to the previous six months.

**Total Number of Home Loans Settled**

303,058 (Sept 17)  
Flat from 303,303 (Mar 17)



**Mar 2017**



**Sept 2017**

**-0.01%**



**Proportion of Brokers Writing Commercial Loans**

**17%**

**Average Value of the Home Loan Portfolio per Broker per Year**



**Mar 2017**

**\$35.8 Million**  
**-5.7%**  
from Mar 17



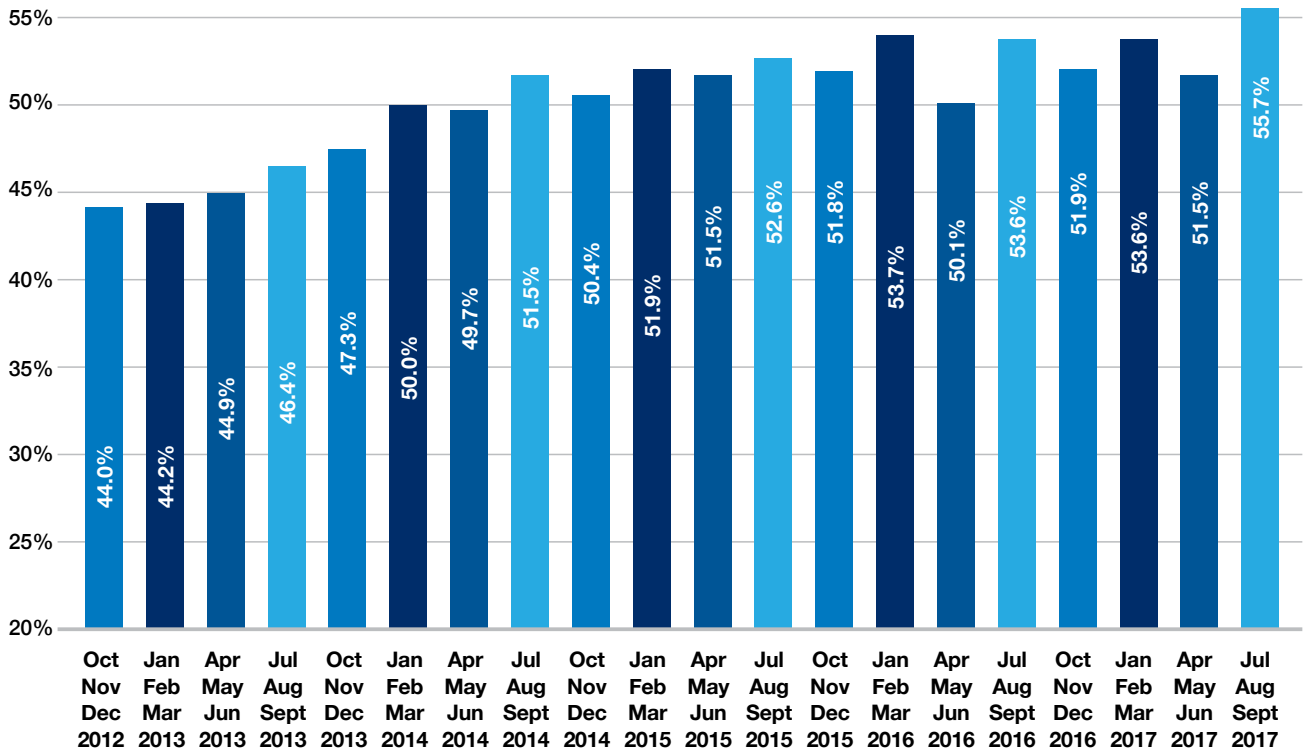
**Sept 2017**



# MFAA's Quarterly Survey of brokers and aggregators

Brokers' market share of all new residential home loan settlements reached the highest percentage for a quarter ever recorded, at 55.7% of all new home loans.

## Market share of new home loans originated by mortgage brokers (%)



Source: MFAA's Quarterly Survey of mortgage brokers and aggregators

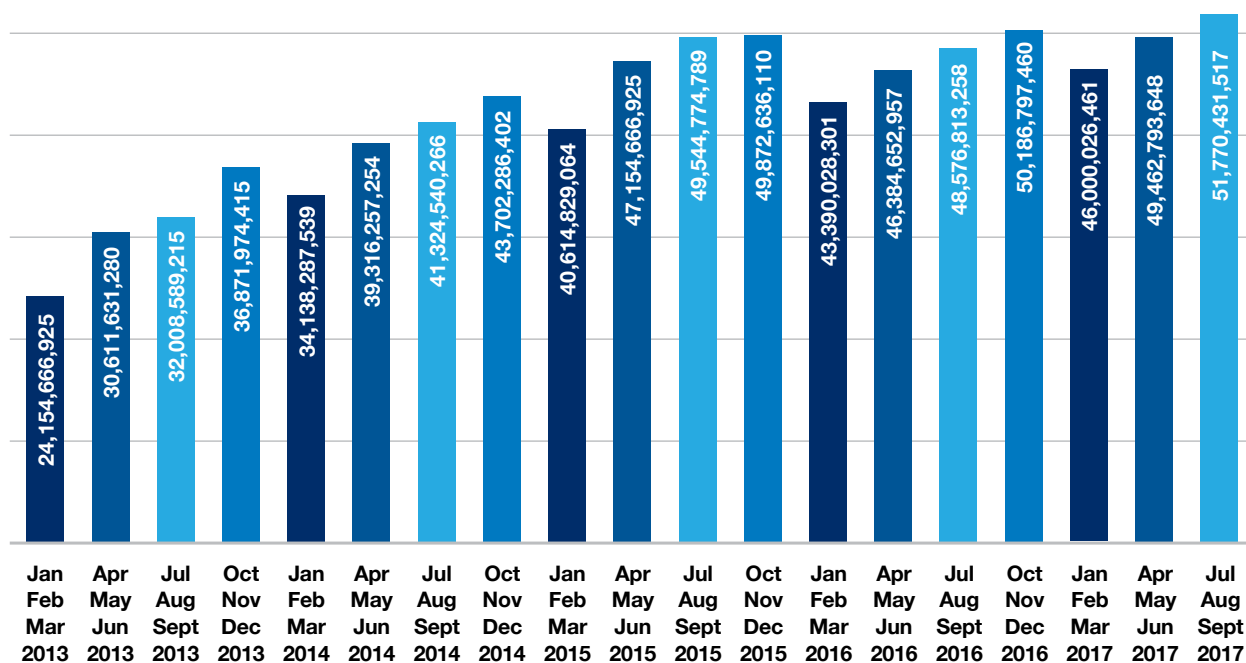
The MFAA's Quarterly Survey, coinciding with the period covered by this edition of the IIS, returned the highest share of all new lending originated by brokers – reaching 55.7%.

In the five years since the inception of the MFAA's Quarterly Survey (late 2012), the percentage of home loans originated by mortgage brokers has increased by 26.5%, from 44% in 2012 to 55.7%.

The quarterly new business figures, captured in the MFAA's Quarterly Survey of aggregators, shows that the September 2017 quarter was the strongest quarter ever for brokers, with settlements of over \$51.77billion, up from \$48.57billion (+6.5%) compared to the same period the previous year.

# MFAA's Quarterly Survey of brokers and aggregators

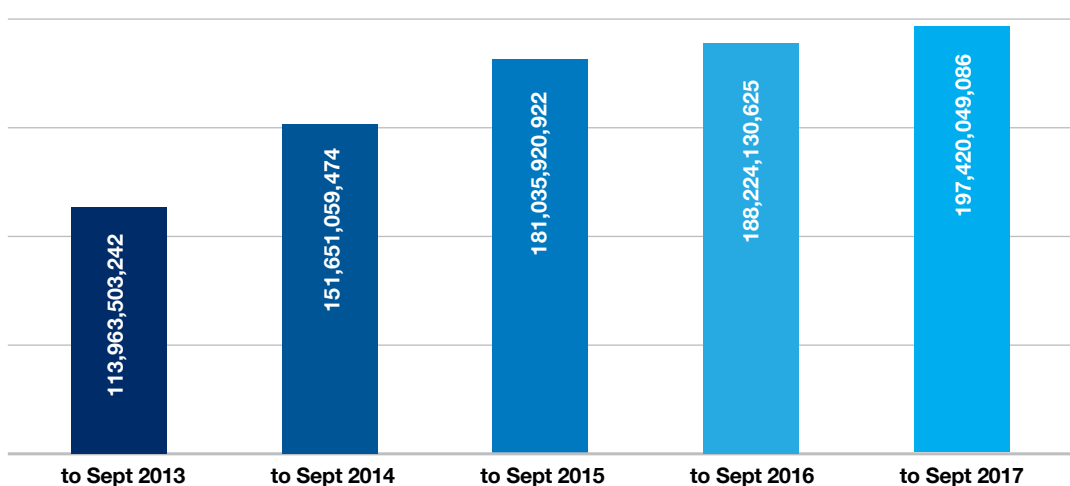
## Value of new home loans originated by mortgage brokers



N.B: Data for the Quarterly Survey is sourced from 15 Aggregators, whilst data from the IIS is sourced from 14 Aggregators.

*The last few quarters, the last half year, and the last twelve months have been the best ever for new home loan settlements for the sector as a whole.*

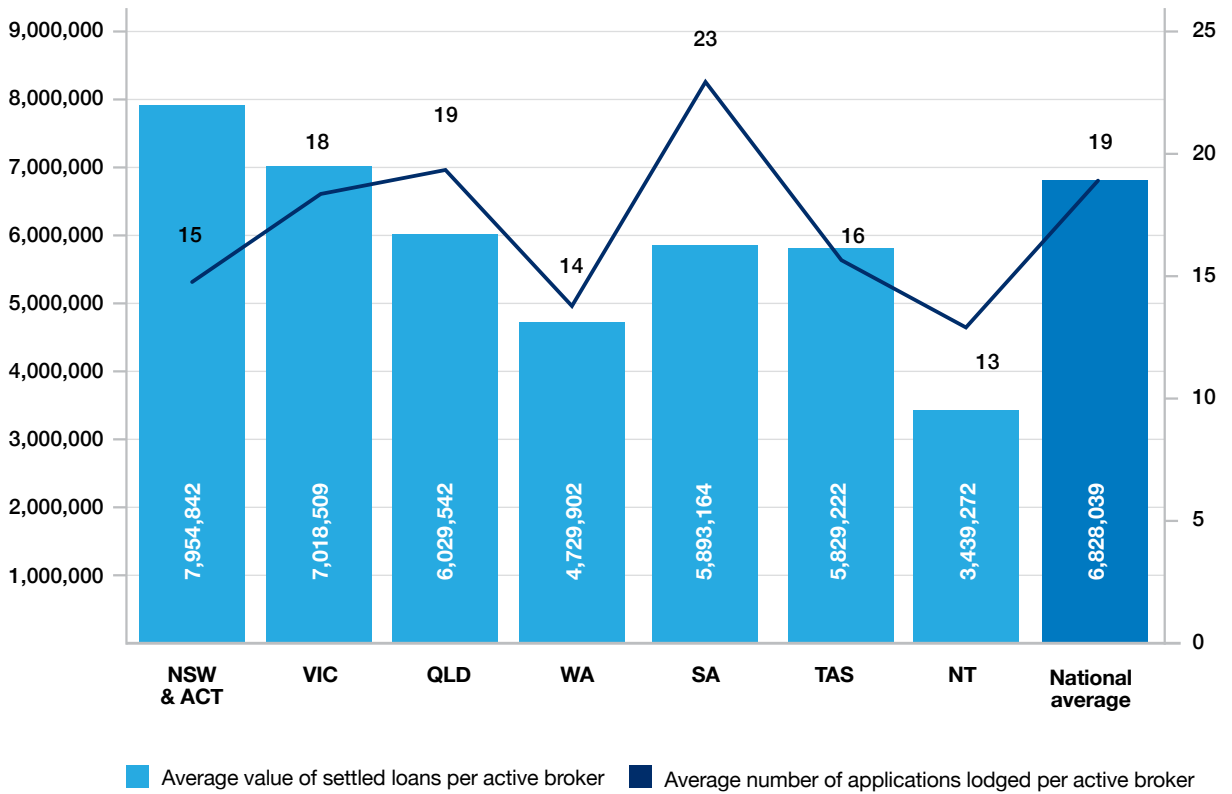
## Value of new home loans originated by brokers to end of September 2017 (\$)



Brokers settled over \$101billion in new loans in the April-to-September 17 half, breaking the \$100billion mark for the first time.

In the twelve months to the end of September 2017, brokers originated \$197billion of new home loans – the highest amount ever, and a 4.9% increase year-on-year.

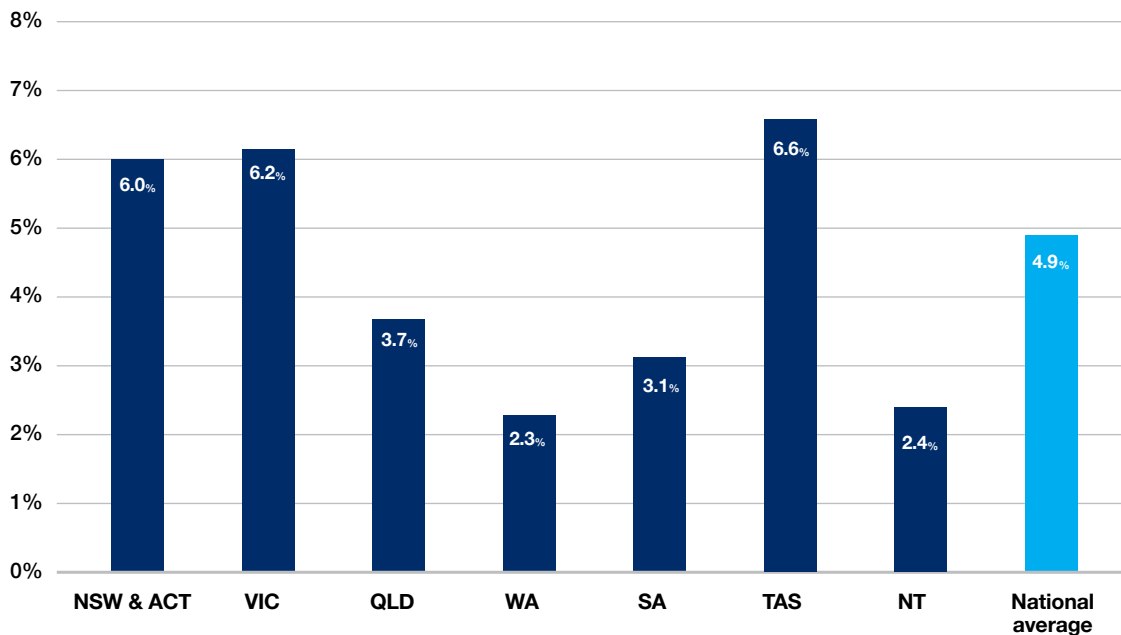
**Average value of new home loans settled (\$); and average number of applications lodged per active broker per state during the six-month period**



**Technical note:** This data is for active brokers only. Inactive brokers have been removed from the population sample.

*The aggregate value of brokers' home loan portfolios returned solid growth, boosted by new business, to exceed \$630billion.*

**Growth rates in residential loan book, April-to-September 2017 (\$)**



The aggregate value of brokers' home loan portfolios returned solid growth to exceed \$630billion – boosted by new business.

At the national level, the average brokers' portfolios grew by 4.9%. Growth in new business boosted the portfolios of the larger states, while weaker new business results in most of the smaller states meant below-average portfolio growth.

Amongst all this, although from a small base, Tasmania has been a stand-out, recording 6.6% growth in average broker loan book size, as well as 13.3% growth in new residential loan settlements. On these measures, Tasmania was the top performing state and territory in Australia.

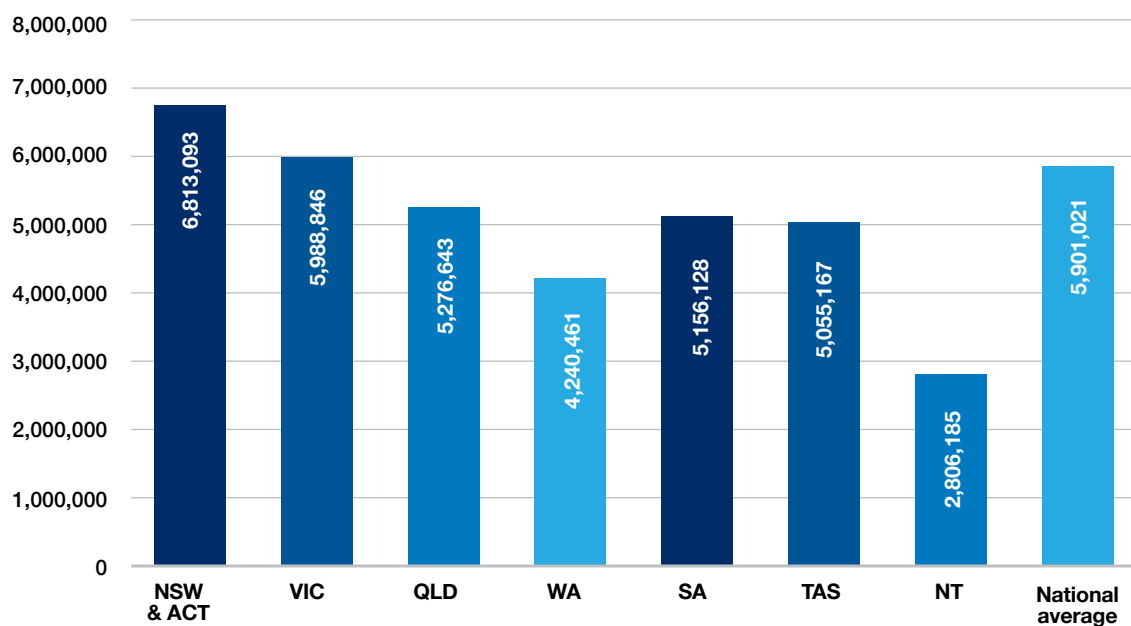
On an annualised basis, from October 2016 to September 2017, growth in the number of brokers compared to growth in new lending was comparable at 5.8% growth in new brokers and 5.7% growth in new lending.

However, this is a function of solid growth in New South Wales, Victoria and Tasmania, states where lending growth out-stripped growth in the number of brokers, and the Northern Territory where the decline in broker population exceeded the decline in the growth rate of new lending.

Conversely, increases in the numbers of brokers out-paced lending growth in Queensland, Western Australia (the stand-out) and South Australia, pointing to higher competition and increasing pressure on existing broker businesses.

*As growth of home loan settlements year-on-year levels off from its historically high rate, the recent buoyancy in the population of brokers appears to be a double-edged sword, dampening key measures of productivity.*

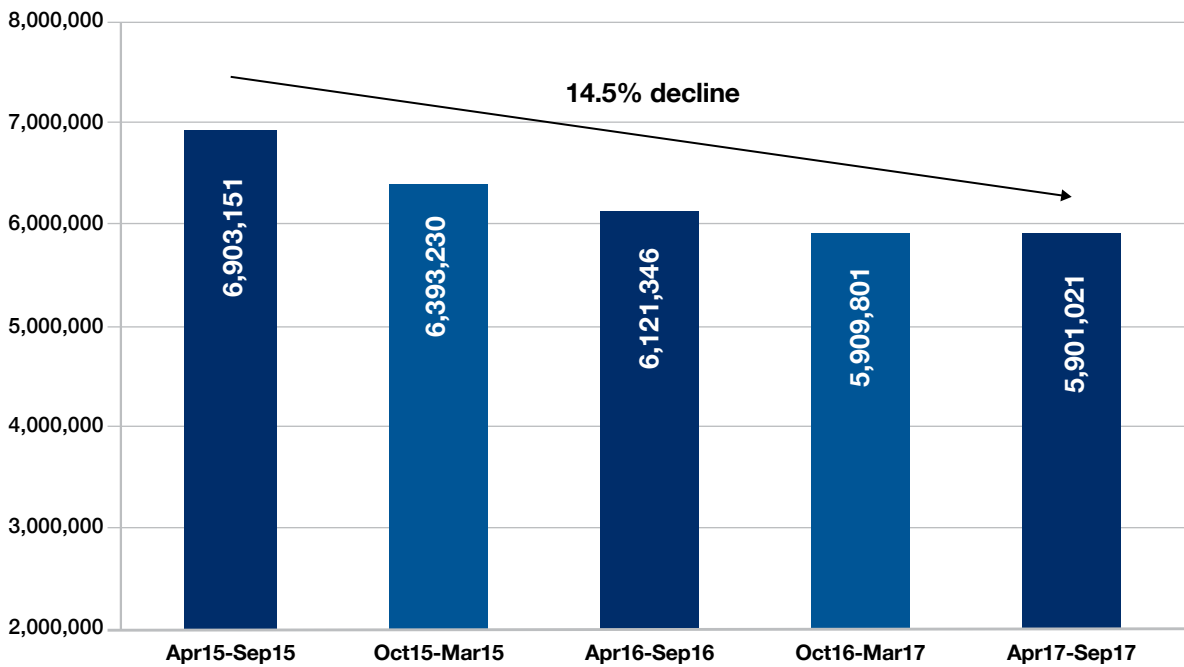
#### Average new home loan value per broker, per state, during the six-month period (\$)



Average value of new home loans settled per broker, an important indicator of brokers' overarching productivity, has been diluted by growth in the number of brokers, combined with the existence of the inactive broker segment – brokers who did not settle a loan during the period. This is arguably concerning, and will be revisited later in this IIS report.

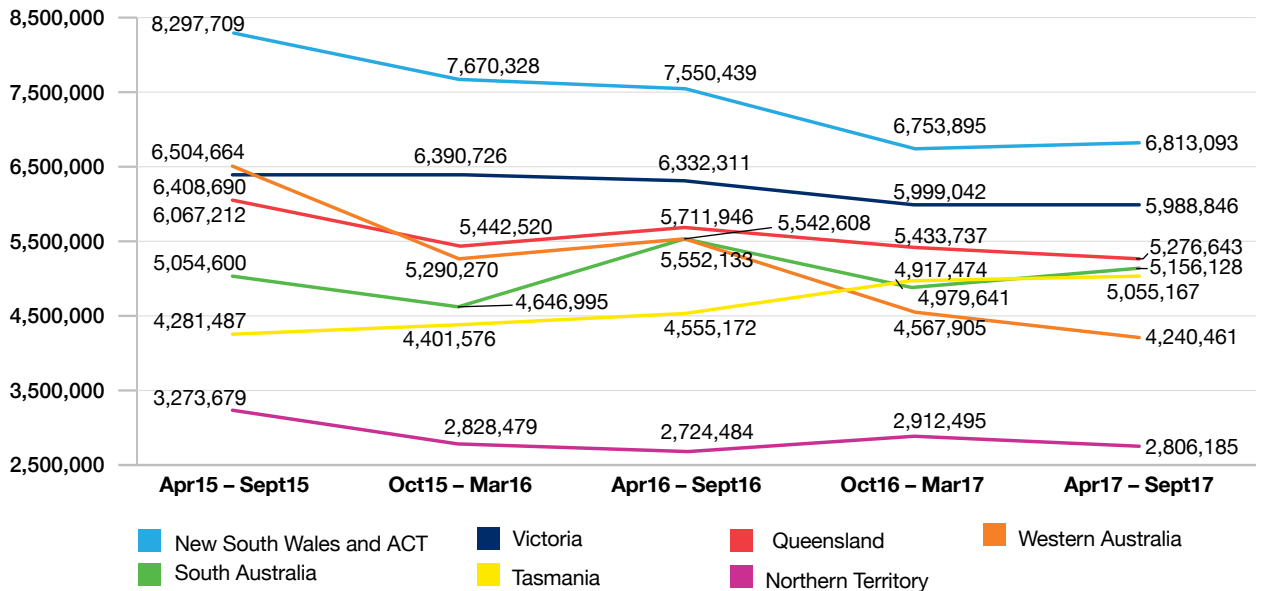
The value of new home loans settled per broker has declined by 14.5% over the last four six-month periods, to \$5.9million per broker.

### National average value of new home loans settled per broker (\$)



For the latest reporting period, at the state level, most states register steady declines in average settlements per broker, except for New South Wales, Tasmania and South Australia.

### Average value of new home loans settled per broker in each state (\$)



**Technical note:** data-sets at the state level do not always reconcile exactly to national figures. This is because of slight variances in some aggregators' data extracts at the state level. In comparator's view, these are not a material cause for concern.

The total average number of applications per broker has softened from the highs of the April-to-September 2016

Number of new home loan applications	Oct15-Mar15	Apr16-Sep16	Oct16-Mar17	Apr17-Sep17
New South Wales and ACT	86,541	83,782	89,000	86,415
Victoria	76,758	79,584	82,548	86,679
Queensland	47,800	48,648	52,227	47,308
Western Australia	34,128	30,613	38,366	27,428
South Australia	22,296	21,874	22,917	21,683
Tasmania	1,640	1,769	1,680	1,935
Northern Territory	1,125	818	998	818
<b>Total number of applications</b>	<b>290,879</b>	<b>317,651</b>	<b>303,303</b>	<b>303,058</b>

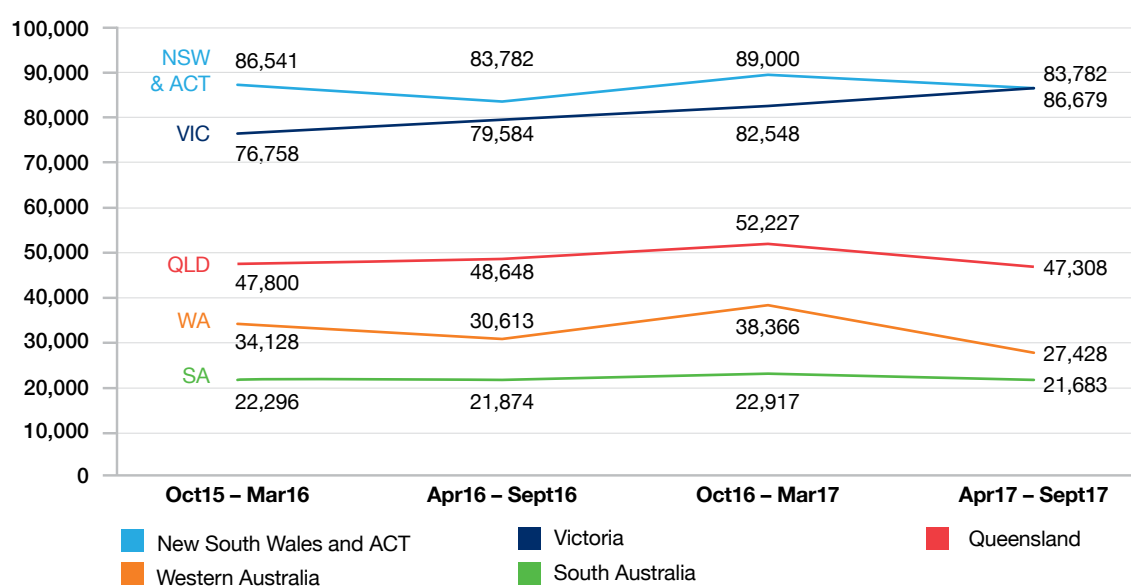
**NOTE:** One of the surveyed aggregators doesn't supply state-by-state application number data. Therefore, the total number of applications doesn't equal the sum of state-by-state data for the periods.

Another important indicator of a broker's levels of activity, and the state of the home loan market, is the volume of new loan applications lodged.

Based on the last four six-month periods, growth in the number of new loan applications may have plateaued. This data-driven finding is consistent with anecdotal reports of increasing caution amongst home buyers, wariness of evidence of a peak in housing prices, softening demand for home loans amongst borrowers, the tightening of credit policy settings, lower turnover in the housing market, and regulatory constraints placed upon foreign property buyers.

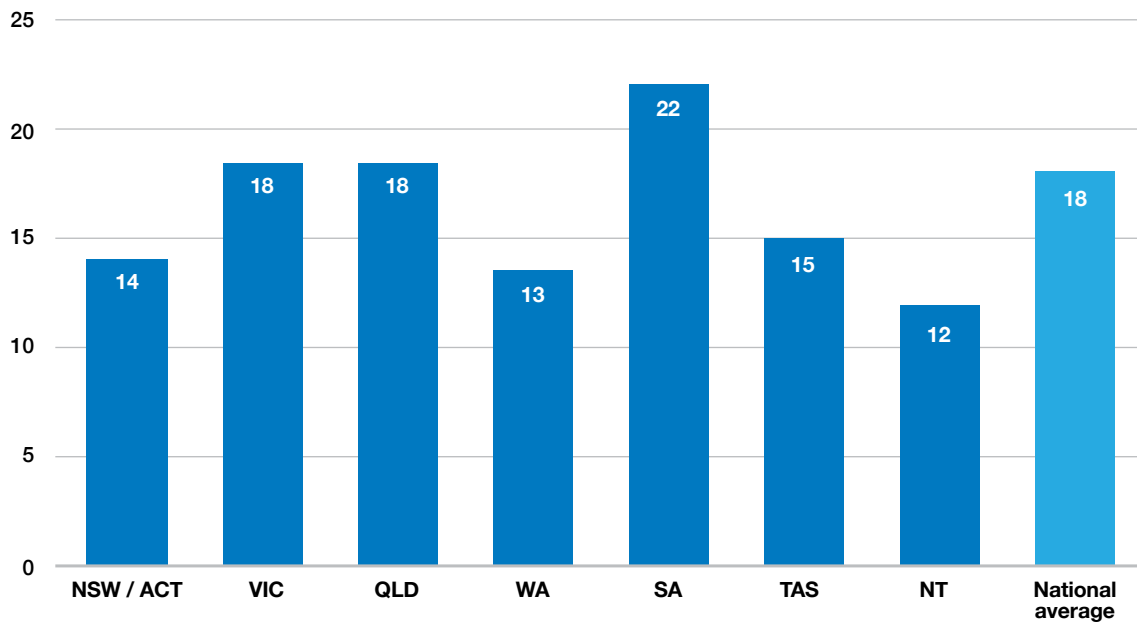
At the state level, the numbers of applications fell in four out of the five largest states in the September half year. The exception has been Victoria where application volumes rose consistently, in stark contrast to the conditions in Western Australia which returned a profound fall in new loan applications, down 28.5% (following a 25.3% spike in applications between the previous two periods).

### Number of new home loan applications by state



**Technical note:** Most, but not all aggregators provide data for new loan applications at the state level, so sub-totals for the states do not reconcile to the overall total. Data for the Northern Territory and Tasmania had been excluded from this analysis.

**Average number of new home loan applications lodged per broker in each state, and in total, during the six-month period April-to-September 2017**



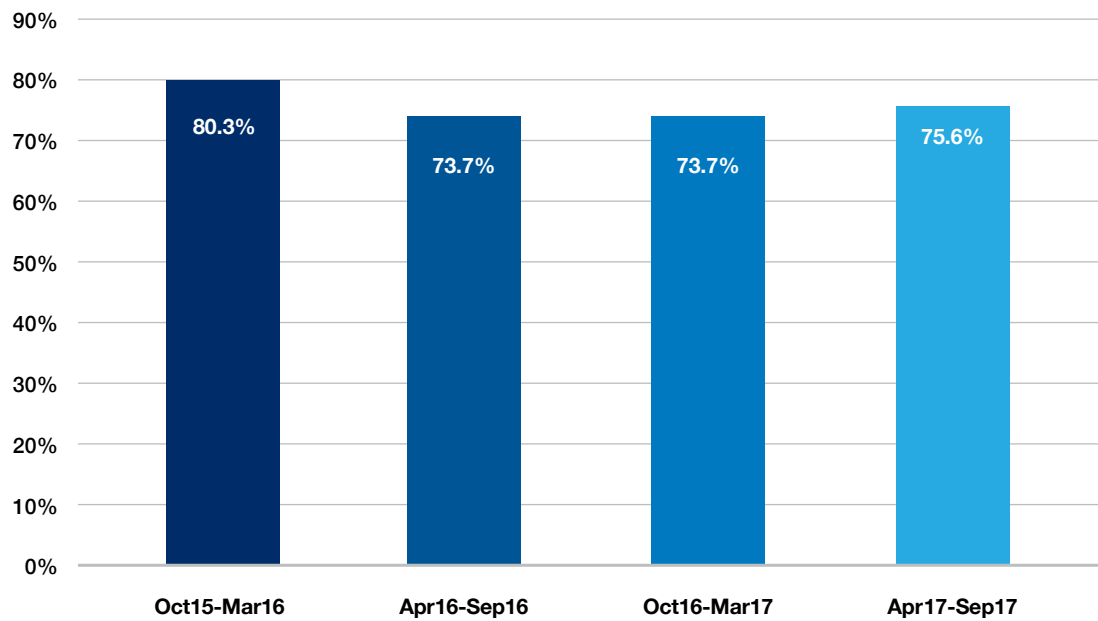
**NOTE:** Includes inactive brokers

	Oct15-Mar15	Apr16-Sep16	Oct16-Mar17	Apr17-Sep17
Average number of home loan applications lodged per broker	20	21	19	18

The large and growing population of brokers in New South Wales returned an average of 14 new loan applications per broker, one of four states and territories that came in below the national average of 18 applications per broker.

*The conversion rate of new home loan applications to settlements increased marginally to 75.6% for the six months to the end of September 2017.*

### Conversion rates by brokers



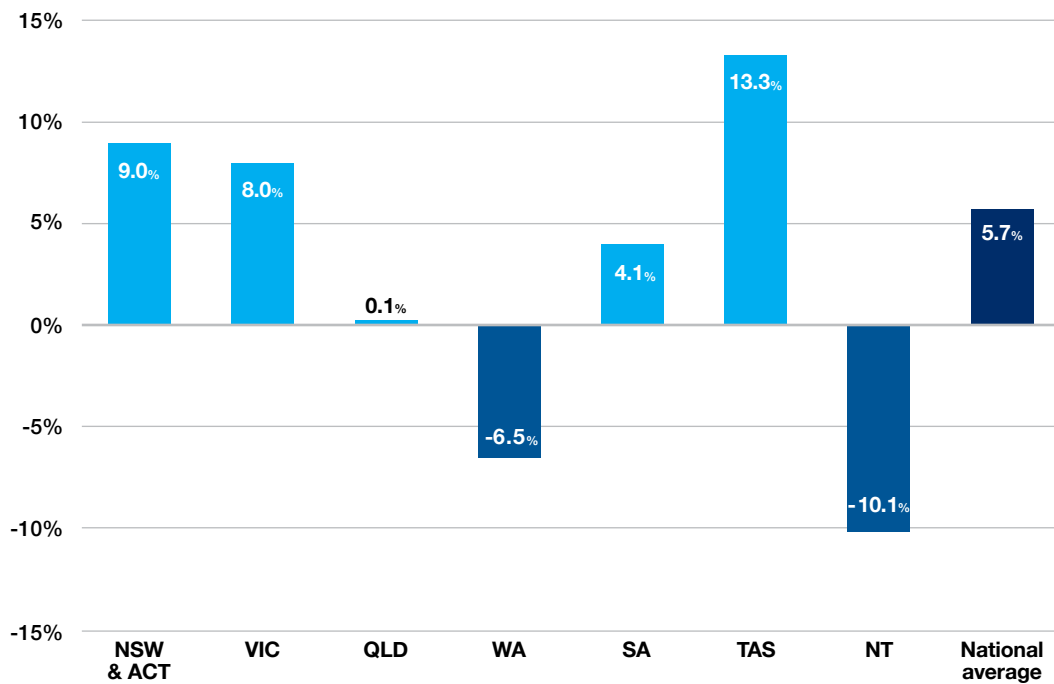
Conversion rates – the proportion of new home loan applications that successfully reach settlement – always need to be interpreted with caution as some aggregator's data may count conditional approvals rather than an application.

Despite this, it is plausible to infer that brokers are increasingly able to respond to lending policy changes and regulator initiatives, to effectively match customer needs and wants and their financial situation with appropriate finance products, to efficiently lodge successful applications.



*Solid growth at the national level disguises starkly different growth results at the state level.*

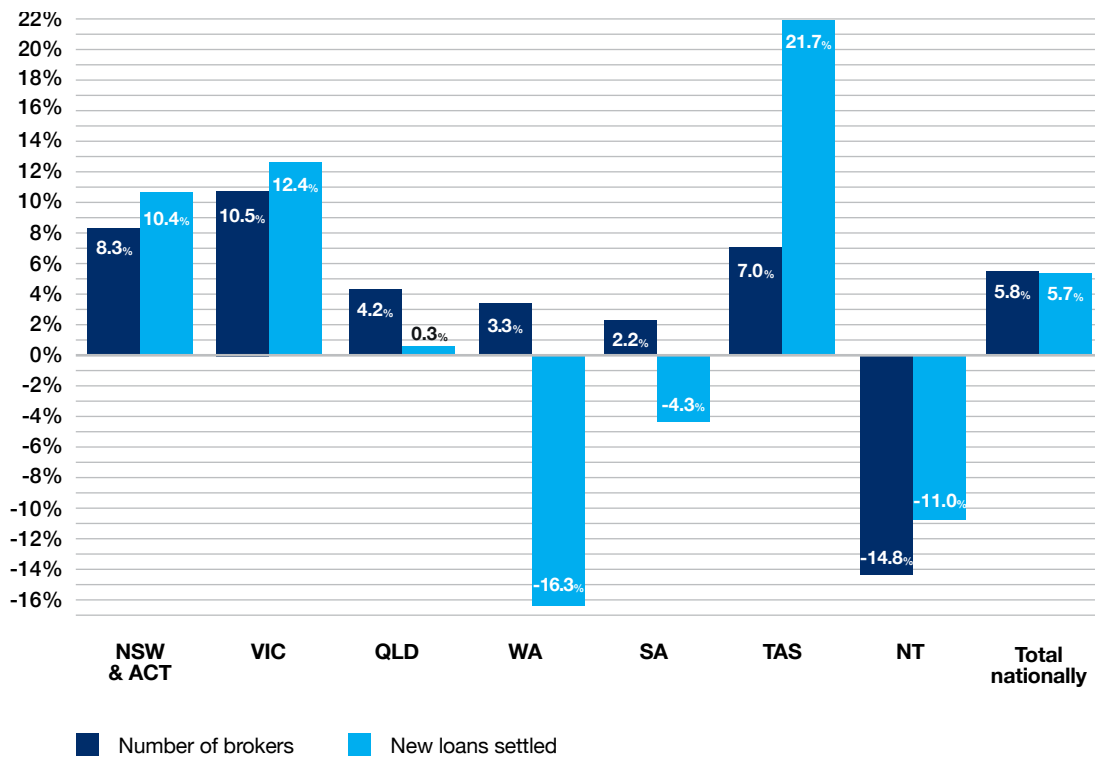
### Growth rates in value (\$) of new loan settlements, April-to-September 2017



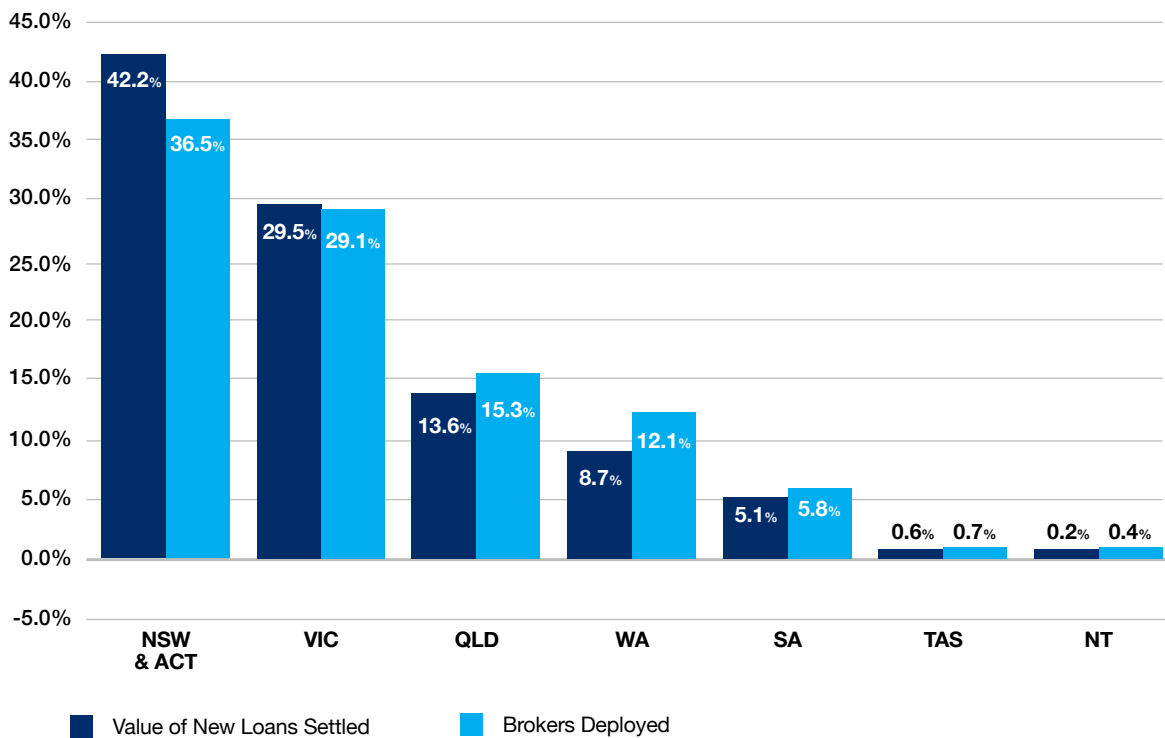
At a healthy 5.7% for six months, the growth rate for new loan settlements by brokers at the national level demonstrates buoyant market conditions. New South Wales and Victoria are the two drivers of growth amongst the larger states.

In contrast, the contractions in growth in Western Australia and the Northern Territory, and very weak growth in Queensland, serve to highlight the effect on home loan activity in states prevailing higher speed and lower speed economies.

### Growth rates in number of brokers deployed vs Growth rates in new loans settled (\$) year-on-year, September 2016 to September 2017

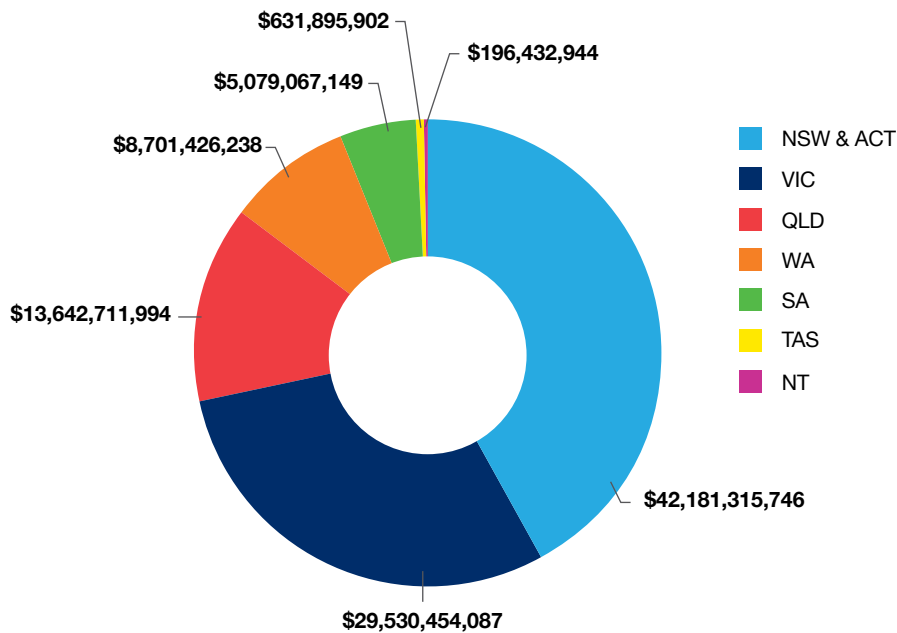


### Value of new home loans settled vs. % of brokers deployed in each state April-to-September 2017



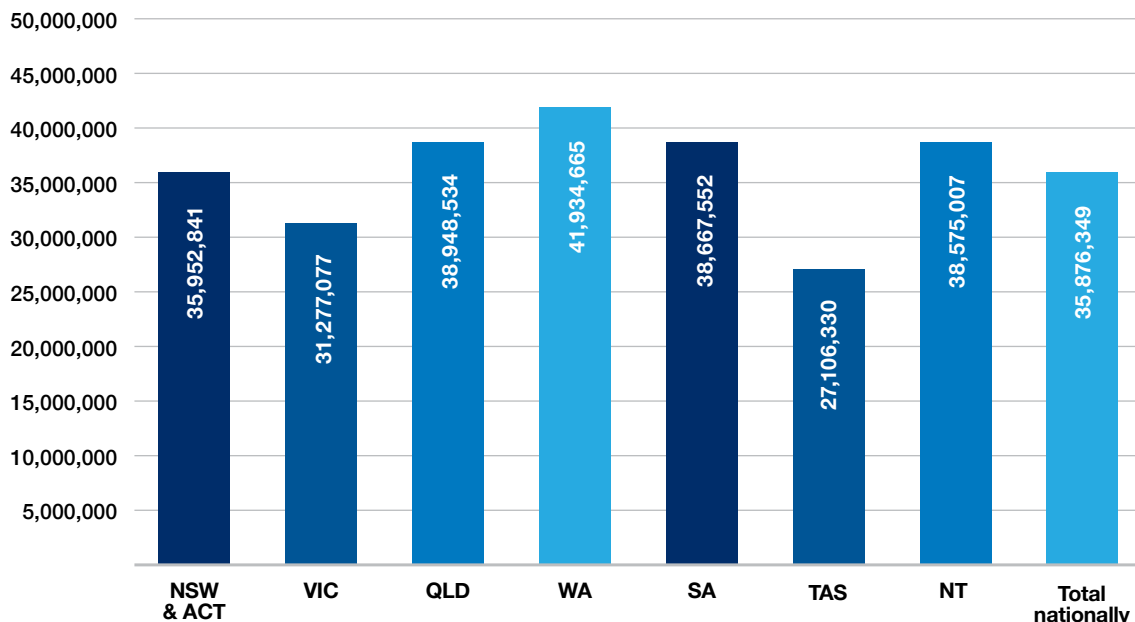
New South Wales and Victoria dominate the other states and territories in terms of settled home loans written by brokers.

Value of new home loans settled during the period in each state (\$)



The average value of brokers' residential lending portfolios has remained stable

Average value of the residential loan book per broker in each state, and in total, at the end of the period



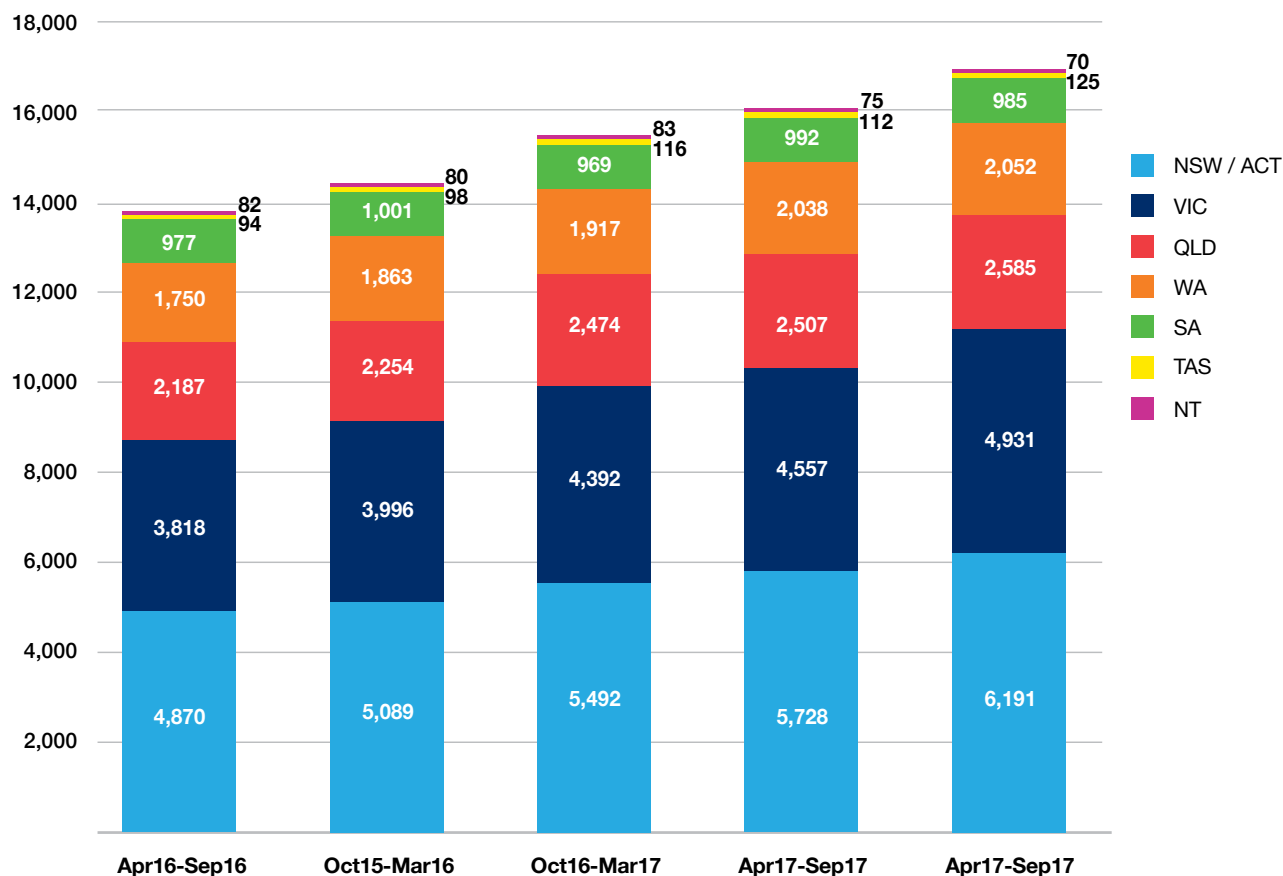
Consistent with observations in prior editions of the IIS, the average value of brokers' books, or portfolios, has remained fairly stable.

Readers may notice a softening of the averages across the board which is simply a function of the sharp increase in broker population over the last six months.

The overwhelming majority of brokers will not have registered, nor recognised, a change in their home loan book size. It is evident that these averages are diminished slightly by the near-zero portfolio balances of newcomers, and not across the board.

New South Wales' larger broker population may have contributed to its larger value of new lending. Whereas, on the other hand, Western Australia's number of brokers far exceeds its share of the new home loans settled. Victoria's equal share of broker population versus value of new loans settled suggests that the market is balancing opportunity and resource.

## Broker population by state

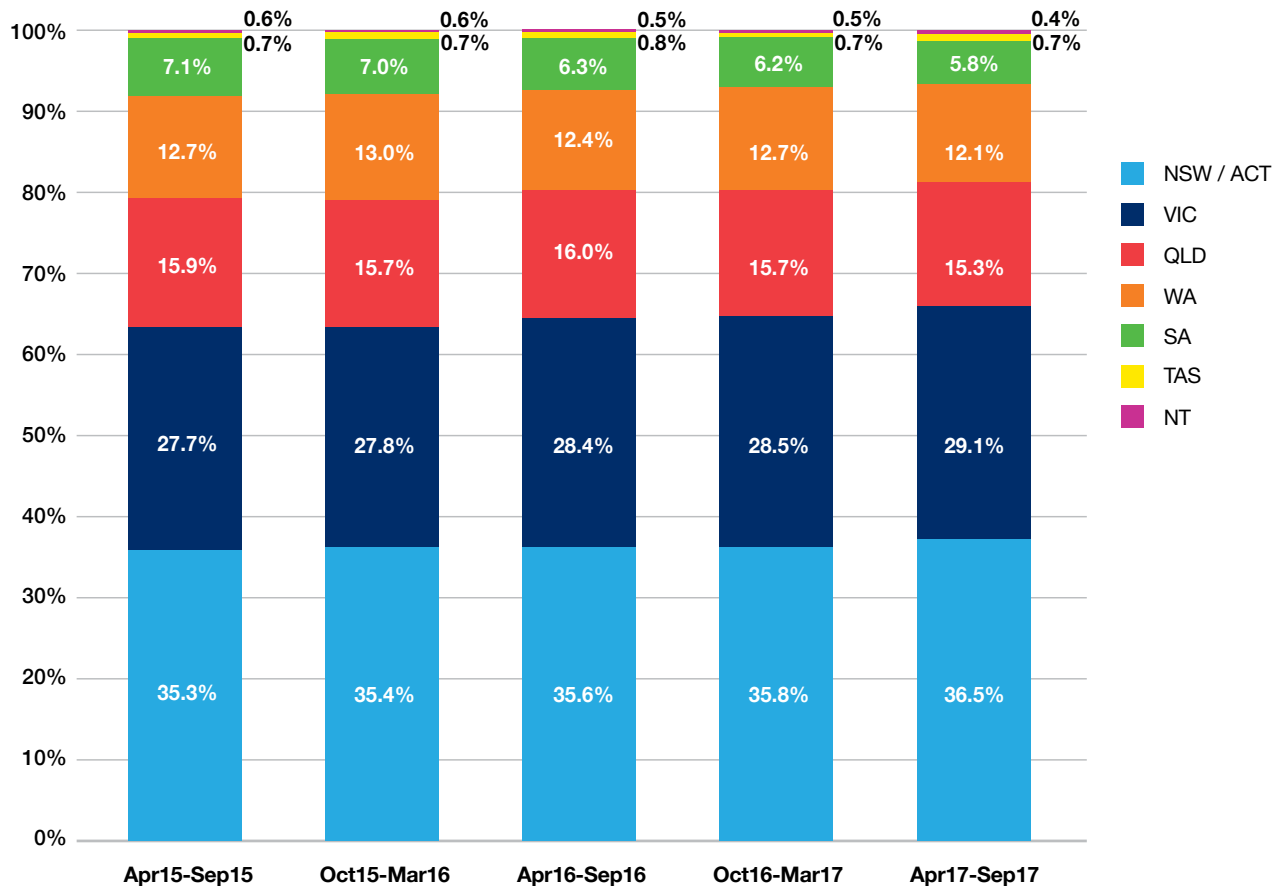


**Technical note:** Data sets for the numbers of brokers at the state level do not always reconcile exactly to national figures. This is because of slight variances in some aggregators' data extracts at the state level. In comparator's view, these are not of material concern.

## Growth in broker population by state (%)

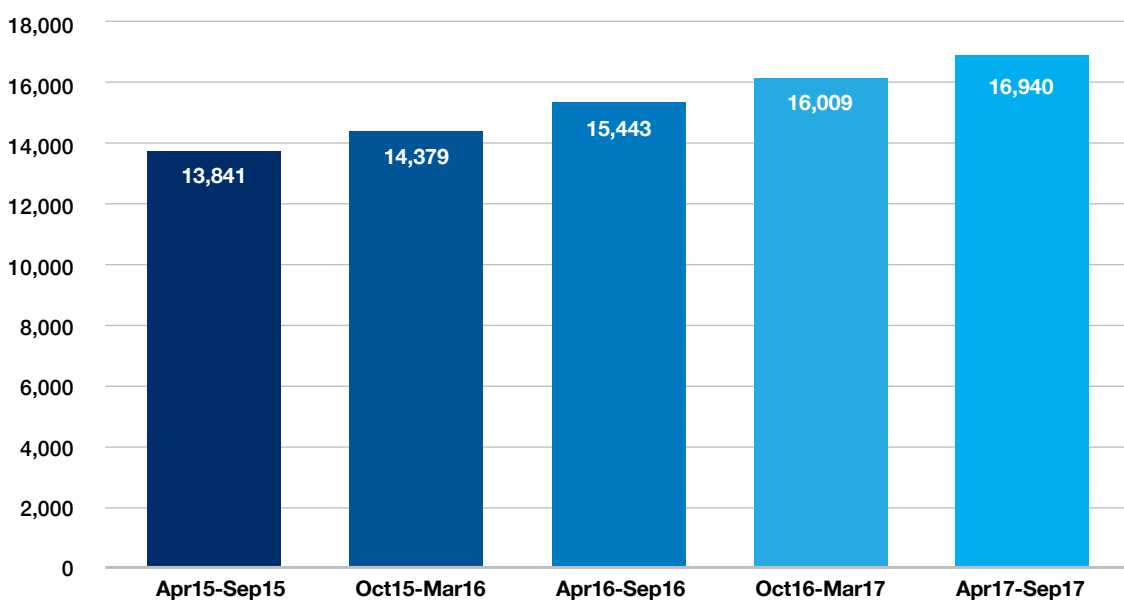
State	Apr 15-Sept 15 to Oct 15-Mar 16	Oct 15-Mar 16 to Apr 16-Sept 16	Apr 16-Sept 16 to Oct 16-Mar 17	Oct 16-Mar 17 to Apr 17-Sept 17
NSW and ACT	4.5%	7.9%	4.3%	8.1%
VIC	4.7%	9.9%	3.8%	8.2%
QLD	3.0%	9.8%	1.3%	3.1%
WA	6.4%	2.9%	6.3%	0.7%
SA	2.5%	-3.2%	2.4%	-0.7%
TAS	3.9%	19.0%	-3.6%	11.6%
NT	-3.0%	4.5%	-9.8%	-6.7%

## Broker population by state (%)



**Technical note:** Data sets for the numbers of brokers at the state level do not always reconcile exactly to national figures. This is because of slight variances in some aggregators' data extracts at the state level. In comparator's view, these are not of material concern.

## Total broker population



Australia's broker population continues to grow.

In the most recent six-month period to September 2017, the Australian broker population had grown by the largest increment ever observed by the IIS, by 931 newcomers to 16,940 brokers.

This result extends the solid growth trend in the number of mortgage brokers.

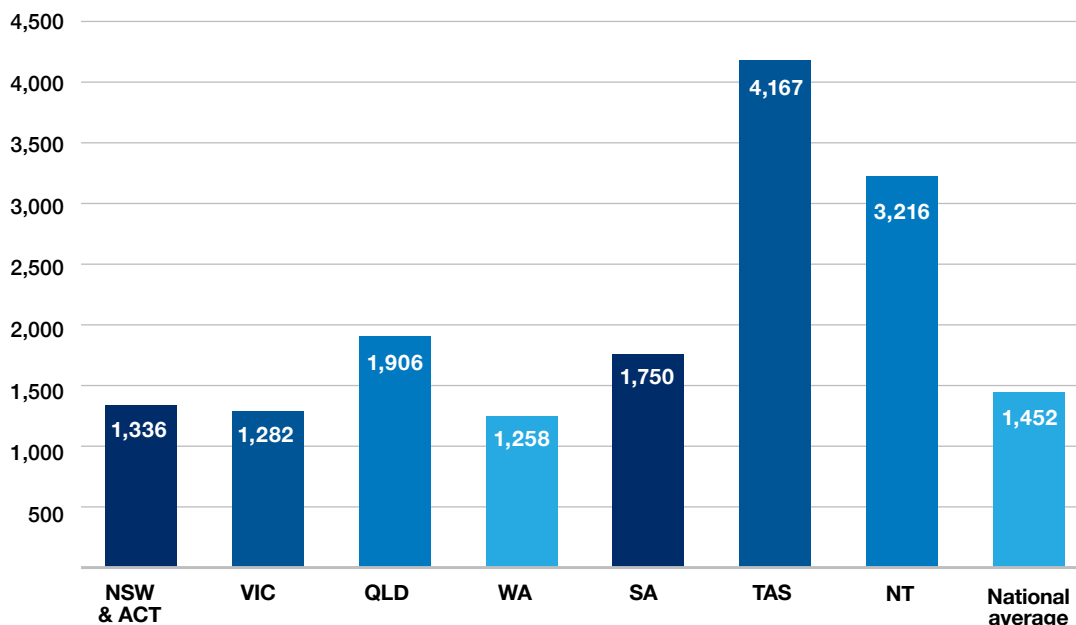
Reasons for the strong growth may include the consumers' continued (and growing) support of the broker proposition, a relatively stable and competitive interest rate environment, intense recruitment activity amongst the larger aggregators, and not least of all, the dependence of lenders on the third-party broker channel.

In the last two years, the number of mortgage brokers has grown by 3,099 brokers (22.4%), up from 13,841 in September 2015. When compared with the growth rate of new loan settlements of 9% over the same two-year period, the higher growth rate in brokers could present challenges to the sustainability of the industry.

*There is now one mortgage broker per 1,452 Australians.*

### Number of people per mortgage broker compared with the population

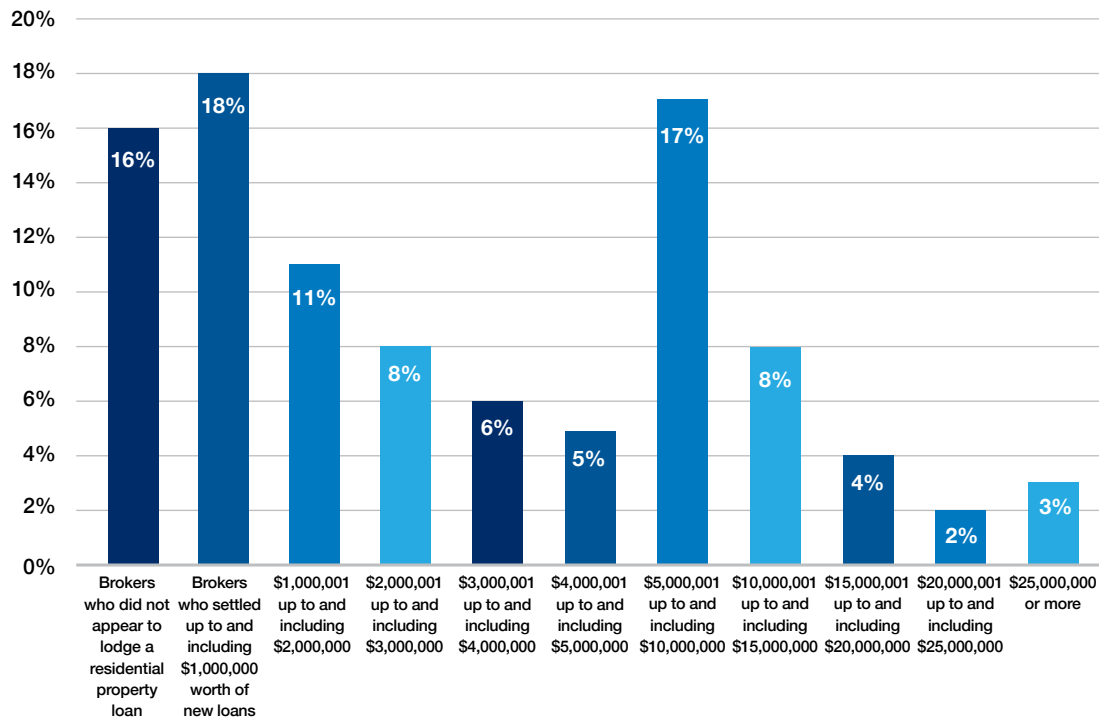
Based on ABS's Estimated Resident Population, June 2017



The national average number of people per mortgage broker has fallen once again to 1,452 people per broker – a result of the booming broker population. Of the larger states, Queensland remains somewhat less diluted by brokers, and Western Australia remains the most penetrated.

*Inactive brokers still represent a sizeable proportion of the broker population at 16%, diluting productivity figures for the whole sector.*

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



**Technical note:** The figures used in this analysis are a representative sample of the industry only, not a complete coverage of the broker population.

Although the absolute number had fallen marginally compared to the prior period, it remains that the industry accommodates a significant number of inactive brokers (16%)

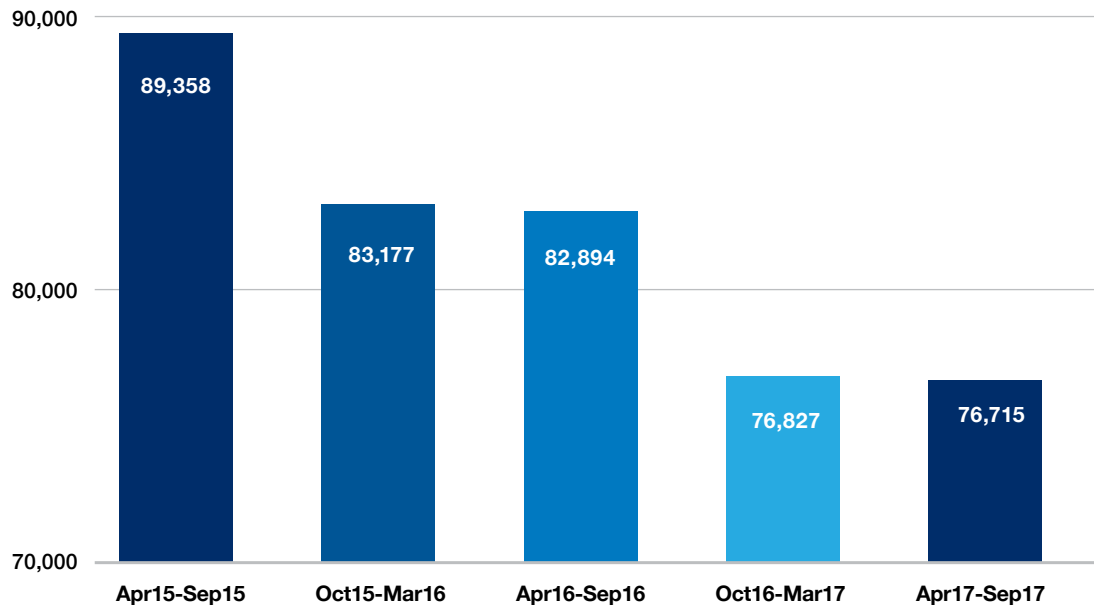
Consistent with higher levels of recruitment, and – to be explored later – higher levels of turnover, this figure must be seen as “normal” even though it may not be desirable (see pages 29-30).

All other proportions remain unchanged period-on-period, reinforcing a theory that the shape of the industry’s ‘performance cohorts’ is a fundamental feature of the industry.

When the 16% of the broker population who are considered “inactive” are removed from measures of brokers’ productivity, the ratio of new loans settled per active broker, and new loan applications per active broker, improves. The average number of loans written by brokers increases from 18 to 19, and the average value of new loans settled per broker increases from \$5.9million to \$6.8million – up roughly 19%.

Broker remuneration averages remain fairly stable compared to last period, but continue the downward trend of the last two years.

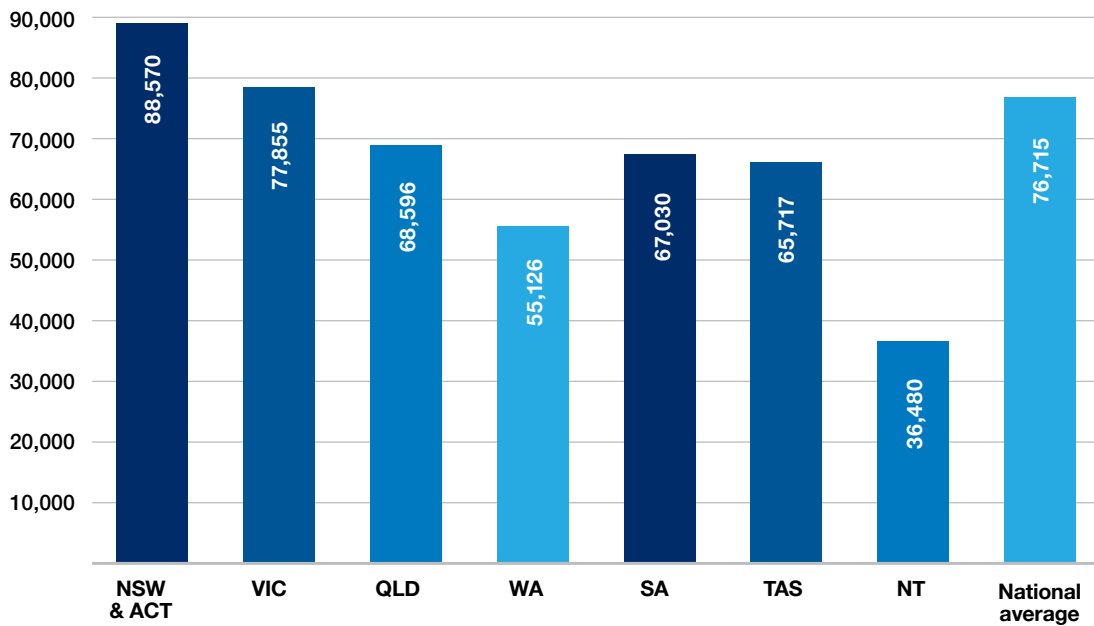
**National average gross up-front commissions generated per broker, prior to costs (\$)**



There is no material change in the remuneration measures in this report compared to the previous report.

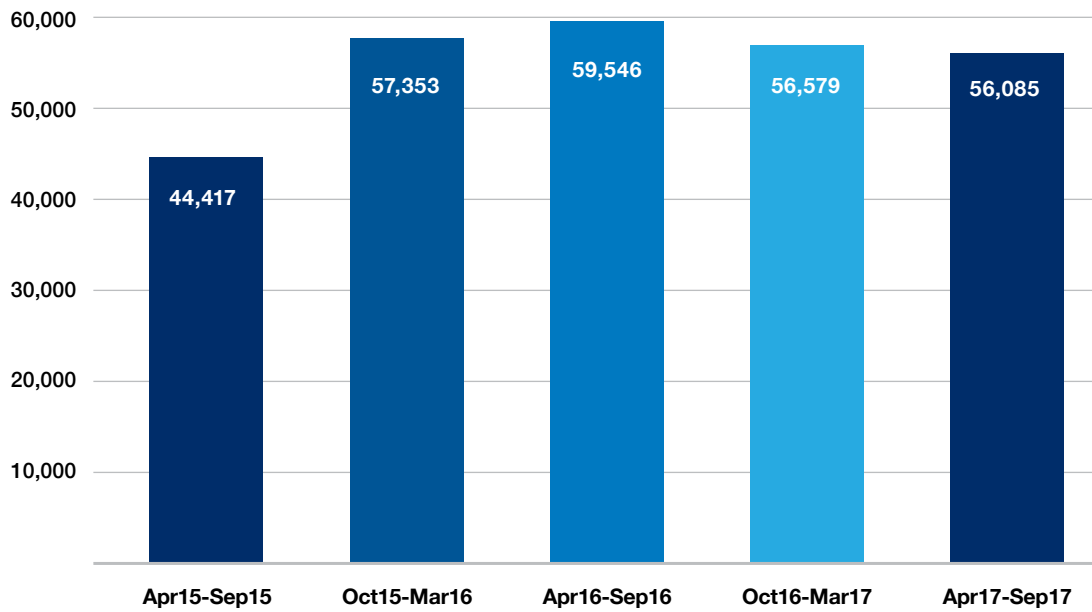
The average gross up-front remuneration (commission) generated per broker, per annum, is \$76,700. Trail sits at \$56,000 (Note: brokers' average gross up-front remuneration and gross trail remuneration from residential lending, both prior to all costs and prior to meeting any commercial obligations with aggregators, are estimates).

**Average gross up-front commissions generated per broker, prior to costs, per annum, by state (\$)**





## National average gross trail commissions generated per broker, prior to costs (\$)



Gross remuneration generated in this analysis is defined as the total amount that lenders paid for the origination services provided by brokers. The numbers do not quantify the effects on gross remuneration generated of splits, claw-backs, nor any of the incentive payments, nor scaled or tiered commission structures that are commonly deployed, or commercial lending.

The national average of brokers' gross annual earnings was \$132,800.

Average gross trail commission generated per broker, per annum per state (\$)



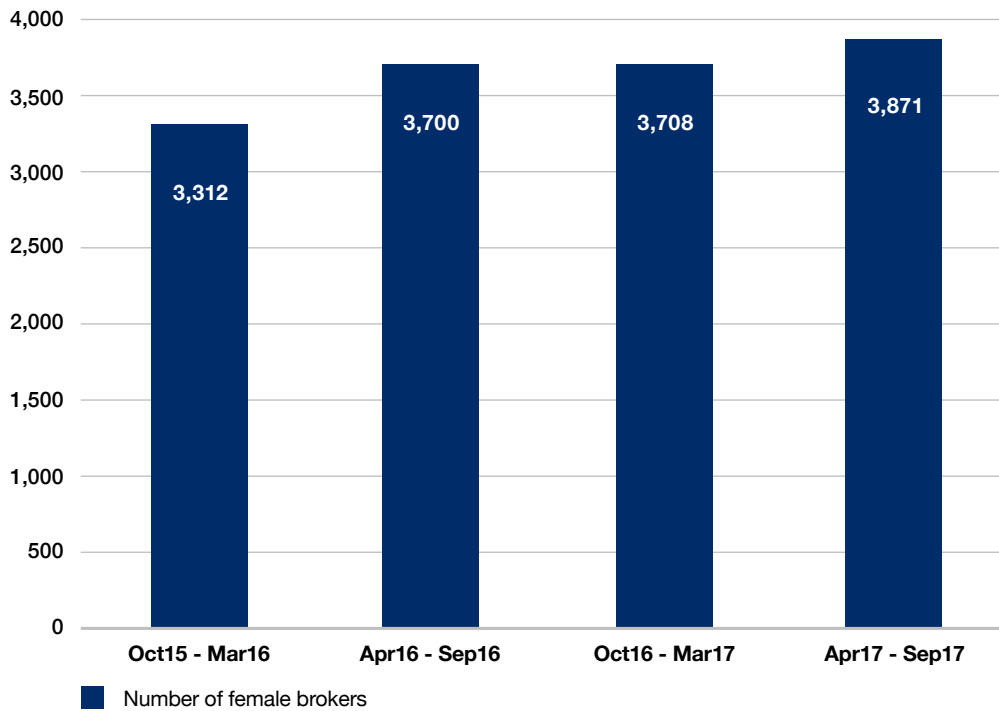
Calculation of broker's average gross annual earnings

Combined up-front and trail remuneration generated per broker, prior to costs per annum	Average up-front remuneration generated \$	Average trail remuneration generated \$	Total gross earnings generated \$
New South Wales and ACT	88,570	55,406	143,976
Victoria	77,855	48,386	126,241
Queensland	68,596	59,704	128,300
Western Australia	55,126	70,327	125,453
South Australia	67,030	61,565	128,594
Tasmania	65,717	40,659	106,377
Northern Territory	36,480	57,863	94,343
<b>National Average</b>	<b>76,715</b>	<b>56,085</b>	<b>132,800</b>

On average, the sum total of brokers' up-front and trail remuneration generated are calculated to be \$132,800 p.a.

*Aggregators continue to recruit women into mortgage broking.*

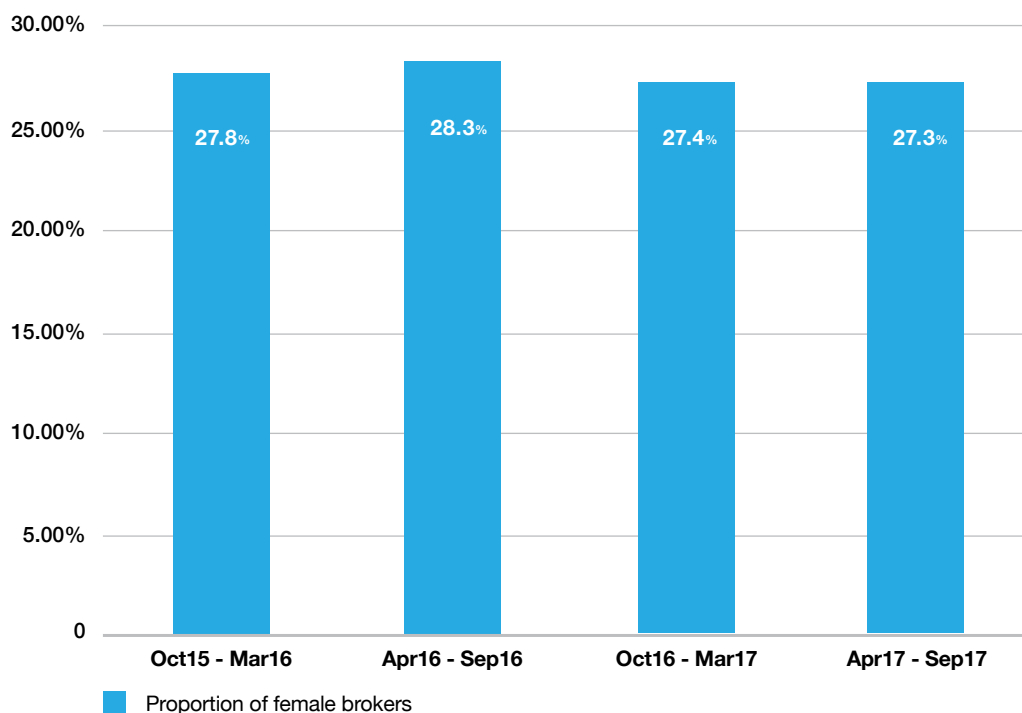
**Number of female brokers in the industry**



The absolute number of female brokers in the industry continues to increase, although the overall proportion of women in broking (compared to the total population) remains very stable around 27% (currently at 27.3%).

Women continue to join the industry in increasing numbers, but proportionally, more men are joining.

### Proportion of female brokers in the industry (%)



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

	Apr15 – Sep15	Oct15 – Mar16	Apr16 – Sep16	Oct16 – Mar17	Apr17 – Sep17
Number of men recruited during period	931 (66%)	972 (68%)	947 (68%)	938 (72%)	1,168 (69%)
Number of women recruited during period	475 (34%)	454 (32%)	439 (32%)	360 (28%)	523 (31%)

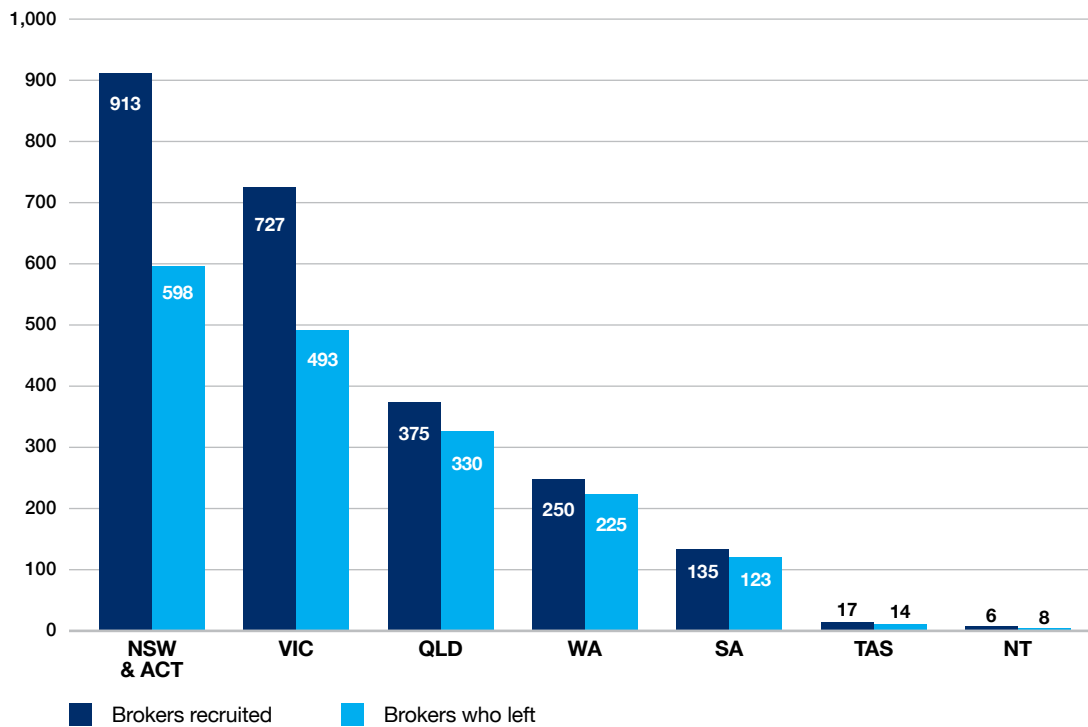
*Broker turnover is at an average of 10% during the six-month period.*

**Broker turnover (or churn) during the six month period. Calculated as the number of brokers who left divided by the number of brokers at the start of the period (%)**

Turnover in New South Wales and Australian Capital Territory	9.0%
Turnover in Victoria	8.8%
Turnover in Queensland	11.7%
Turnover in Western Australia	9.5%
Turnover in South Australia	11.1%
Turnover in Tasmania	8.5%
Turnover in Northern Territory	11.1%
<b>National average</b>	<b>9.9%</b>

The rates of broker turnover has increased for aggregators over the last six months. Turnover has increased half-year-on-half-year to double digit figures in Queensland, South Australia and the Northern Territory. The other states weren't far behind. These higher rates of turnover may be as a result of an increasing broker population, muted sales productivity and volumes, falling new loan application volumes, and the increased regulatory scrutiny of the mortgage broking industry, all placing brokers under significant pressure. These turnover results may also be the result of the dawning generational shift in the broker population.

## How many brokers were recruited by leading aggregators and how many left in each state during the six month period?



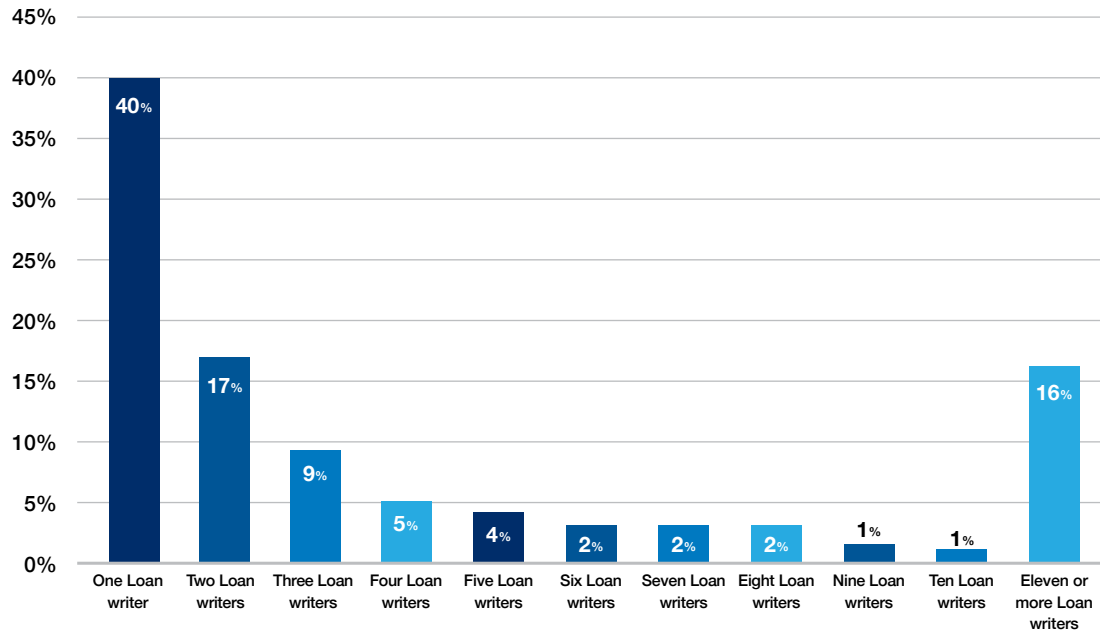
Recruitment activity could be considered intense. At the national level, 2,423 brokers were recruited by the surveyed aggregators in the six-month period. At the same time, 1,594 brokers left their aggregators. By strong inference, 829 newcomers joined the industry – a figure aligned with the overall growth in the broker population observed earlier.

At the state and territory level, New South Wales and Victoria cemented their positions as the states with the largest populations of brokers. Therein, recruitment and attrition was marked. Over 900 brokers were recruited by the leading aggregators in New South Wales, with nearly 600 leaving or having moved, implying that 300 newcomers entered the mortgage broking industry in New South Wales alone. A similar pattern is evident in Victoria.

In the smaller states and territories, a more muted pattern of growth in broker populations can be observed with net increases to the numbers in Queensland, Western Australia, South Australia and Tasmania. Based on these inferences, only the Northern Territory recorded a contraction in broker population numbers.

Broker offices made up of sole or dual operators dominate the landscape.

### Brokers working as sole operators or in multi-broker offices April-to-September 2017 (%)



**Technical note:** The data in this chart is based on a sample of 6,241 brokers, which is representative, but not complete.

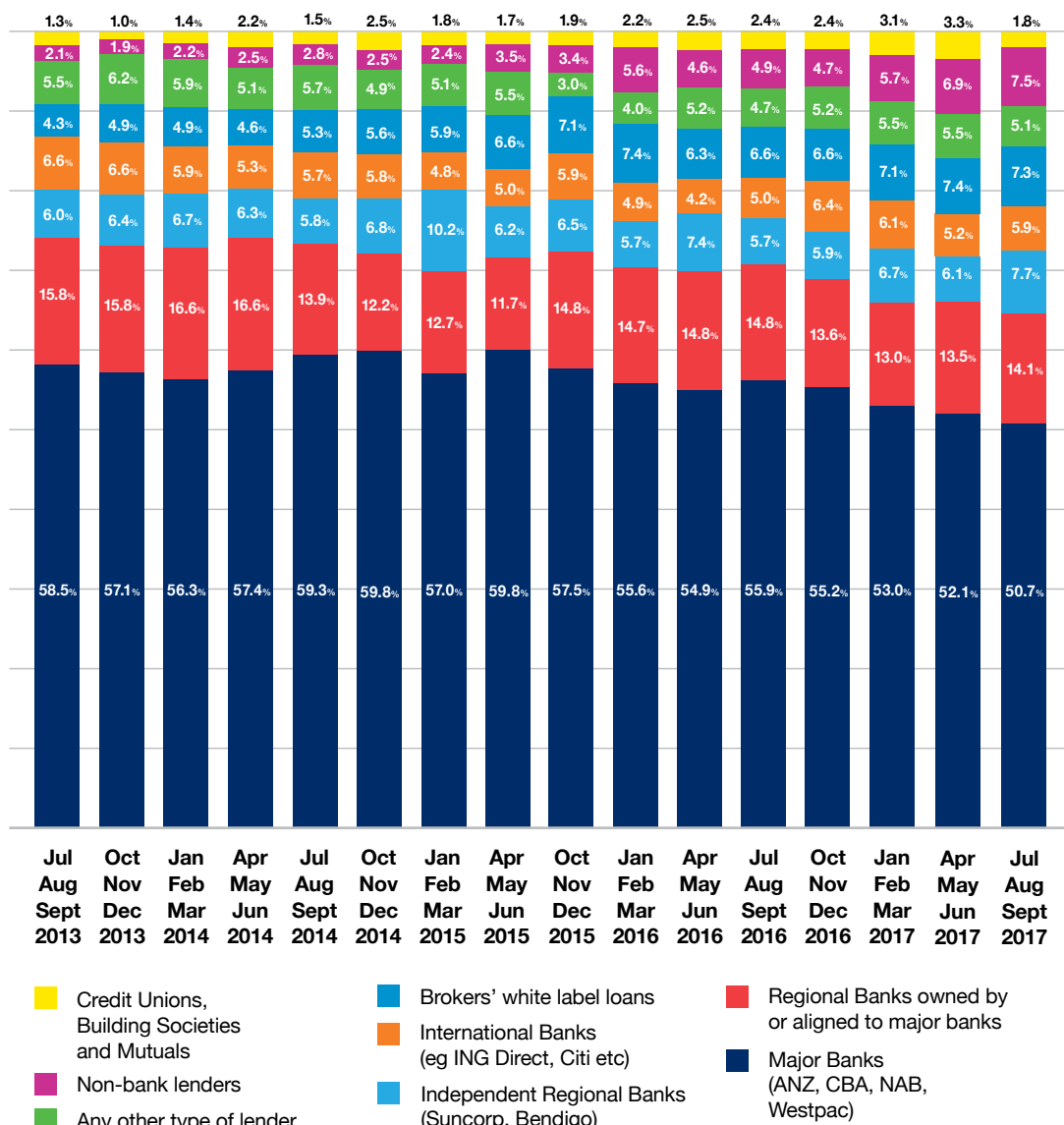
57% of the broker population work in boutique offices, defined as offices with one or two loan writers, consistent with previous editions of the IIS.

Possible rationalisation of poorer-performing businesses may reshape this distribution curve going forward as aggregators hint at strategies to improve productivity and profitability, and to focus their resources lifting all brokers into higher-performing segments.

## Lender Category

The proportion of broker-settled home loans lodged with smaller lenders continues to grow, with a notable up-lift in business to non-bank lenders, international banks and independent regional banks over the last six months.

Value of new lending originated for each lender segment (%)



**Technical note:** No data was available for the July-to-September 2015 Quarter

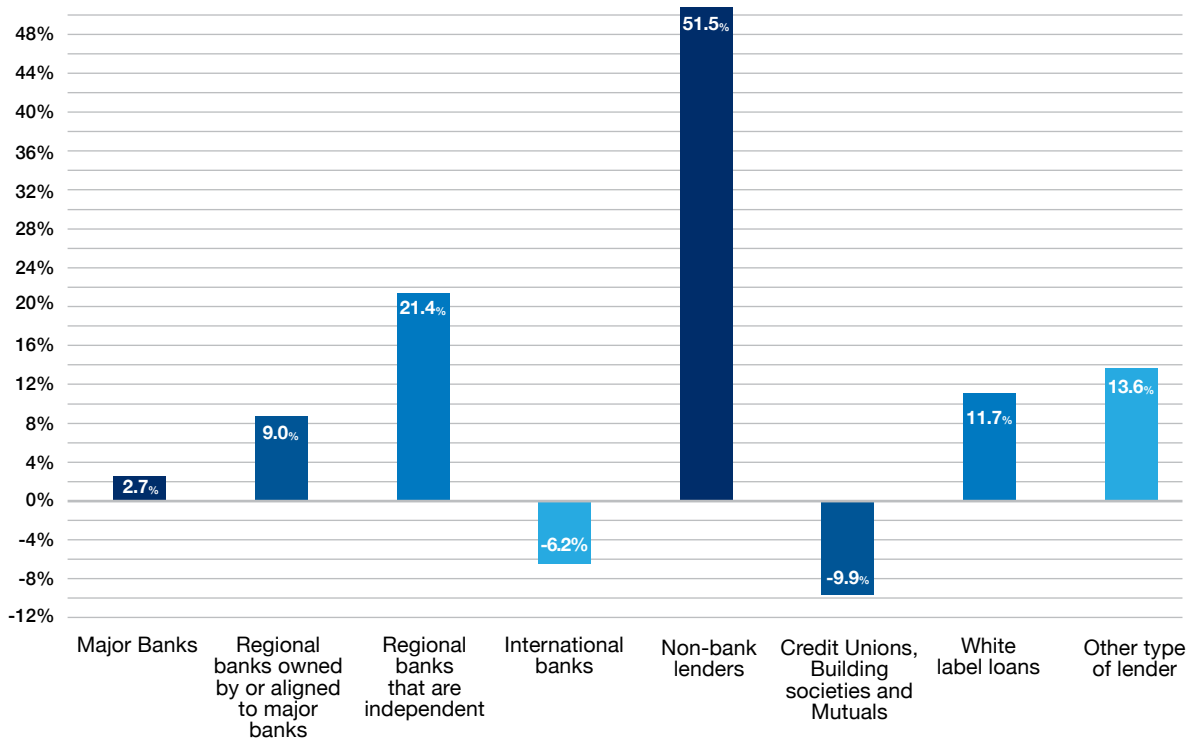
This has come at the expense of new lending to the major banks and credit unions, mutuals and building societies. Independent regional banks also performed strongly, reaching their highest levels recorded by the IIS. One possible explanation could be the majors withdrawing from interest-only and higher LVR lending markets.

Interestingly, after a period of steady growth, the share of home loans placed by brokers with credit unions, mutuals and building societies contracted sharply, from 3.33% the prior period to 1.8% this period. Theories on why need to be interpreted with care, but the recently more assertive posture of independent regional banks and non-bank lenders, both of whom tend to have more localised foot prints and brand recognition, may have dampened results for the smallest segment of lenders.

It is worth noting that market share for smaller lenders not in any way affiliated to the four majors, has grown from 21.5% to 28% in the last four years.



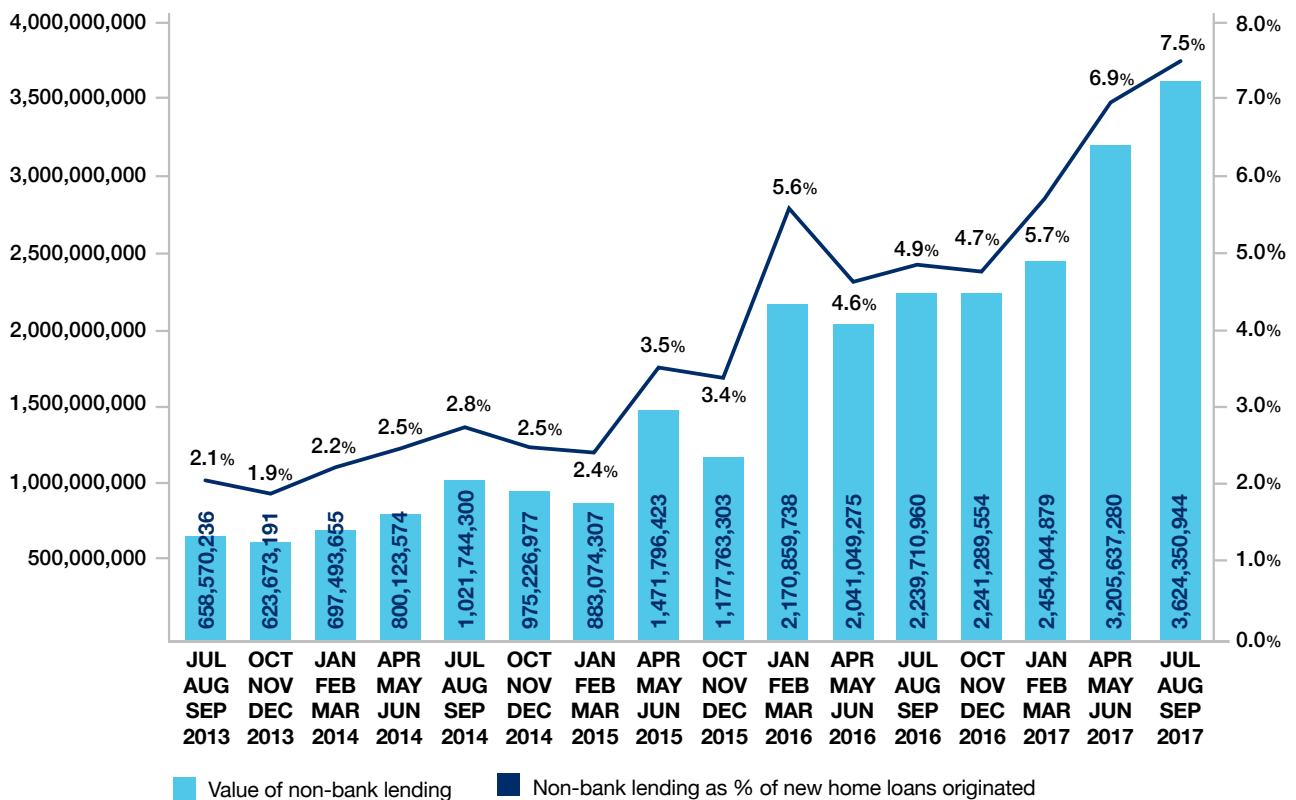
## Growth rates in value of new home loans settled with each category of lender April-to-September 2017



Note: 'Non-bank lenders' refers to: Firstmac, Resimac, Home Loans Ltd etc.

*Non-bank lending continues to show consistent growth.*

## Growth of non-bank lending per quarter

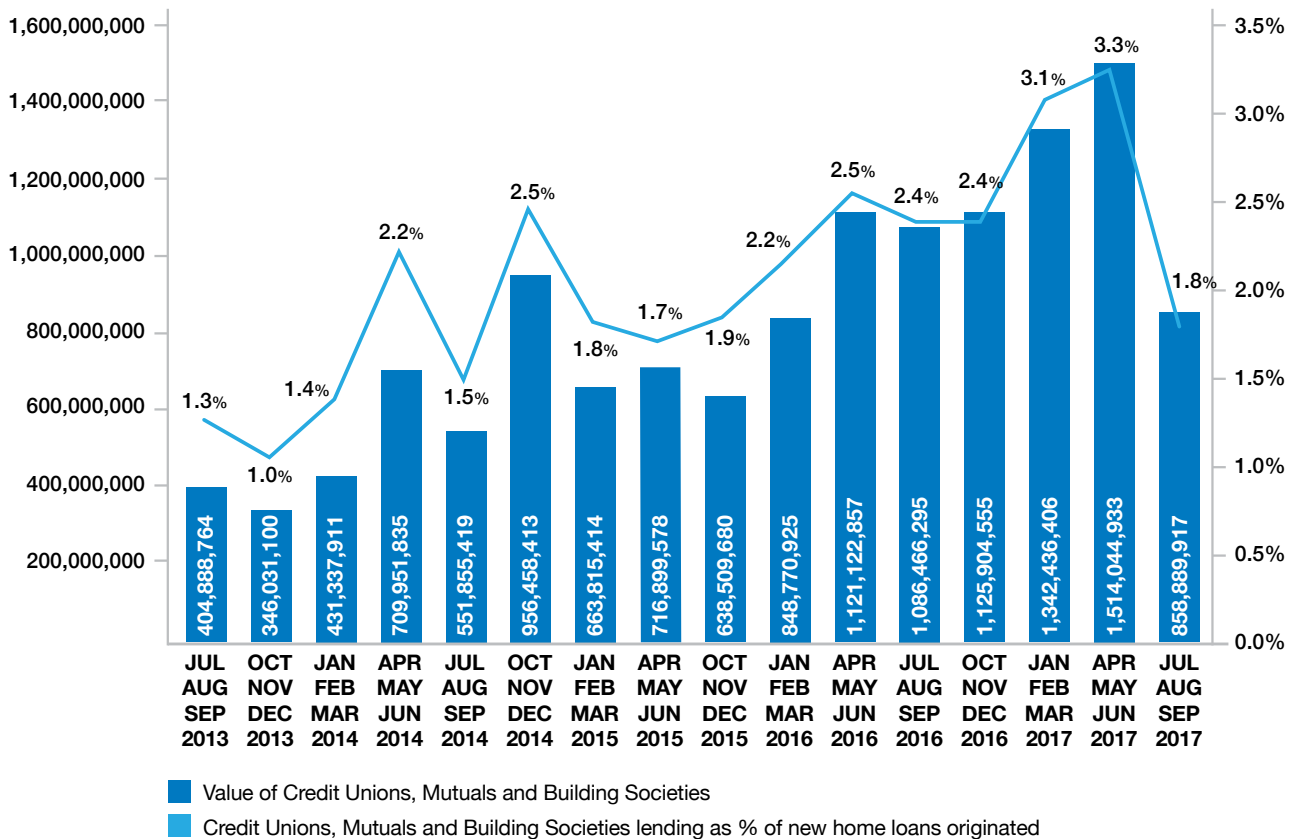


Technical note: No data was available for July-to-September 2015 quarter

Non-bank lenders have benefited from mortgage brokers' placement of new business, recording higher growth rates in the last three quarters than ever observed during the four year period measured by the MFAA's Quarterly Survey.

*New lending by credit unions, mutuals and building societies segment has grown however has fallen this period.*

### New lending by credit unions, mutuals and building societies

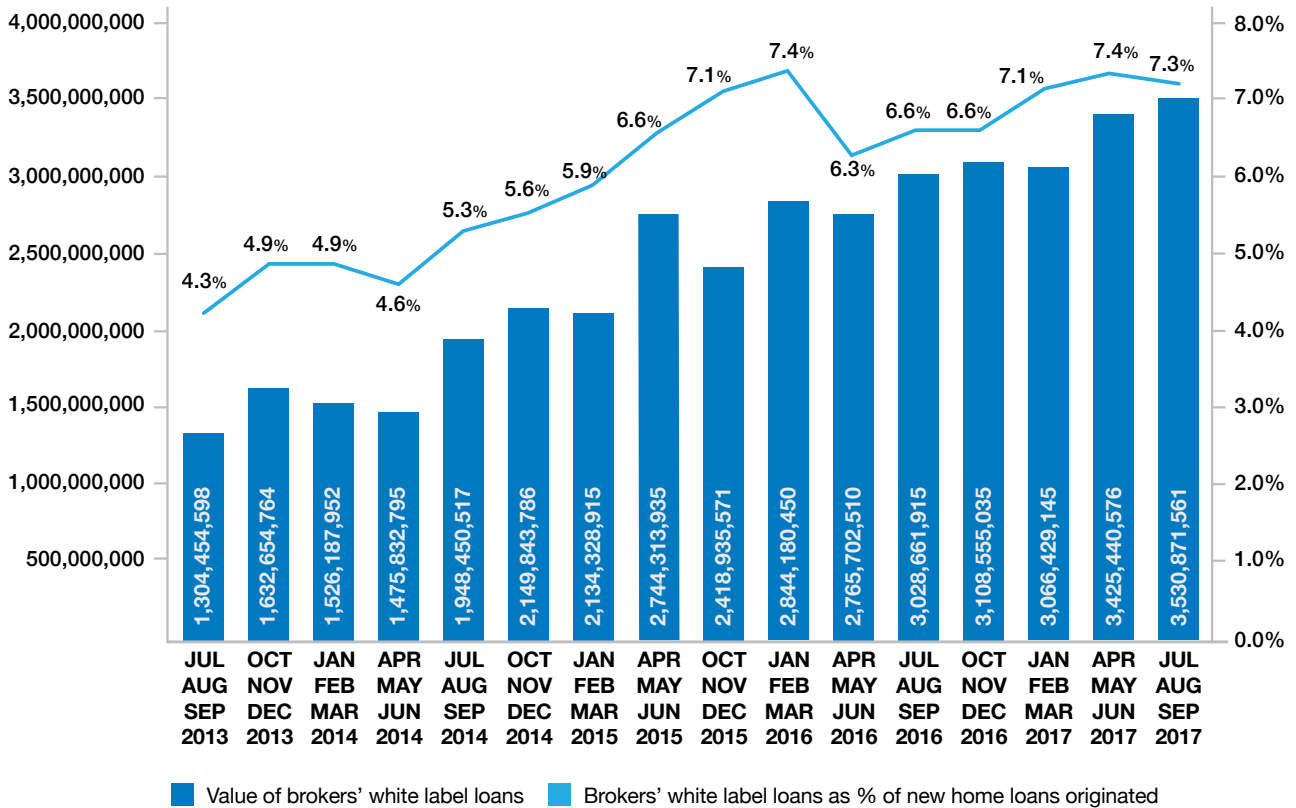


**Technical note:** No data was available for July-to-September 2015 Quarter

New lending by credit unions, building societies and mutuals has seen some volatility. These institutions have clearly benefited from the growth in brokers' placement of new business, recording strong growth rates between June 2015 and June 2017 according to data from the MFAA's Quarterly Survey. But the value of new lending in the latest quarter has declined significantly. This is yet to be explained.

Growth in white-label home loans has continued, accounting for over 7% of new broker-originated lending.

### White-label lending per quarter



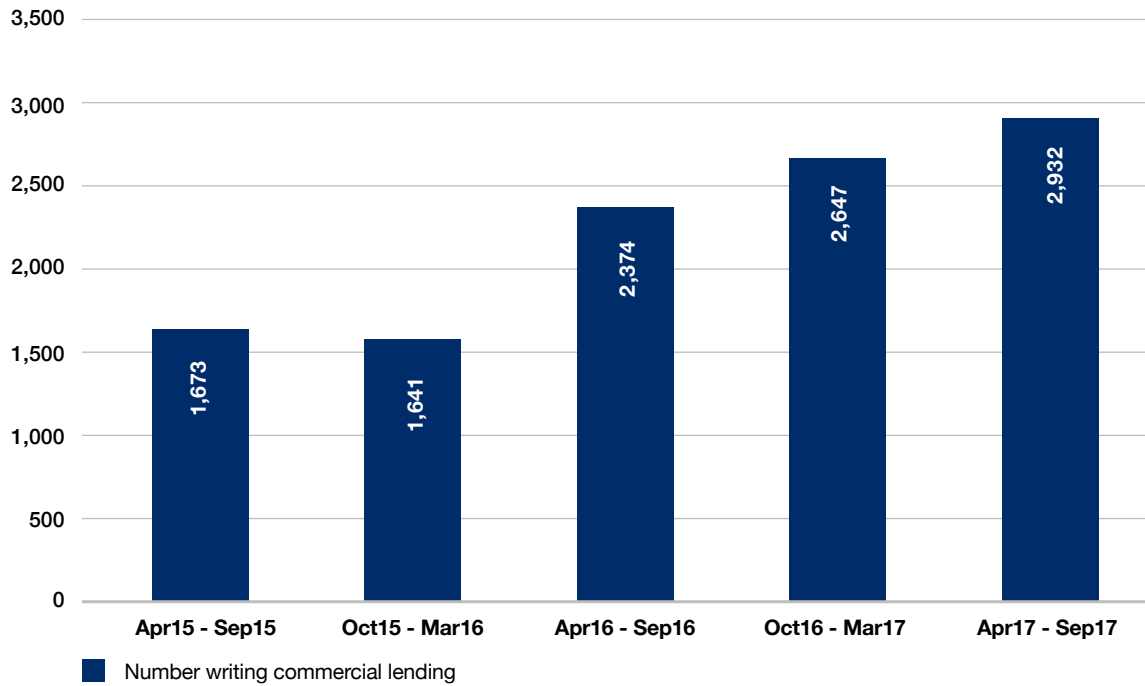
**Technical note:** No data was available for July-to-September 2015 quarter. The data embedded in this chart sums the white-label lending for only those aggregators who have offered consistent data over the past four years. As such, it accurately reflects organic growth in the product category. As is commonly known, other aggregators are beginning to offer white label loans, but their small shares have not been counted in this analysis.

### Volatility in growth rates amongst lender segments is high, implying agility amongst brokers.

When compared to the prior period's results, growth rates for broker-originated lending amongst some categories of lenders has almost inverted. Such volatility can suggest that brokers are very agile in their placement of new business, a function of their drive to provide appropriate consumer outcomes, and ability to navigate changes in lenders' regulatory targets and caps. Three categories of lenders returned stellar performances, independent regional banks, international banks and non-bank lenders.

# Commercial Broking

## Number of brokers writing commercial loans

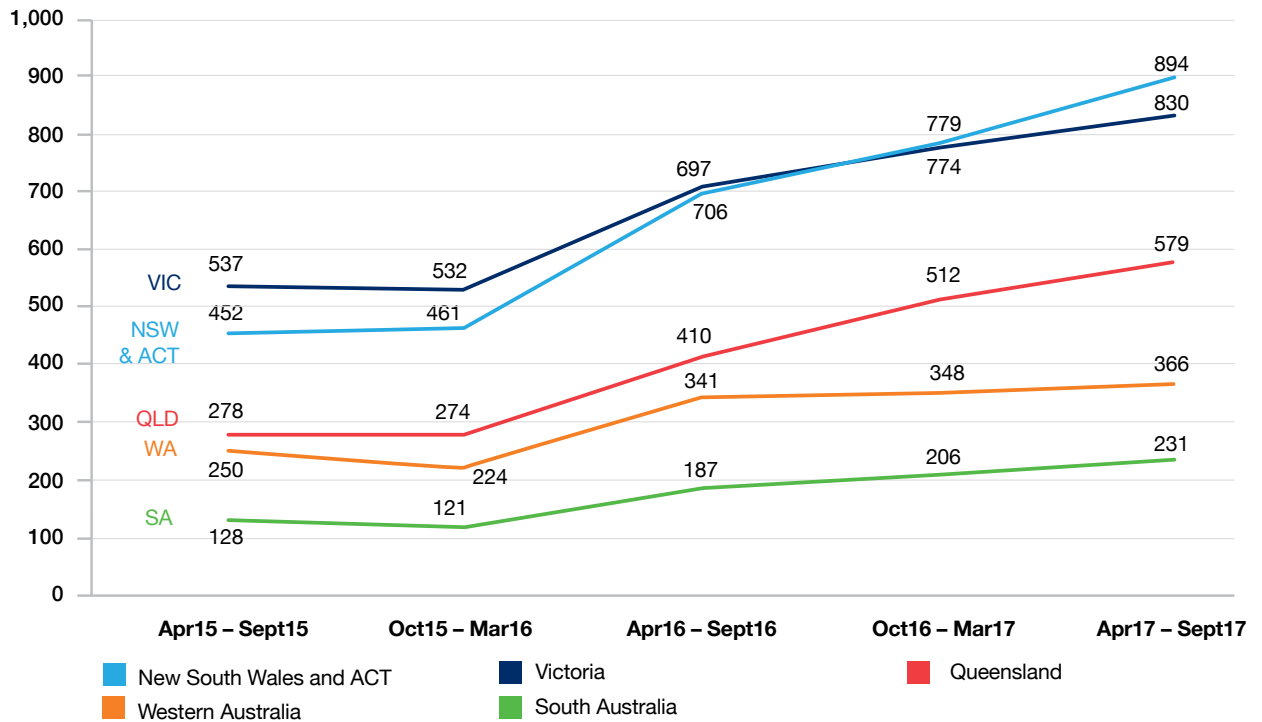


The number of residential mortgage brokers who also write commercial lending products has increased by 75% over two years, to nearly 3,000 brokers.

Whilst growth of diversification into equipment and commercial finance (E&CF) is growing, the number of brokers writing across both categories still remains small at 17% of the total estimated broker population.

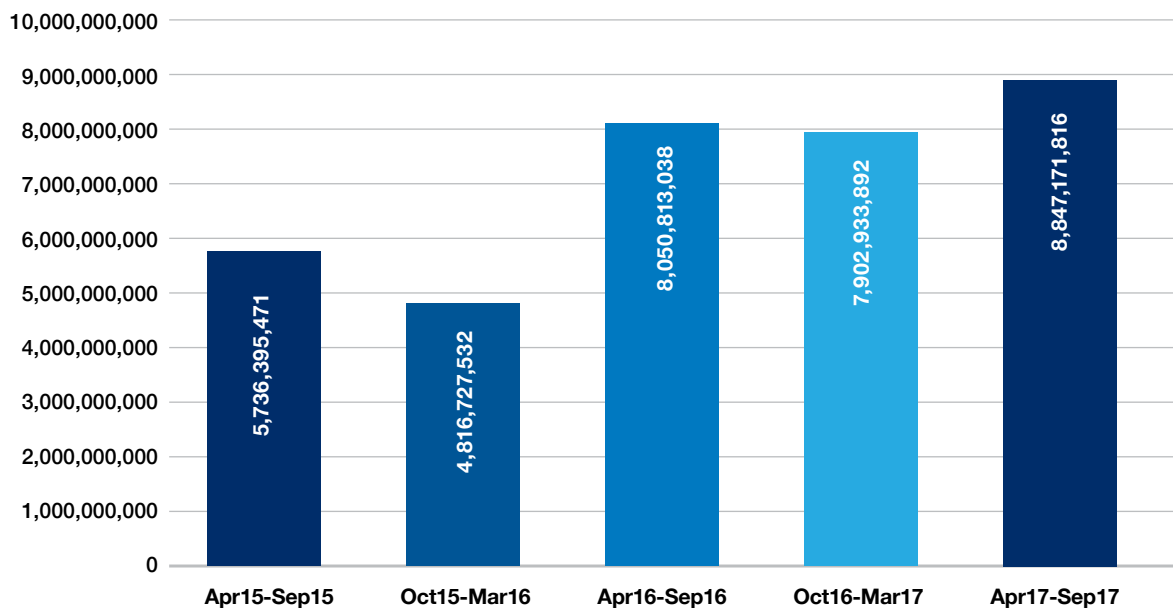
Whilst the numbers in residential brokers writing E&CF products increased across all states and territories, New South Wales, Victoria and Queensland recorded stand-out increases in the number of brokers.

## Number of brokers writing commercial loans by state



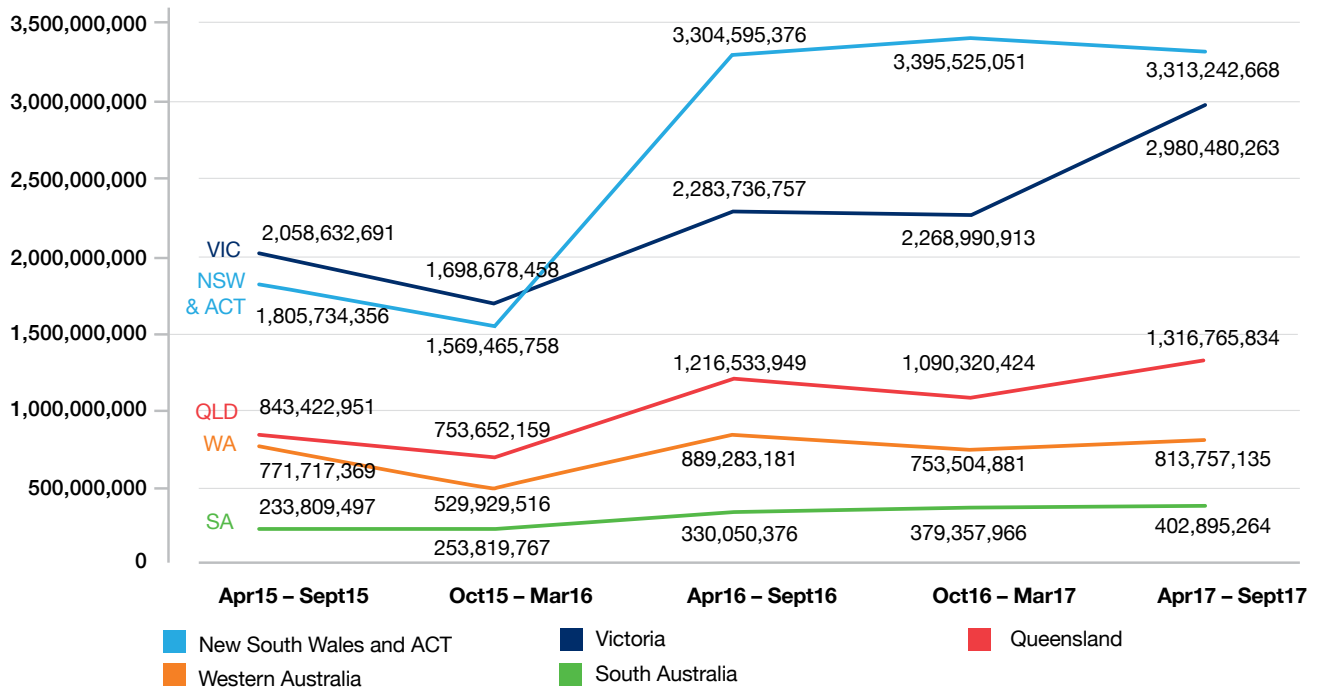
**Technical note:** Data for Tasmania and the Northern Territory is not displayed in this graph

## Settlement value of commercial lending (\$)



After some initial volatility, the value of commercial loan settlements has increased by almost 12% to \$8.8billion during the six months to the end of September 2017. New South Wales and Victoria are the dominant states, accounting for 71% of the national total. All states and territories, except New South Wales, recorded growth in commercial-lending figures since last period.

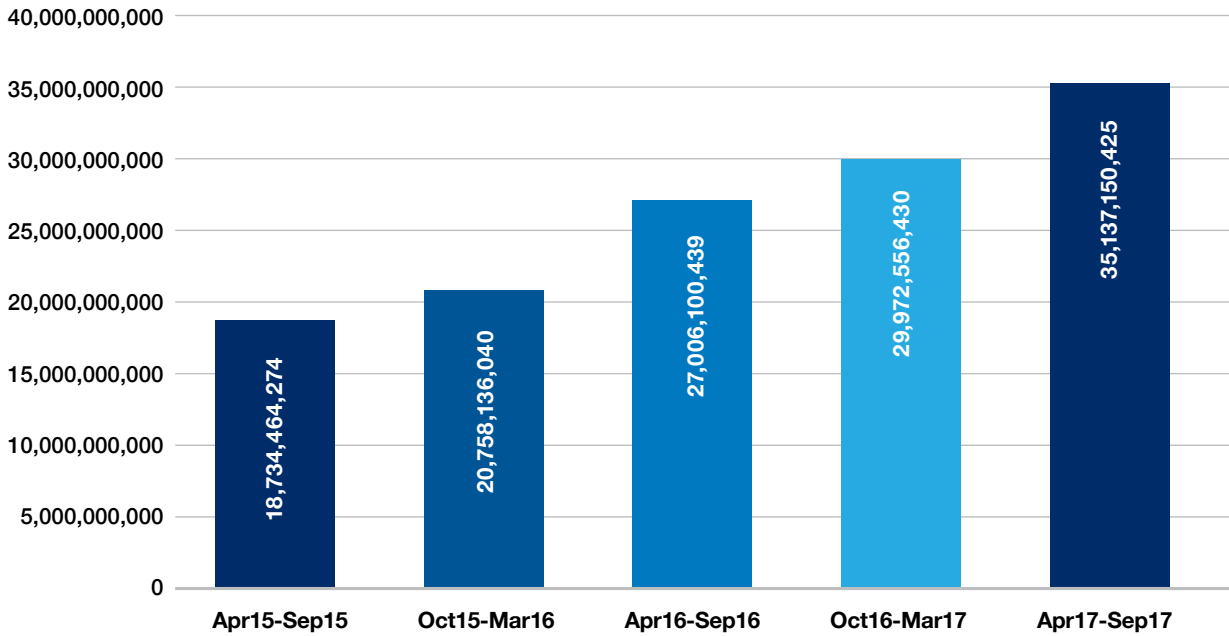
## Value in commercial lending in each state (\$)



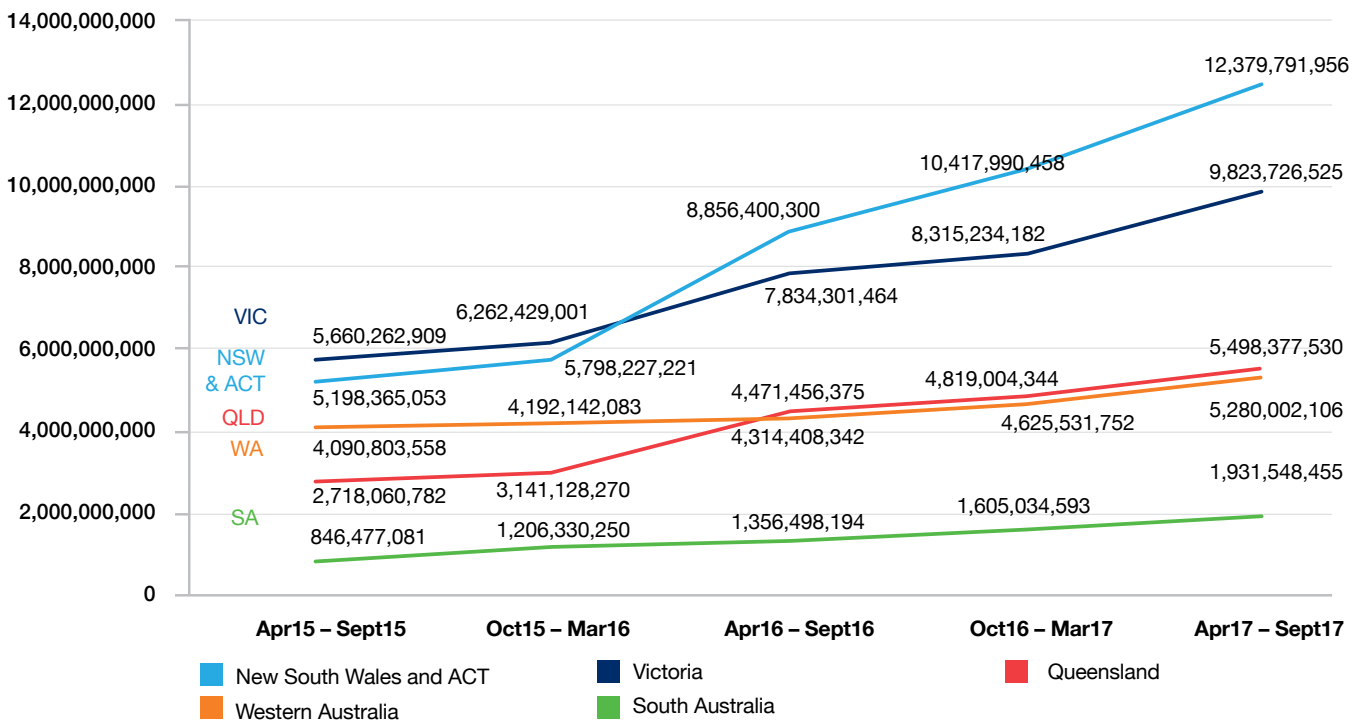
**Technical note:** Data for Tasmania and the Northern Territory is not displayed in this graph

The total portfolio value of commercial lending has grown strongly period-on-period across all states and territories, with, once again, New South Wales and Victoria the two dominant states.

### Portfolio value of commercial loans originated by mortgage brokers (\$)



### Portfolio value of commercial lending in each state (\$)



Technical note: Data for Tasmania and the Northern Territory is not displayed in this graph

## State-by-state analysis

### NSW and ACT

New South Wales and ACT account for 42.2% of new loans settled in Australia, however they account for only 36.5% of the total broker population, suggesting a generally higher value of property in the region, and therefore higher average loan amount.

New South Wales and ACT loan settlements grew by 9% compared to the last period, outperforming the national average of 5.7%.

The broker population has climbed to 6,191 – clearly the largest market in the country, and continuing to grow each IIS period.

The growth of settlements across the industry has not accounted for the growth in broker numbers, and therefore a productivity decline has been observed in both the value of settlements and the number of applications per broker over the period. The average value of settlements per broker over the period was \$6,813,093, and this still remains the highest value across the country, however this has declined from \$8,297,709 when the first IIS was published Apr-Sept 15.

Brokers have, on average, submitted 14 applications each over the six-month period, when compared to the national average of 18.

The challenge for the New South Wales and ACT market is the potentially declining number of house purchase transactions, cooling property values, and an increase in the broker population, creating greater competition.

### VIC

Victoria accounted for 29.5% of total loans settled across the country and had a broker-population share of 29.1%, implying that the market is in broad equilibrium when compared to other states.

Loan settlements grew by 8%, which could be viewed as healthy compared to the average national growth rate of 5.7% for the period.

The broker population has grown strongly, now at 4,931 brokers, up 8% from 4,557 last period.

The growth in broker numbers has been better absorbed than in some other markets, effectively keeping up with the growth in lending. This is also reflected in the average value of settled loans being only slightly less than last period, now sitting at \$5,988,846. This is also slightly higher than the national average of \$5,901,021.

Over the six-month period, Victorian brokers submitted an average of 18 loans, equal to the national average. The number of residential brokers writing one or more commercial loans during the period has increased to 830, compared with 706 (+17.5%) in the corresponding period in 2016.

The Victorian market appears to be growing in both broker numbers and volume (units and \$), but whilst they are a smaller broker population than New South Wales and ACT, the number of home loan applications was slightly higher, but the value of settled loans was significantly less when compared to New South Wales and ACT.

### QLD

The latest survey has revealed that 15.3% of the broker population is located in Queensland, however the state is only responsible for 13.6% of the value of settled residential lending.

The growth rate in new settled lending for Queensland over the period was essentially flat, growing by just 0.1%, compared to the national result of 5.7%.

The broker population in Queensland has grown again, now sitting at 2,585, up slightly from 2,507 last survey.

The average settled loans volume in Queensland had declined again, now at \$5,276,643 per broker,



reducing by over \$1million since the first IIS survey. The average has been impacted by a low growth rate in the total settled volume, and a growth in broker numbers over the period. There is now a negative difference of over \$600,000 compared to the national average over the six-month period in settled loans per broker in Queensland.

Productivity in Queensland is the second highest across the country, with brokers submitting 18 applications over the latest six-month period, aligned to the national average. This has decreased from last survey where total applications were 52,227, now down to 47,308.

The productivity of Queensland brokers is in line with the national average, however this is now resulting in lower-than-average settlement volumes (\$), meaning brokers now need to be more efficient and productive than their inter-state peers.

The good news is the number of brokers per people in the state is favourable compared to most other states.

## **WA**

Western Australia accounted for 8.7% of total loans settled across the country, and had 12.1% share of the broker population. This is the largest difference between measures across the country, and would indicate a potential over-supply of brokers in the current market conditions.

Exacerbating this difference is the decline of settled volume (\$) over the last period – down a further 6.5%, and only eclipsed by the Northern Territory's decrease in volume.

The broker population has grown, however only marginally, over the six-month period to now sit at 2,052 brokers, up from 2,038 last period.

Over the six-month period, Western Australian brokers submitted an average of 13 loans, down from the previous period. Total loan applications were 27,428 compared to 38,366 in the previous six months. The average settled value per broker has also continued to decline, now the second lowest across the country, having been the second highest in the first publication of the IIS. Average settlements over the six-month period are now \$4,240,461 compared to the national average of \$5,901,021.

Clearly a challenging period for brokers in Western Australia, the number of brokers per population (ABS) is the lowest in the country, potentially indicating that the decline in averages is not only due to softening market conditions, but also, and potentially more significantly, due to the large broker number growth seen in past boom years.

## **SA**

South Australia accounts for 5.1% of total loans settled across the country, and has 5.8% of broker population, implying that the market is relatively balanced when compared to some other states.

Settlement value grew by 4.1%, however this is below the national growth rate of 5.7% for the same period.

The broker population had reduced slightly over the six-month period to 985 brokers, down from 992 in the last period, improving the performance of per-broker measures.

The slight reduction in brokers and a higher settlement volume compared to the previous six months has meant that the average broker is settling more than they were in the previous period – bucking the national trend. The average value of settled loans is now \$5,156,128. The issue for South Australia remains lower average loans, and even with higher productivity than the national average, the average settlements over the period remain below the national average of \$5,901,021.

Over the six-month period, South Australian brokers submitted an average of 22 loans, exceeding the industry average of 18, and the highest in the country.

The challenge for South Australian brokers is more about productivity and efficiency – lower loan amounts mean South Australian brokers have to write more business than their interstate peers to settle similar volumes.

## **TAS**

Tasmanian brokers accounted for 0.6% of total loans settled across the country, and had 0.7% of the broker population, suggesting that the market is relatively sustainable.

The value of settlements grew by 21.7%, and when contrasted with national settlement value growth of 5.7% over the period, it is proportionally the strongest result across the country.

The broker population has also grown over the six-month period to now sit at 125 brokers, up from 112 the last period.

The growth in brokers is exceeded by the growth in lending. This is also reflected in the average value of settled loans, higher than last period (only one of two to achieve this result), now sitting at \$5,055,197, Tasmania's best results since the IIS commenced. This is however still low compared to the national average of \$5,901,021.

Over the six-month period, Tasmanian brokers submitted an average of 15 loans, lower than the industry average of 18.

The good news for Tasmanian brokers is, when compared to the ABS population statistics, Tasmania is easily the least broker-saturated market, with 4,167 people per broker compared to the national result of 1,452.

## About the MFAA's Industry Intelligence Service (IIS) Report

The MFAA's Industry Intelligence Service (IIS) Report provides reliable, accurate and timely market intelligence for the Australian mortgage broking sector.

It is designed, produced and delivered by comparator, a CoreLogic business and a recognised provider of performance benchmarking, market diagnostics and ad-hoc investigative services to the retail financial services sector in Australia and New Zealand.

### **The IIS Report profiles quantitative variables including:**

- broker resourcing,
- deployment,
- recruitment and retention,
- new business acquisition, and
- loan portfolios.

It provides performance metrics or benchmarks for the industry and for the prevailing models of wholesale aggregators and franchised broker models.

**Individual results for participating aggregators are completely confidential and are never provided to the MFAA, nor to other aggregators or brokers.**

The MFAA's IIS Report is produced twice a year, for the six months ending March 31 and the six months ending September 30.



Level 21, 2 Market Street, Sydney NSW 2000 Australia. Telephone 1300 734 318

# MFAA INDUSTRY INTELLIGENCE SERVICE

FIFTH EDITION

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Benchmark your business

For the six month period  
1 April 2017 – 30 September 2017

## Benchmark your business

Where does your business fit in comparison to the rest of the state and national average?  
Are you above, in the middle or behind the pack?

Use the information in the tables as a tool to evaluate your business.

### New South Wales and ACT

	National average	NSW and ACT	My data	% Difference
Average value of new home loans settled per broker in each state during the 6 month period	\$5.9 million	\$6.8 million		
Average number of new home loan applications lodged per active broker in each state and in total during the 6 month period	18 loans	14 loans		
Average value of the home loan book per broker in each state and in total, at the end of the period	\$35.9 million	\$35.9 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	\$76,715	\$88,570		
Average gross trail remuneration generated per broker, prior to costs per annum	\$56,058	\$55,406		
Average gross remuneration generated per mortgage broker, prior to costs per annum	\$132,800	\$143,976		

### My key actions

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## Victoria

	National average	VIC	My data	% Difference
Average value of new home loans settled per broker in each state during the 6 month period	\$5.9 million	\$6 million		
Average number of new home loan applications lodged per active broker in each state and in total during the 6 month period	18 loans	18 loans		
Average value of the home loan book per broker in each state and in total, at the end of the period	\$35.9 million	\$31.3 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	\$76,715	\$77,855		
Average gross trail remuneration generated per broker, prior to costs per annum	\$56,058	\$48,386		
Average gross remuneration generated per mortgage broker, prior to costs per annum	\$132,800	\$126,241		

### My key actions

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## Western Australia

	National average	WA	My data	% Difference
Average value of new home loans settled per broker in each state during the 6 month period	\$5.9 million	\$4.2 million		
Average number of new home loan applications lodged per active broker in each state and in total during the 6 month period	18 loans	13 loans		
Average value of the home loan book per broker in each state and in total, at the end of the period	\$35.9 million	\$41.9 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	\$76,715	\$58,423		
Average gross trail remuneration generated per broker, prior to costs per annum	\$56,058	\$70,327		
Average gross remuneration generated per mortgage broker, prior to costs per annum	\$132,800	\$125,453		

### My key actions

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## South Australia

	National average	SA	My data	% Difference.
Average value of new home loans settled per broker in each state during the 6 month period	\$5.9 million	\$4.2 million		
Average number of new home loan applications lodged per active broker in each state and in total during the 6 month period	18 loans	22 loans		
Average value of the home loan book per broker in each state and in total, at the end of the period	\$35.9 million	\$38.7 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	\$76,715	\$67,030		
Average gross trail remuneration generated per broker, prior to costs per annum	\$56,058	\$61,565		
Average gross remuneration generated per mortgage broker, prior to costs per annum	\$132,800	\$128,594		

### My key actions

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## Tasmania

	National average	TAS	My data	% Difference
Average value of new home loans settled per broker in each state during the 6 month period	\$5.9 million	\$5 million		
Average number of new home loan applications lodged per active broker in each state and in total during the 6 month period	18 loans	15 loans		
Average value of the home loan book per broker in each state and in total, at the end of the period	\$35.9 million	\$27.1 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	\$76,715	\$65,717		
Average gross trail remuneration generated per broker, prior to costs per annum	\$56,058	\$40,659		
Average gross remuneration generated per mortgage broker, prior to costs per annum	\$132,800	\$106,377		

### My key actions

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## Northern Territory

	National average	NT	My data	% Difference
Average value of new home loans settled per broker in each state during the 6 month period	\$5.9 million	\$2.8 million		
Average number of new home loan applications lodged per active broker in each state and in total during the 6 month period	18 loans	12 loans		
Average value of the home loan book per broker in each state and in total, at the end of the period	\$35.9 million	\$38.6 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	\$76,715	\$36,480		
Average gross trail remuneration generated per broker, prior to costs per annum	\$56,058	\$57,863		
Average gross remuneration generated per mortgage broker, prior to costs per annum	\$132,800	\$94,343		

### My key actions

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