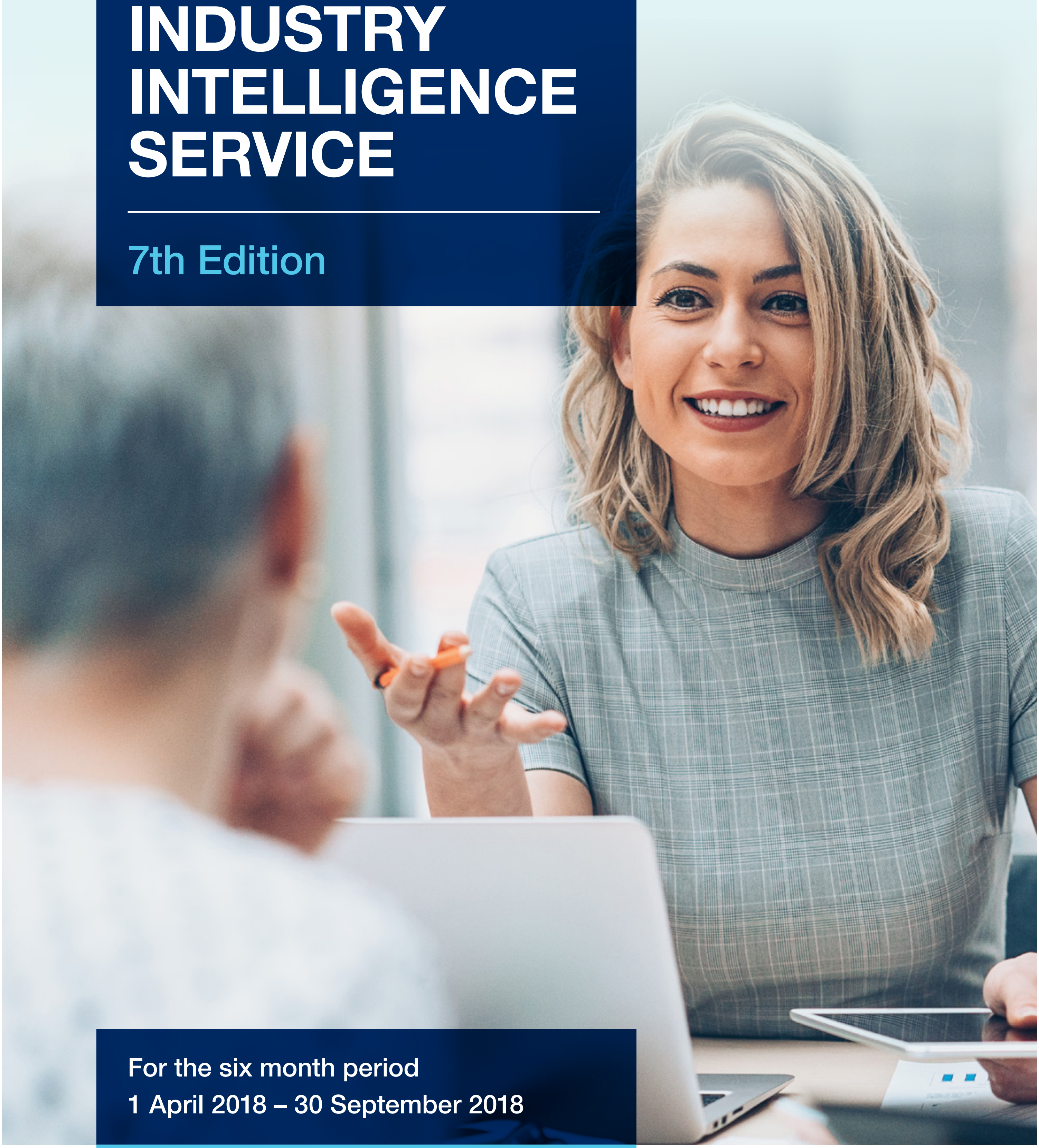

MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA

MFAA
INDUSTRY INTELLIGENCE SERVICE

7th Edition

For the six month period
1 April 2018 – 30 September 2018

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CEO's Report

On behalf of the MFAA, it is with pleasure we present the seventh edition of our Industry Intelligence Service (IIS) Report. This report covers the April-to-September 2018 period.

The data collected in these IIS Reports has been crucial over recent months. The IIS Report and other similar reports have been a vital source of information about the industry, and have been referenced in many papers submitted to decision makers and Government. Along with our aggregator partners, we look forward to continuing to provide real insights into the size, performance and impact of our industry to help inform decision makers.

Even though the broker channel has been under immense pressure this period, and despite the tightening of credit in the residential housing sector, brokers have continued to cement the important role they play in the lives of Australian consumers and demonstrate the value and service they offer. This is evident by broker market share hitting a record high of 59.1% as at the end of the July-to-September 2018 quarter, amongst a flattening of the overall residential property market with the total value of new loans settlement by brokers for the six months to September 2018 remaining stable at $97.9 billion.

Another positive aspect of broker performance is that residential loan books grew by 5.2% compared to the same period in 2017, and this is in spite of the average value of new home loans settled continuing to decline slowly.

One of the telling factors overall in the report is that the growth of residential broker numbers has slowed. This period, we saw 253 brokers join compared to last period. In earlier reports, up to April-to-September 2017, the number of new joiners typically measured between 600 to 900.

The average pre-tax and costs earning per broker has also remained stable, though down slightly, at just over $133,000 which is aligned with a slight reduction in upfront earnings down 2.6%.

Despite the uncertainty, brokers have continued to adapt, take market share and drive competition as the data continues to shows a reduction in the reliance on the major banks and their affiliates. This is testament to a healthy broker segment and a positive outlook during a period of undoubted change.

I would like to thank the aggregator partners who contributed to this data to develop this report and the team at Comparator for collating and developing the report findings.

If you have any questions or thoughts that you would like to share on the latest report, we are happy to hear from you.

Please note, you will also find the popular *Benchmark Your Business* section at the end of this report, a fantastic state-by-state set of metrics easily allowing you to measure your business against those in your market.

Regards,

Mike Felton
MFAA CEO

Executive summary

This latest Industry Intelligence Service (IIS) Report, 7th edn., provides new broker and industry performance and demographic data for the six-month period of April-to-September 2018, and recent quarterly periods, with comparisons against previous periods.

This Report, like the previous edition, draws on the data of 13 aggregators – compared to data from 14 aggregators as per earlier reports (5th edn. and earlier). Due to this, for commentary in some instances where we compare year-on-year results, we have excluded the contributions of the 14th aggregator from the April-to-September 2017 data to provide more insightful like-for-like annual comparisons.

During this period, the broker channel has achieved its highest recorded residential home loan market share of 59.1%, signifying that the broker channel continues to be the channel of choice for residential lending. Compared to the previous September-quarter results of a share of 53.6% in 2016 and a share of 55.7% in 2017, this September-quarter's year-on-year market share growth was the largest in the last four years.

Brokers settled $97.92 billion in loans for the latest period, steady compared to the last survey, and only a 0.2% decline when compared, like-for-like, to the equivalent period last year.

In the twelve months to the end of September 2018, brokers settled just over $198 billion in home loans – another record result for a twelve-months-to-September period. The aggregate value of brokers' home loan books grew by 5.2% to exceed $666 billion.

This period continues the recent trend of steady, but slowly declining results across the measures of the national average value of home loans settled per broker and the national average number of new home loan applications lodged per broker. Since October 2016 to March 2017, the average value of home loans has decreased by 2.71%, from $5.91 million down to $5.75 million, and over the same period the average number of loans lodged has decreased from 19 to 17 nationally. This is despite broker market share increasing, and the value of home loans settled by brokers at near record highs.

The conversion rate of applications to settlement has improved since last survey, from 72.1% to 73.6%, extending the run of steady rates of the previous four six-month periods.

Whilst the population of mortgage brokers has increased since the previous six-month period – now, for the first time, exceeding 17,000 - the national growth rate of the value of loan settlements has contracted by 0.2%. The contraction in loan value settlements is largely driven by a decline experienced by New South Wales and ACT, followed by Western Australia. All other states increased their value of loans settled.

In this reporting period, it should be noted that New South Wales and ACT recorded an unfavourable relationship between the growth in broker numbers of 3.5% versus a decline in the value of new loans settled of 6.2%. On the other hand, Victoria recorded growth in broker numbers of 3.6%, and even stronger growth in new loans settled of 8.7%.

There is now one mortgage broker per 1,466 people in Australia, compared to 1,452 a year ago. Inactive brokers, those who had not settled a loan for the period, represent 15% of the total broker population, equivalent to the last survey. Excluding inactive brokers, and recalculating for their exclusion, 44% of brokers wrote $3 million or less in the latest six- month period.

Nationally, there is little change in broker remuneration since the previous report, and since October 2016 to March 2017, with estimated national gross average annual earnings now at $133,365.

For the aggregators that were able to supply gender data, the number of female brokers in the industry has declined again, despite an overall increase in broker numbers. This may be attributed to an increase in the proportion of males joining over females, compared to the previous period – from 31% females recruited to 30% recruited.

Executive summary *(cont.)*

Broker turnover year-on-year from April-to-September 2017 to 2018 increased from 9.9% to 10.9% and the national average value of brokers' loan books has increased by 9% from $35.88 million to $39.1 million. A significant increase in the share of brokers working as sole operators was noted this period at 53%, compared to last period at 41%. This increase may suggest that multi-broker offices are reducing their expenses through headcount reductions, resulting in more sole operator set-ups.

Brokers continue to play a significant role in changing the lender landscape through the types of lenders they offer to suit their customers' needs. The Major Banks have now seen their market share fall form the high of 59.8% in April-to-June 2015, to 45.6% as at July-to-September 2018, a reduction of 23.7%. Over the last year, the Major Bank segment has lost 5.1% market share with the Non-Bank Lenders and International Lenders the main beneficiaries. Share of broker business going to lenders other than the Major Banks and their affiliates continues to grow, now at 33.9%, up 12.25% when compared to the end of the last IIS Report period. The value of loans settled with lenders other than the Major Banks and their affiliates has also increased significantly by $2.85 billion or 21.78%, signifying the value proposition provided by brokers in meeting their diverse customers' needs.

The number of mortgage brokers also writing commercial loans has decreased slightly - down by 51 mortgage brokers or 1.39% compared to last period. However, year-on-year, the number has increased by 685 mortgage brokers, or 23.36%. For the first time, the value of commercial loans settled for a six-month period exceeded $9 billion.

With thanks to the contributors

Information for this edition of the MFAA's leading market intelligence resource for brokers, the Industry Intelligence Service Report, was provided by leading aggregators, including:

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Aussie

choice AGGREGATION

connective

FAST Stay Ahead

FINSURE FINANCE AND INSURANCE

LoanKit AGGREGATION SERVICES AND SOFTWARE

Loan Market™

Mortgage Choice

nMB National Mortgage Brokers

PLAN AUSTRALIA

smartline personal mortgage advisers

vow FINANCIAL

Industry Snapshot

Industry Intelligence Service (IIS) Report – 7th edn, April 2018 to September 2018

Population of mortgage brokers

17,040

up from

16,787

Oct17-Mar18

Total value of loans settled

Total Loans

$97.9B

0.2% ▼

Compared to the like-for-like April-to-September 2017 period

Average value of home loans settled per broker

$5.8 Million

Oct17-Mar18

$5.7 Million ▼

Apr-Sep18

Share of lenders other than the Majors and their affiliates

27.9%

Jul-Sep17

▲

33.9%

Jul-Sep18

Proportion of mortgage brokers also writing commercial loans

21.8%

Oct17-Mar18

2.8% ▼

21.2%

Apr-Sep18

Ratio of mortgage brokers

1 **to** **1,466**

Brokers per head of the Australian population

Compared to 1 broker per 1,475 Australians in Oct17 - Mar18

Average gross annual earnings

Apr 2018 – Sept 2018 **$133,365**

Oct 2017 – Mar 2018 **$132,793**

The national average of brokers' gross annual earnings increased from the IIS Report (sixth edition).

Average number of home loan applications lodged per broker

Including inactive brokers

18

Oct17-Mar18

17

Apr-Sep18

Total number of home loans lodged

248,830 April-to-September 2018.
Down from 300,828 October 2017 to March 2018.

303,058

Apr-Sep17

17.3% ▼

248,830

Apr-Sep18

Average value of the home loan portfolio per broker

$38.1 Million

Oct17-Mar18

▲ **2.6%**

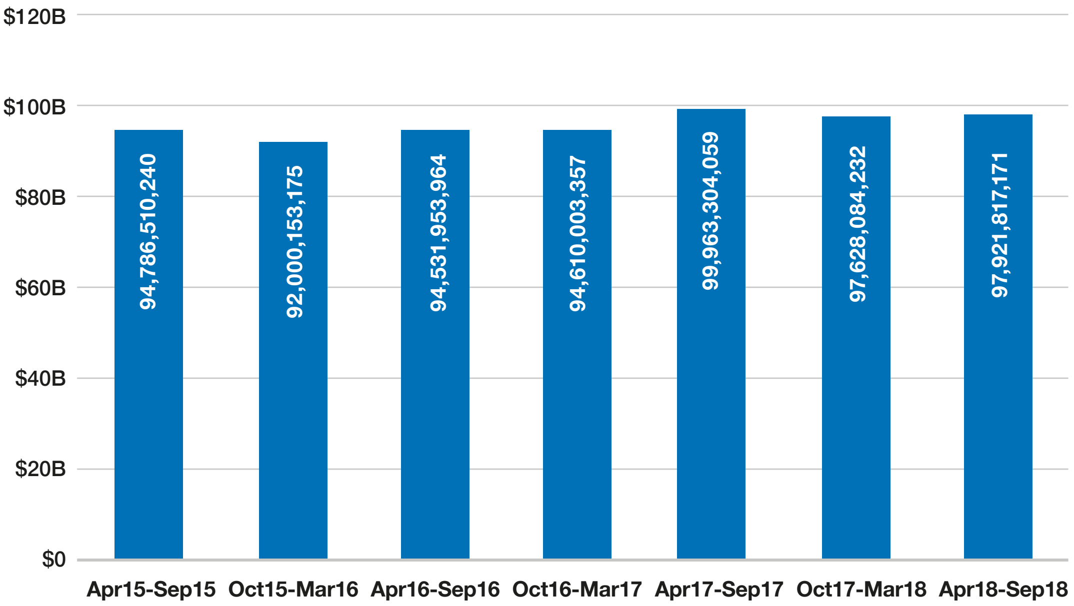
$39.1 Million

Apr-Sep18

The MFAA's Industry Intelligence Service (IIS) Report is compiled by comparator, a CoreLogic business.

The last twelve month period has been flat for home loan settlements in the mortgage broking sector.

Value of home loans settled by brokers, per six-month period ($)



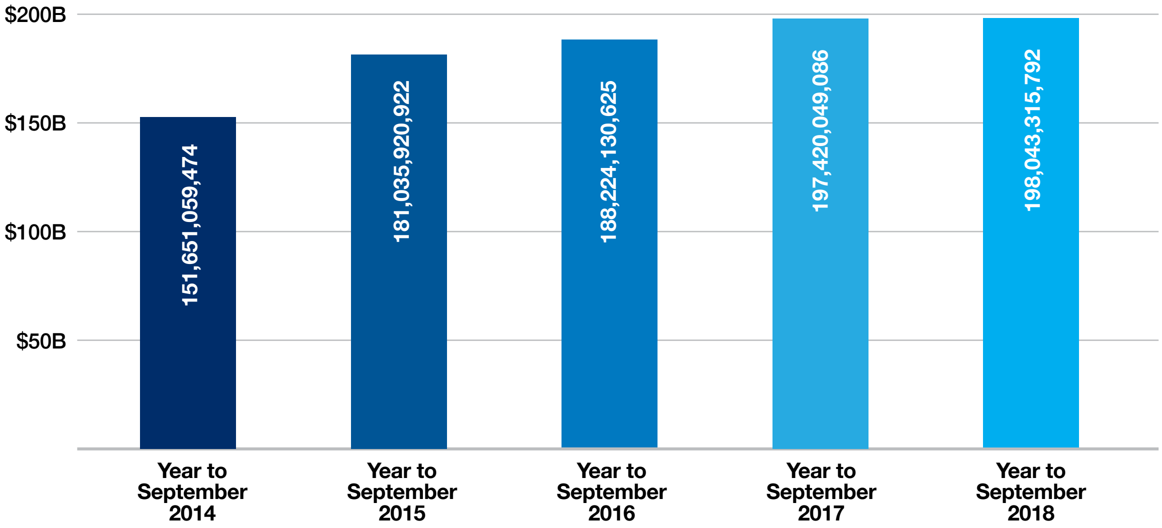
Note: There is data from one less aggregator in the two most recent six-month periods from October 2017 to September 2018 period compared to previous periods. It is estimated that this impact is only marginal though, and not material.

For the latest six-month period, from April-to-September 2018, brokers settled $97.92 billion in home loans, up $293.73 million or 0.3% compared to the previous period, October 2017 to March 2018.

On the face of it, year-on-year, the current period's results appear down $1.71 billion or 1.75%, but after the April-to-September 2017 results have been adjusted for the loss of data from a contributing aggregator, the value of home loans settled by mortgage brokers is assessed as being down by only 0.2%.

Based on this, for the last three six-month periods, the value of home loans settled by mortgage brokers could be considered flat.

Value of home loans settled by brokers, per year ($)



Source: MFAA Quarterly Survey

Note: IIS 6th edn. compares the value of home loans settled by brokers for the year-ending periods up to March; whereas this 7th edn compares year-ending periods up to September.

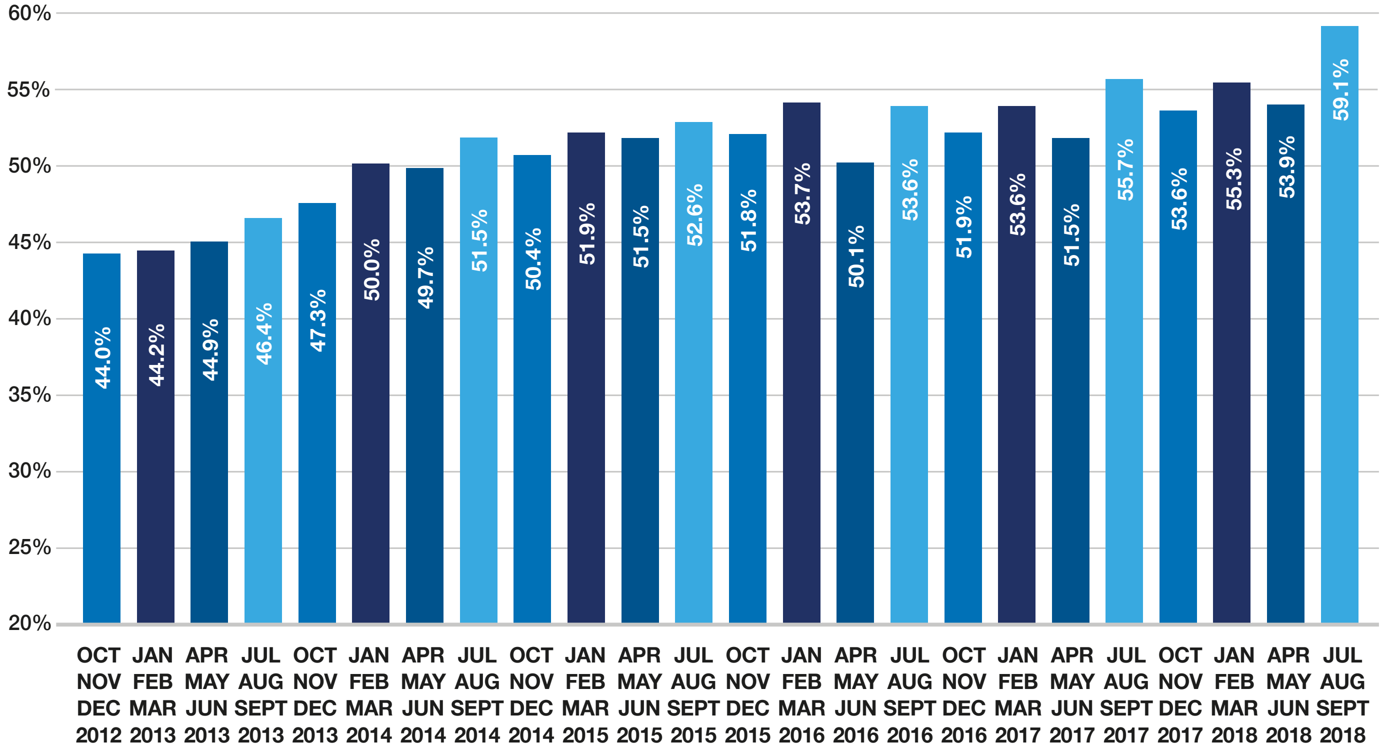
In the twelve months to the end of September 2018, brokers settled just over $198 billion in home loans - another record result and just short of breaking $200 billion.

However, this was only a 0.32% increase over the results for the prior year-to-end September 2017 period, compared to a 4.89% increase between year-to-end September 2016 and 2017, and a 3.97% increase between year-to-end September 2015 and 2016.

MFAA's Quarterly Survey of brokers and aggregators

The brokers' market share of all new residential home loan settlements reached it's highest ever share at 59.1%.

Quarterly Survey of Brokers: Market share of home loans settled by brokers (%)



Note: The Quarterly Survey draws on data from 14 aggregators, whilst the IIS draws on data from 13 aggregators.

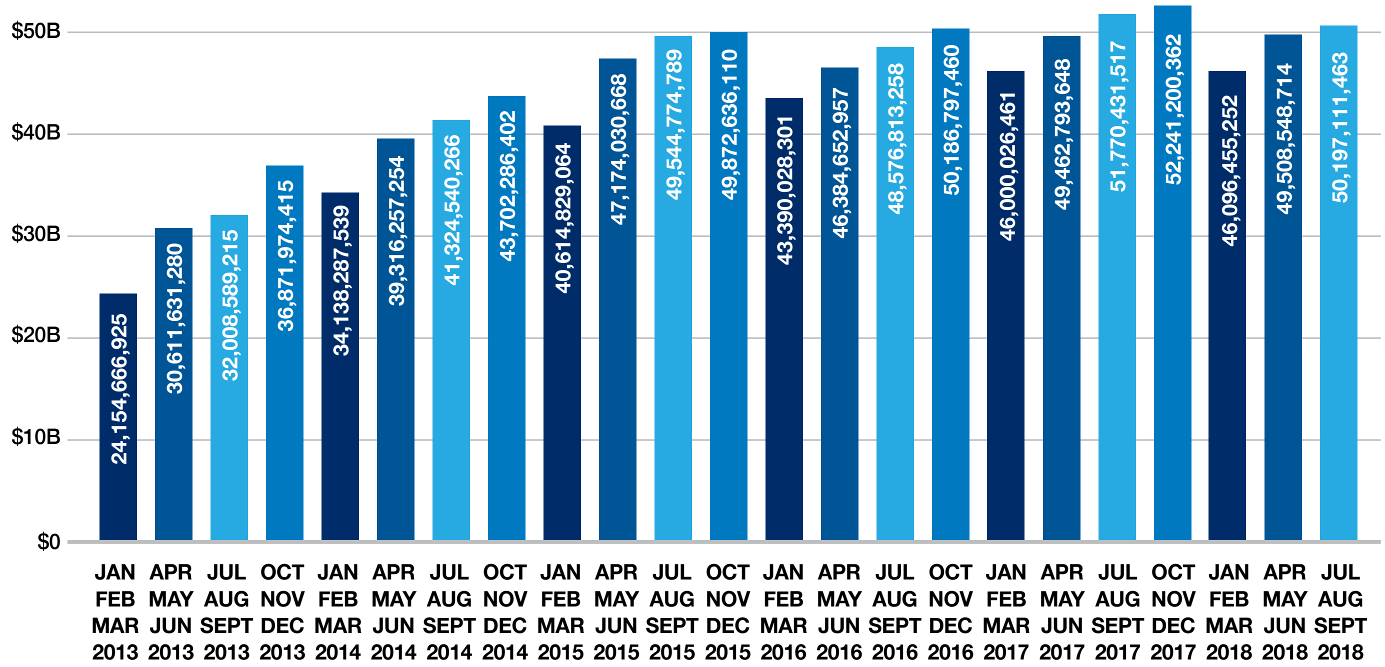
The last quarter of data, from July-to-September 2018, is the largest quarter on record for broker market share of the new residential home loan market.

Quarter-on-quarter broker market share has increased by 5.2 percentage points, or 9.65%, up from 53.9% to 59.1%.

The growth year-on-year, comparing the corresponding July-to-September quarters in 2017 and 2018, was 6.1%. This suggests very strong growth when compared to recent previous year-on-year differences. For instance, year-on-year growth from July-to-September 2016 to July-to-September 2017 was only 3.92%.

Since the MFAA's Quarterly Survey of Brokers and Aggregators began measuring market share, the percentage of all home loans settled by mortgage brokers has increased from 44%, to 59.1%, a growth of 34.32% since the December quarter 2012.

Quarterly Survey of Brokers: Value of home loans settled by mortgage brokers ($)



Note: The Quarterly Survey draws on data from 14 aggregators, whilst the IIS draws on data from 13 aggregators.

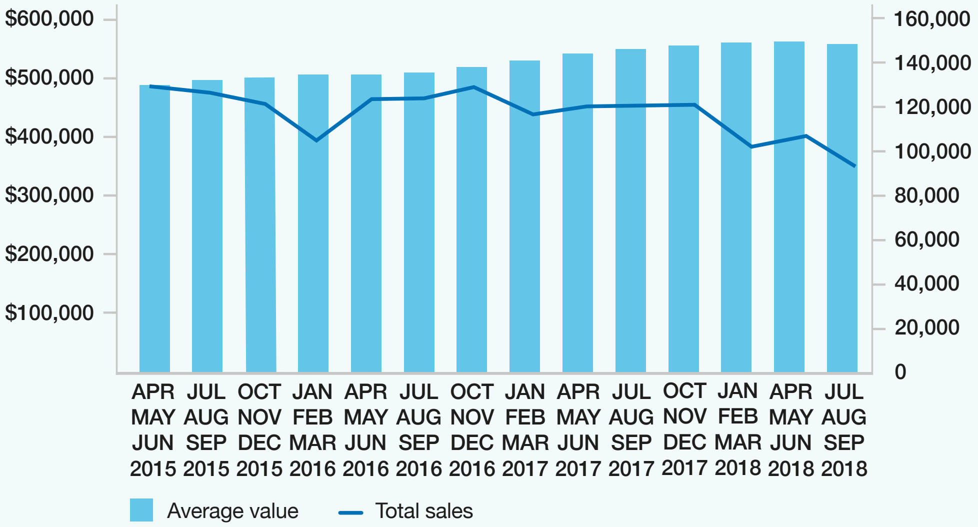
Going back quarter-on-quarter to October-to-December 2015, it is apparent that the level of new lending has slowed. The current July-to-September 2018 quarter was slightly lower than the same corresponding period in 2017 – down 3.04% or $1.57 billion.

Comparator insights:

This recent trend appears to be symptomatic of the current investment market which has slowed and is now in decline for both the value of homes and the number of sales.

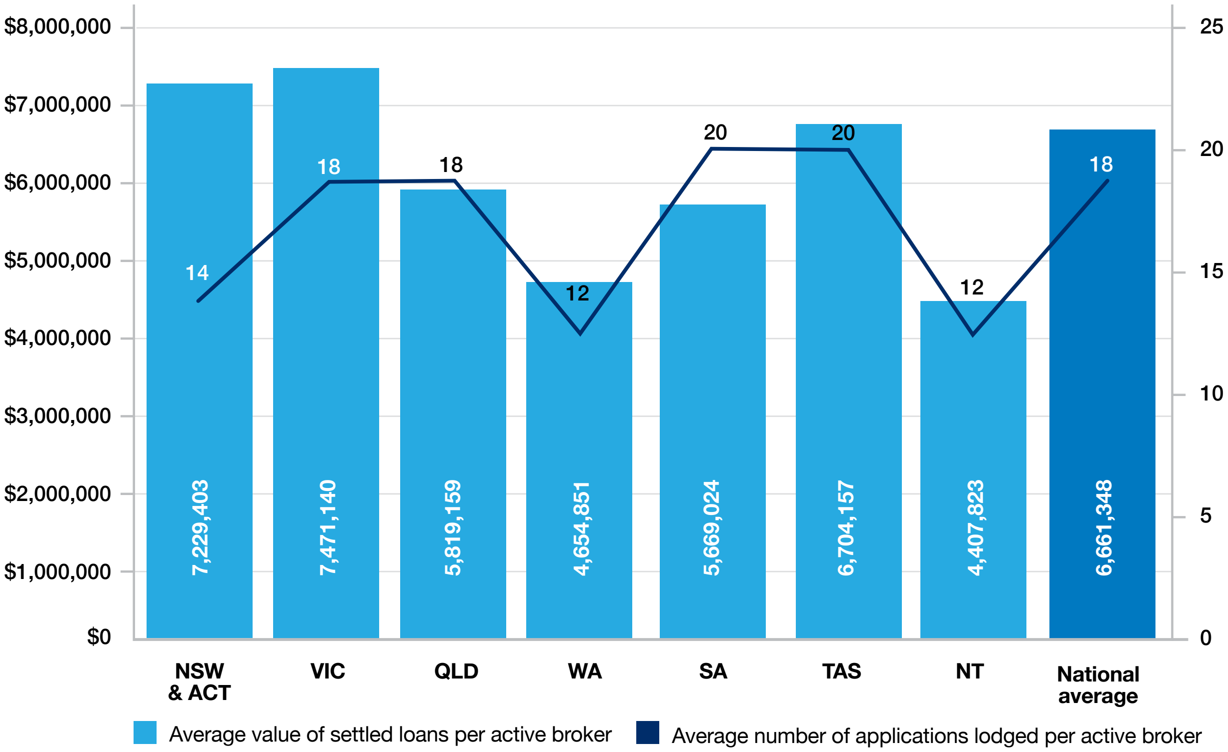
Comparator insights: It can be deduced from the previous charts that the growth in new home loan settlements has slowed, while the growth of new loans settled by brokers has continued to go from strength-to-strength. This suggests that the growth of the ‘new home loan pie’ has stalled, but mortgage brokers are taking a bigger slice.

Residential Property: Average value of sales and total sales – National



Comparator insights: What is always interesting to note is the seasonality of the broker channel. Whilst the overall national average value of property continued to grow consistently, peaking only recently in April-to-June 2018, the value of home loans settled by mortgage brokers (and market share), whilst growing overall, appears to go through seasonal cycles each year.

Average value of settled home loans by state ($) and average number of applications lodged per active broker



On a national level, there was a measurable decline in the number of applications settled per broker, from 19 down to 18, whilst the value of settled loans remained fairly stable, from $6.68 million down to $6.66 million, when compared to the previous six-month period as seen in IIS 6th edn.

On a state and territory level, with the exception of Tasmania and Victoria, all states saw a reduction in the number of loans settled per active broker compared to the previous six-month period, with New South Wales and ACT declining from 15 to 14, Western Australia from 14 to 12 and South Australia from 22 to 20.

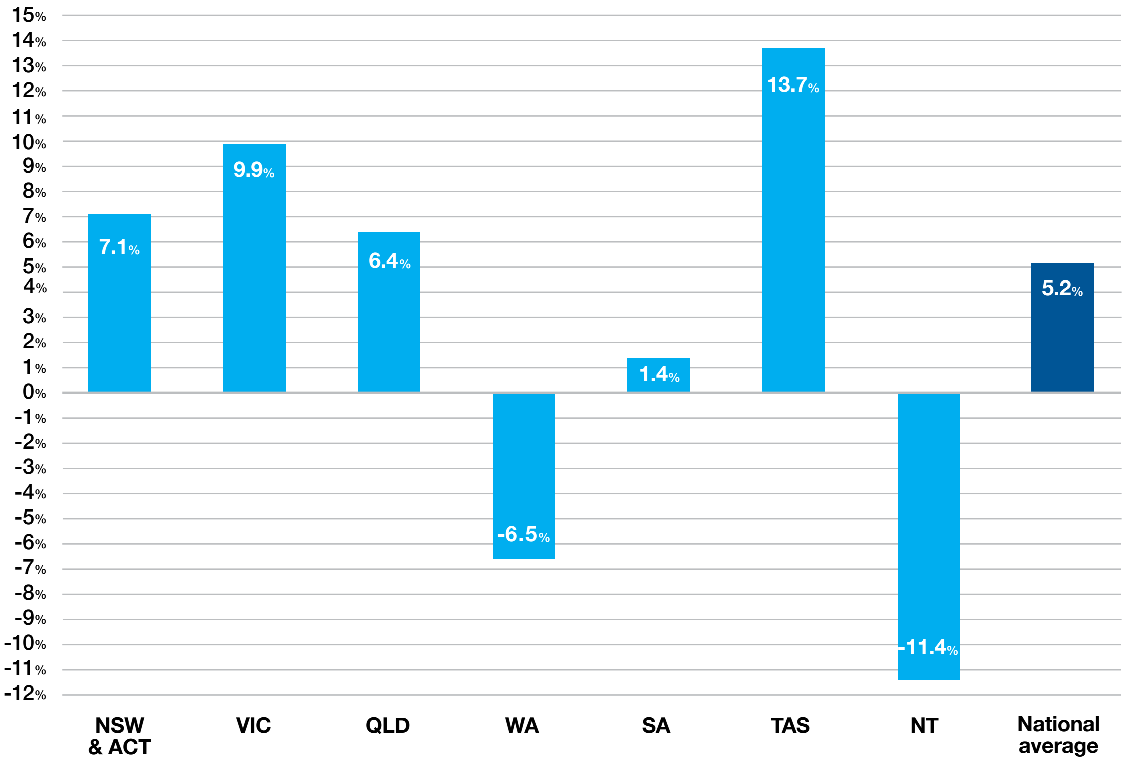
Tasmania increased the average number of loan applications from 18 to 20, whilst Victoria remained stable at 18 applications per period.

In regard to average settled values, New South Wales and ACT, Queensland and Western Australia all recorded declines. New South Wales and ACT's average settled value declined by $161,665, or 2.19%, from $7.39 million.

Of the states where average settled value increased, Tasmania was a star performer, increasing by $777,657, or 13.12% from $5.93 million. So too was the Northern Territory which increased by $702,055 or 18.94%, from $3.71 million. Victoria's average settled value increased by $128,826 or 1.75%, from $7.34 million.

At a national level, the aggregate value of broker home loan books grew by 5.2% year-on-year to September 2018. Most states grew over 6%.

Change in the value of broker loan books, from September 2017 to September 2018



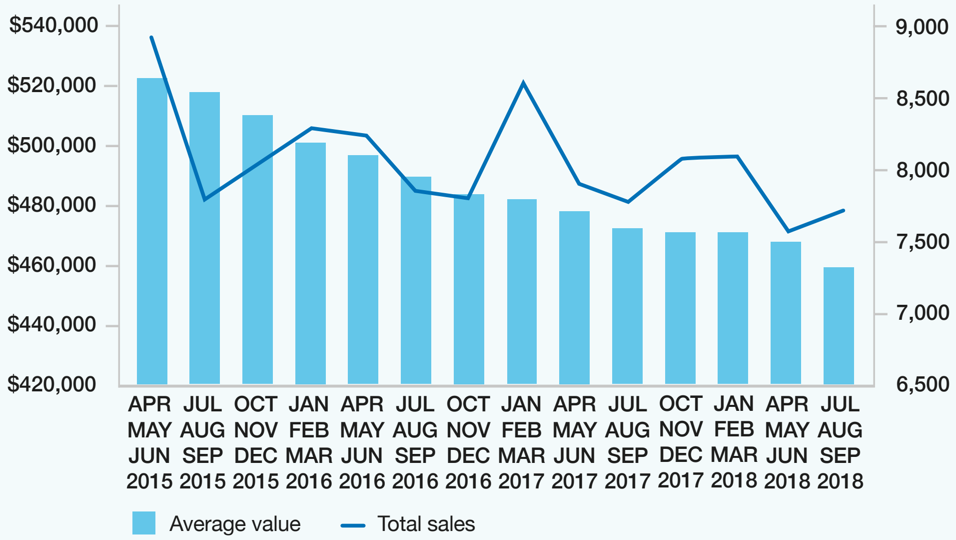
Note: The data used is from 10 aggregator participants that consistently provided the data for the same periods.

Brokers saw a solid increase in their loan books year-on-year to September 2018, with an overall increase of 5.2% to $666.37 billion – diminishing slightly from last year's growth rate of 5.7%.

On a state-by-state basis, New South Wales and ACT (currently valued at $244.85 billion), Victoria (currently valued at $174.87 billion) and Queensland (currently valued at $109.48 billion) all recorded increases of over 6%. Tasmania was the standout with loan books increasing by 13.7%, from $3.39 billion to $3.85 billion. South Australia's loan books also increased by 1.4% to $41 billion.

Again, Western Australia continues to struggle, down 6.5% to $89.91 billion, and the Northern Territory's loan book reduced by 11.4% to $2.39 billion.

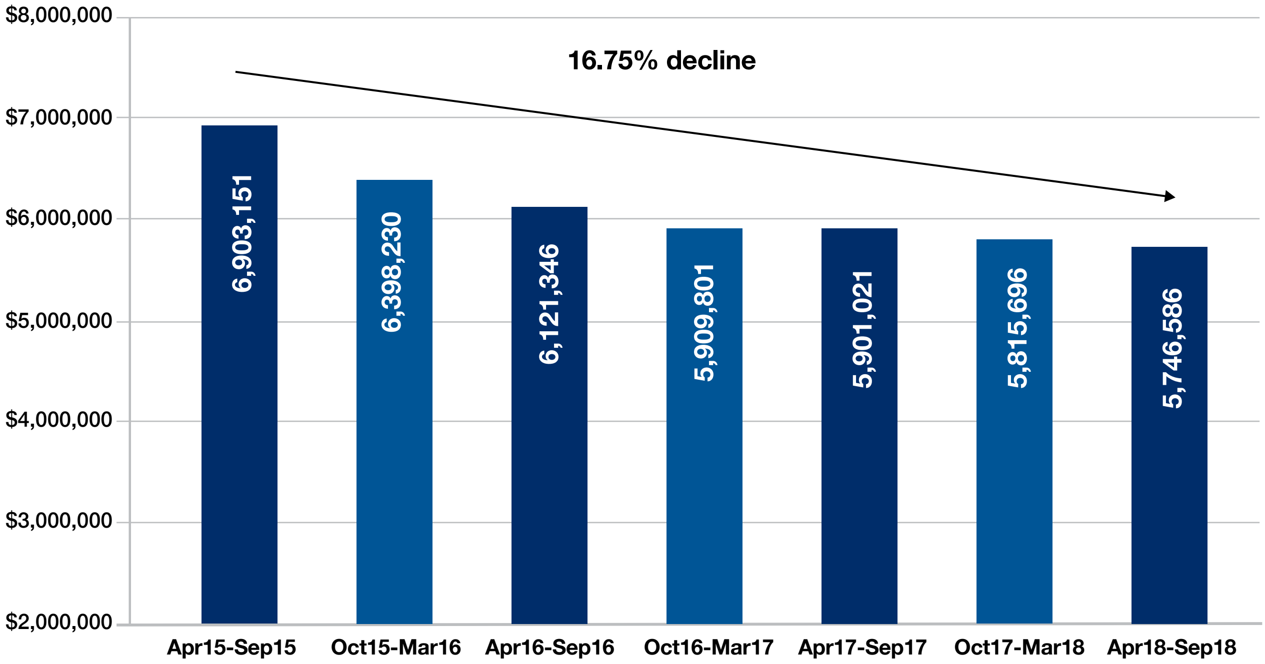
Residential Property: Average value of sales and total sales – Greater Perth area



Comparator insights: Analysing both the average value and total sales data for greater Perth, notwithstanding economic factors, from April-to-June 2015 and onwards, with both measures trending downwards, especially average values, it is evident why Western Australia continues to experience consistent declines in the value of their loan books.

The average value of loans settled per broker continues to decline. The rate of decline over the last four six-month periods is slowing relative to the first three six-month periods.

National average value of new home loans settled per broker



Note: There is data from one less aggregator included in the two most recent six-month periods from October 2017 to September 2018 period compared to previous periods. It is estimated that this impact is only marginal though, and not material.

The average value of new home loans settled per broker continues to decline.

The decline since the April-to-September 2015 half has been $1.16 million or 16.75%, from $6.9 million to $5.75 million per broker.

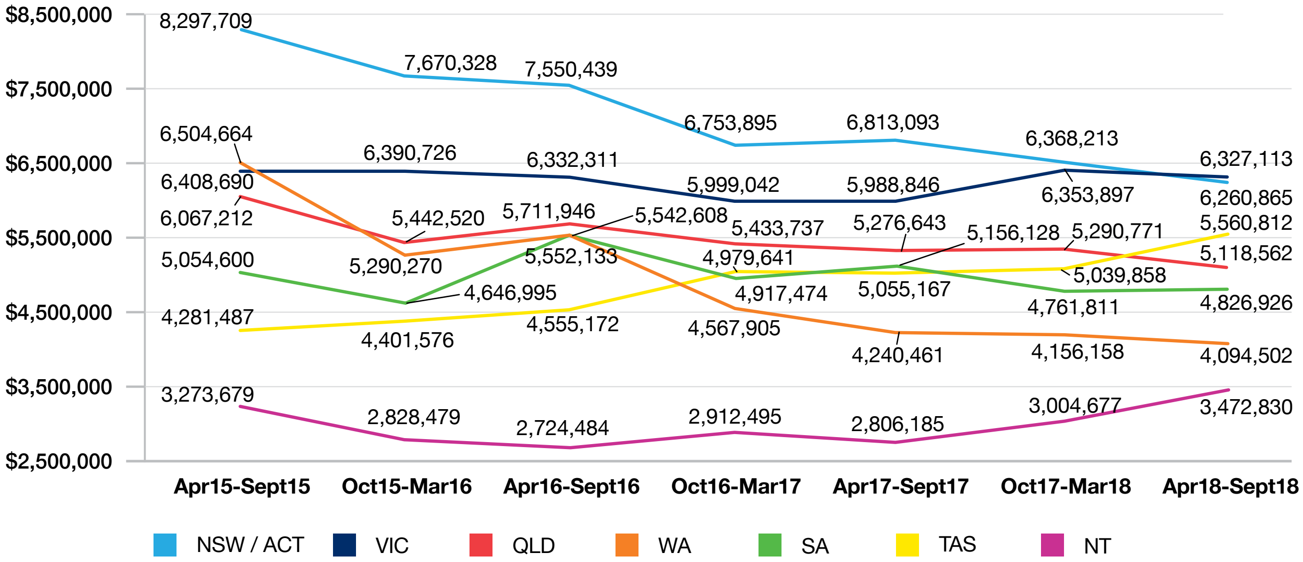
Year-on-year, from April-to-September 2017 to April-to-September 2018, the reduction has been more modest at $154,435 or 2.62%.

With the average value of new home loans settled continuing to decline, though now at a slower rate, coupled with the overall increase in the value of loan books, a possible action mortgage brokers might like to consider to ensure the sustainability their businesses would be to place greater emphasis and care on managing and servicing of their existing client base.

For a state-by-state indicator, refer to the corresponding IIS Report, 7th edn.
'Benchmark Your Business section'.

The average value of loans settled per broker at a state level reveals some contrasting results.

Average value of home loans settled per mortgage broker in each state



Note: Data-sets at the state level do not always reconcile exactly to national figures. This is because of slight variations in some aggregators' data extracts at the state level. They are not a material cause for concern.

For the first time since the IIS Report began measuring the average value of home loans settled per mortgage broker, New South Wales and ACT has been surpassed by Victoria in terms of the value of new loans settled.

Since the April-to-September 2015 period, the average value of new loans settled per broker in New South Wales and ACT has fallen by $2.04 million or 24.55%, from $8.3 million to $6.26 million. Over the same period, Victoria has fallen only slightly, by $81,577 or by 1.27%.

More recently though, year-on-year, the average value settled by Victorian brokers has increased by $338,267 or 5.65% from $5.99 million, whilst New South Wales and ACT's value declined by 8.11% or $552,228 from $6.81 million, inline with the states overall trend.

Western Australia's average value settled continues to fall, albeit slowly, over the most recent year-on-year period, down 3.44%.

Queensland continues to slip year-on-year with the average value of new home loans per broker declining 3% compared to the previous year.

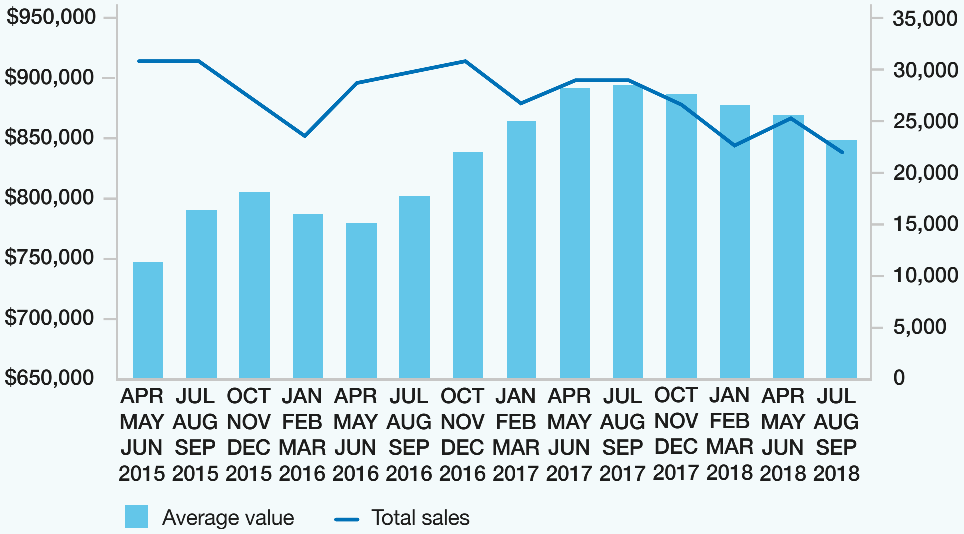
South Australia's average settled value, although down by 6.38% compared to a year ago, is up 1.37% since the October 2017 to March 2018 period, continuing a long-term fluctuating performance.

The standout positive performing state has been Tasmania. Year-on-year, Tasmania's average settled values has increased by 10% or $505,645. All, and more of this increase, $520,954, occurred over the current reporting period following a decline last period. The increase has seen Tasmania overtake South Australia as the third best performing state.

The Northern Territory continues its strong return with a 23.76% year-on-year average settled loan value increase, albeit off a low base.

Comparator insights: It has been a challenging year for the housing market with values and volume of sales slipping and this is reflected in brokers' new home loans settled data.

Residential Property: Average value of sales and total sales – Greater Sydney area



Comparator insights: The average value of home loans settled per mortgage broker in New South Wales and ACT has been in decline since April-to-September 2015. The number of sales for the greater Sydney area is also slowly trending downwards. These figures contrast the trend in average value of home values increasing for the greater Sydney area, up until July-to-September 2017. One reason for the falling average value of home loans settled for the states may be the consistently increasing population of brokers creating greater competition.

The total number of applications lodged has continued to decline since the April-to-September 2016 period.

Number of loan applications lodged by state and nationally

Number of new home loan applications	Oct15-Mar16	Apr16-Sep16	Oct16-Mar17	Apr17-Sep17	Oct17-Mar18	Apr18-Sep18
New South Wales and ACT	86,541	83,782	89,000	86,415	83,886	79,578
Victoria	76,758	79,584	82,548	86,679	86,836	84,587
Queensland	47,800	48,648	52,227	47,308	47,386	45,700
Western Australia	34,128	30,613	38,366	27,428	27,234	23,395
South Australia	22,296	21,874	22,917	21,683	21,508	20,111
Tasmania	1,640	1,769	1,680	1,935	2,225	2,554
Northern Territory	1,125	818	998	818	855	705
Total number of applications	**290,879**	**317,651**	**303,303**	**303,058**	**300,828**	**284,830**

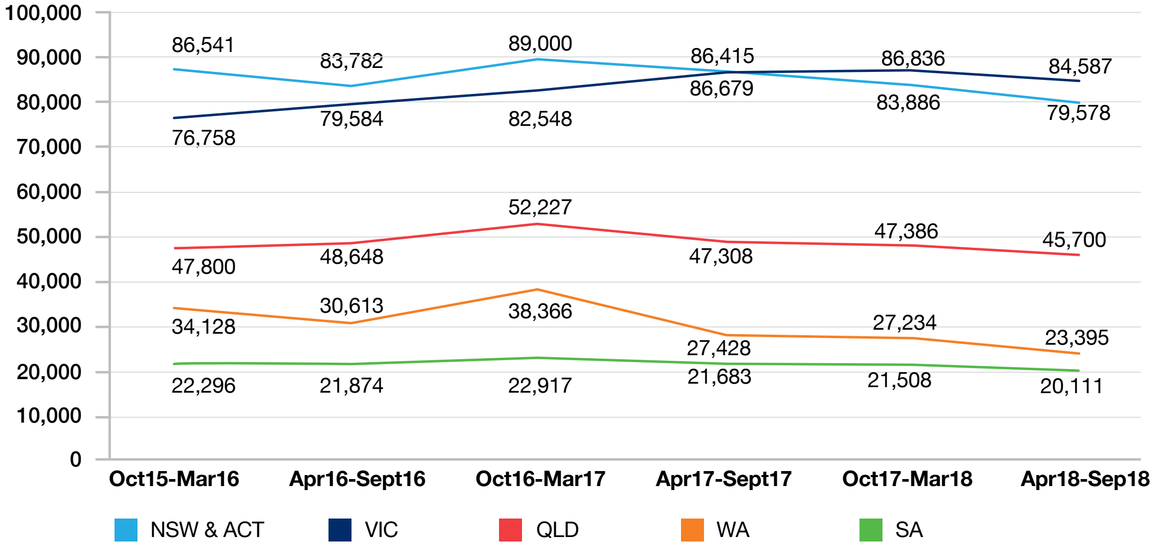
Note: Eight aggregators provide data for loan applications at the state level, so sub-totals for the states do not reconcile to the overall total.

One less aggregator contributed to this data this period and last, compared to previous periods. It is estimated though, that if they had, there would still be a decline in loan applications lodged compared to the October 2017 to March 2018 period.

The data shows that the total number of loan applications across Australia has continued to decline over the last four six-month periods.

Comparator insights: Declines in the number of lodged loan applications is consistent with anecdotal reports of increasing caution amongst home buyers, peaks or downturns in housing prices, softening demand for home loans amongst borrowers, tightening of credit policy, lower turnover in the housing market and regulatory constraints placed upon foreign property buyers.

Number of home loan applications by state



Note: Data for the Northern Territory and Tasmania has been excluded from this analysis due to the scale of the Y-axis labelling.

Based on the data presented in the above graph, year-on-year, every state recorded a decline in the number of home loan applications. But when the data for April-to-September 2017 is adjusted for the loss of a contributing aggregator, some states recorded home loan application increases this period compared to the previous year.

At the state level, based on the adjusted April-to-September 2017 data, New South Wales and ACT, and Western Australia contributed most to the national decline in number of applications when comparing the like-for-like totals of April-to-September 2017 to 2018. New South Wales and ACT brokers wrote 4,266 fewer applications (down 5.1%), whilst Western Australia brokers wrote 1,088 fewer applications (down 4.5%).

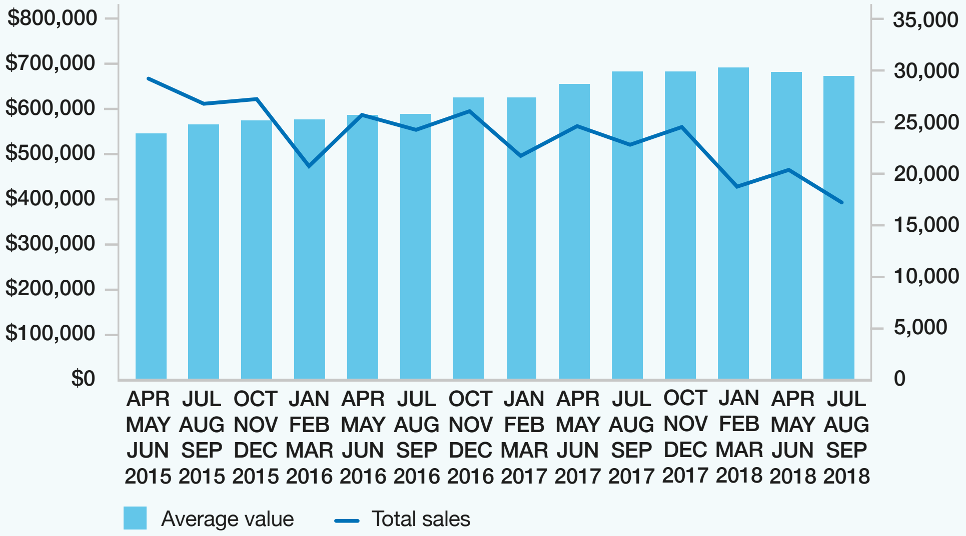
Victoria, despite a fall in number of applications over the past six months, maintained its lead over New South Wales and ACT. Year-on-year and like-for-like, for the April-to-September 2018 period, Victoria recorded an increase of 266 home loan applications, or 0.3%.

Queensland remained relatively flat year-on-year with a fall of 418 home loan applications, down 0.9%.

Over the same like-for-like period South Australia had a lower fall in number of applications compared to Queensland, with a reduction of 328 applications, however, in percentage terms, the reduction was greater than Queensland showing a 1.6% decline.

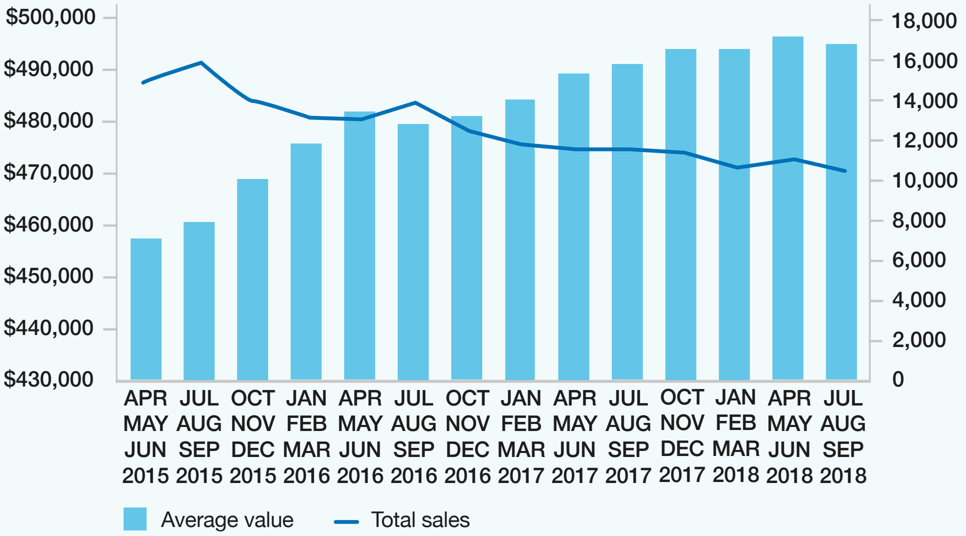
Tasmania, although not included in the graph, is again the stand out with an increase in applications of 619 or 32% year-on-year like-for-like to April-to-September 2018.

Residential Property: Average value of sales and total sales – Greater Melbourne area



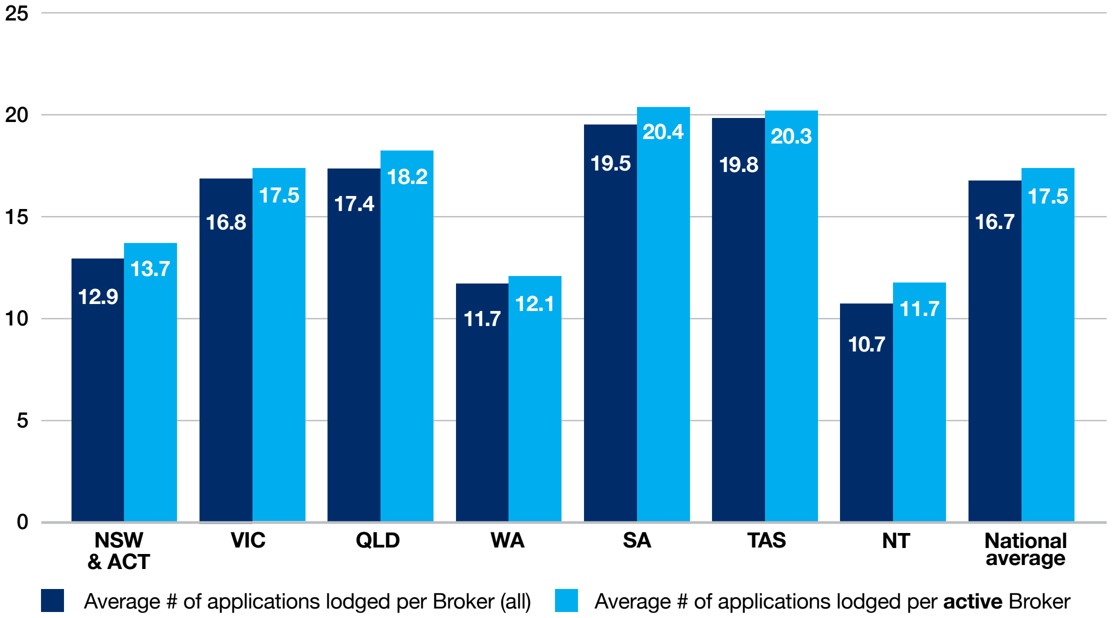
Comparator insights: When comparing the number of total sales for the greater Melbourne area to the number of home loan applications for Victoria, it is interesting to note the inverse trends, where broker-channel business has increased, whilst the total sales has decreased. These figures could be evidence of the increasing market share brokers are taking from the proprietary channel.

Residential Property: Average value of sales and total sales – Greater Brisbane area



Comparator insights: Despite a clear downward trend in the total residential property sales figures for the greater Brisbane area, the number of home loan applications originated through the broker channel for Queensland has remained generally flat. Once again, we see the broker channel's increased market share having a real impact.

Average number of home loan applications lodged per broker vs. average number of home loan applications lodged per active broker, April-to-September 2018



	Oct15-Mar16	Apr16-Sep16	Oct16-Mar17	Apr17-Sep17	Oct17-Mar18	Apr18-Sep18
Average number of home loan applications lodged per broker	20	21	19	18	18	17

Note: Inactive brokers - Those who had not settled a loan for the six-month period – represent 15% of the total broker population. Therefore it was important to account for inactive brokers to better illustrate the average rates of productivity for the majority of brokers.

Though, from a lower base, the Northern Territory recorded the biggest proportional variation in performance between number of loans lodged by active brokers versus those written by the total population at a 9.35% variation.

The Northern Territory was followed by New South Wales and ACT with a proportional variation of 6.2%.

Tasmania recorded the smallest proportional performance variation gap between active and all brokers at 2.53%.

Comparing April-to-September 2018 to the same period in 2017, at a national level, the average number of applications lodged per active broker decreased from 18.8 to 17.5.

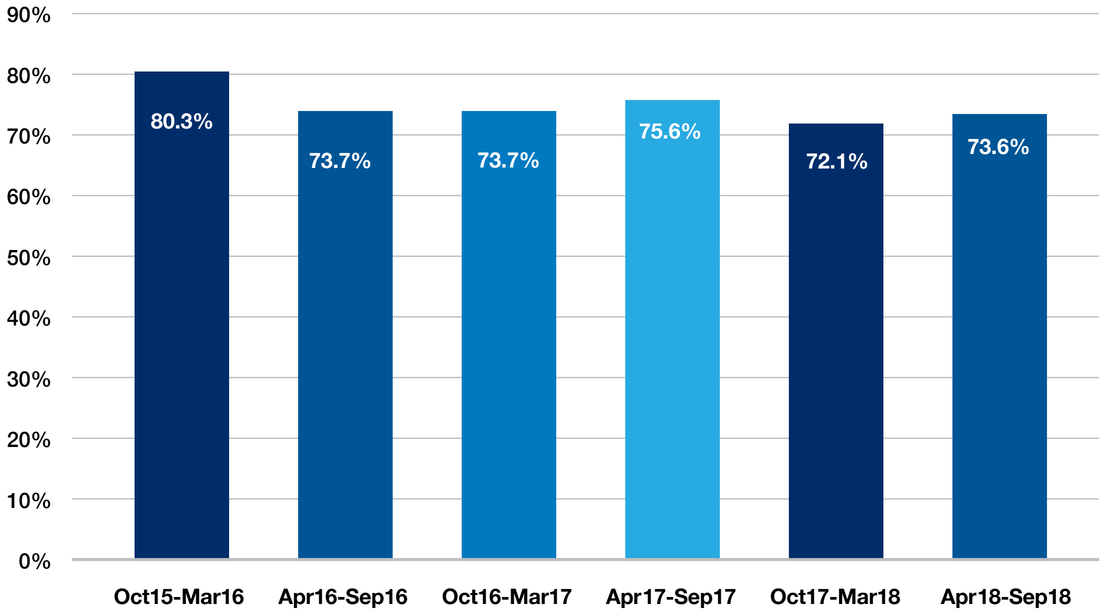
Period-on-period, from October 2017 to March 2018 compared to April-to-September 2018, the average number of loans written by all brokers decreased from 17.9 to 16.7, whilst the average number of loans written by active brokers decreased from 18.8 to 17.5.

Tasmania is the standout for applications lodged per active broker, jumping from 15.7 a year ago to 20.3, up 29.3%. Whilst South Australia's average applications lodged per active broker is high this period, it is down by 2.6 applications (down 29.3%) compared to 23 applications a year ago.

Besides Tasmania, up 4.6 applications, all other states recorded declines in average applications lodged per active broker compared to a year ago. New South Wales and ACT, and Queensland both recorded declines of 1.1 applications, Victoria recorded a decline of 0.9 applications, and Western Australia recorded a decline of 1.8 applications.

The conversion rate of home loan applications to settlements improved to 73.6% this period.

Conversion rates by brokers



Note: Conversion rates were calculated based on data from a consistent 10 aggregators.

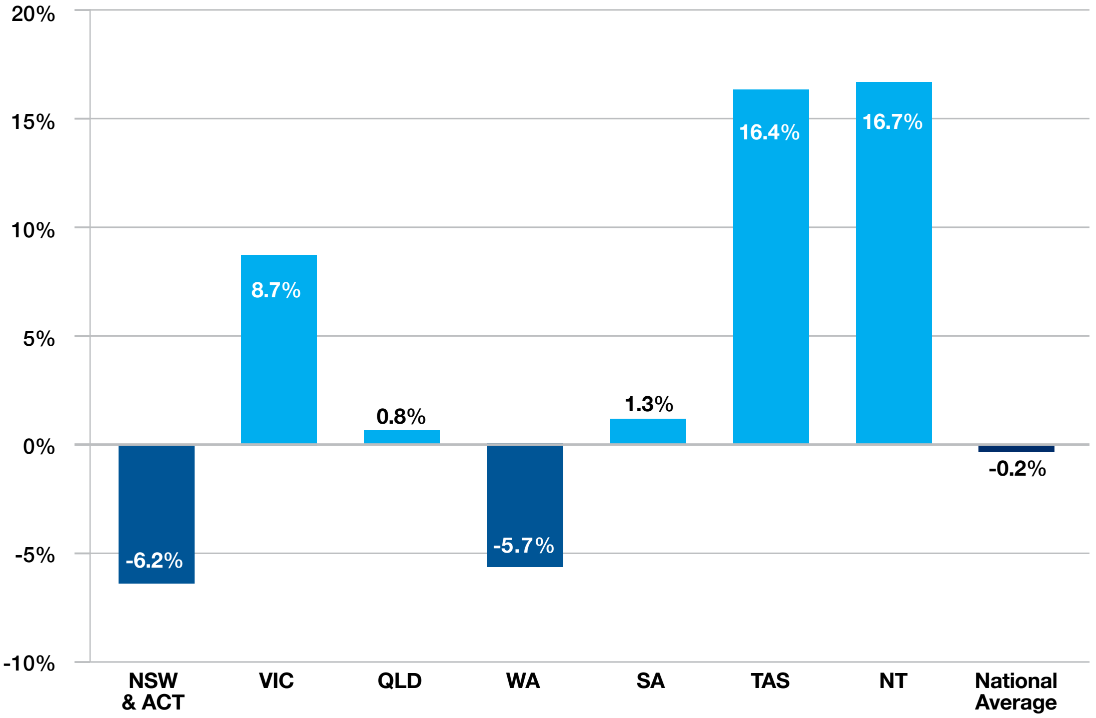
The conversion rate is calculated by the number of home loans settled as a proportion of the number of home loan applications lodged. Conversion rates need to be interpreted with caution as some aggregators may count conditional approvals rather than applications.

The conversion rate has improved compared to last period, from 72.1% up to 73.6%.

Overall, the data shows that conversion rates have remained stable for the past five six-month periods.

The national growth rate of the value of loans settled was down slightly.

Change in the value of home loans settled, September 2017 to September 2018



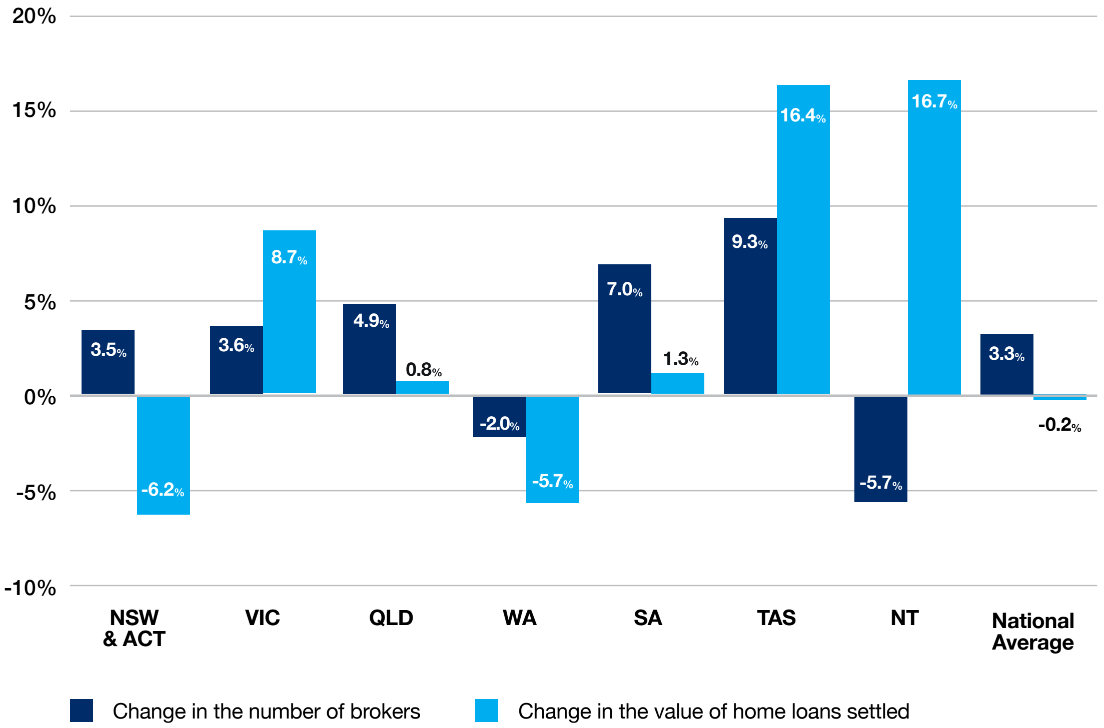
The value of overall national growth in home loans settled contracted by 0.2% between April-to-September 2017 and 2018, from $98.13 billion down to $97.92 billion.

New South Wales and ACT contributed most to this decline with a drop of 6.2%, from $41.1 billion down to $38.55 billion, followed by Western Australia which contracted by 5.7%, from $8.69 billion down to $8.2 billion.

Victoria, on the other hand, recorded solid growth of 8.7%, from $29.24 billion to $31.77 billion. Queensland and South Australia both recorded marginal growth of 0.8% and 1.3% respectively.

As seen before in this report, the standouts for growth were Tasmania with a 16.4% increase in value of home loans settled, and the Northern Territory with an even more impressive 16.7% growth figure. It is always important to note though that both Tasmania and the Northern Territory have lower base values than the other states and small raw value changes may result in large percentage changes.

Change in the number of brokers deployed vs. change in the value of home loans settled by state, year-on-year September 2017 to September 2018



Year-on-year, comparing the same six-month periods of April-to-September 2017 and April-to-September 2018, broker numbers have grown by 3.3%, whereas loan growth contracted.

New South Wales and ACT recorded an unfavourable relationship between the growth in broker numbers versus a comparable decline in the value of new loans settled. Although, not to the same extremes, Queensland and South Australia also recorded increases in broker populations that were disproportionately larger than the growth in the value of home loans settled.

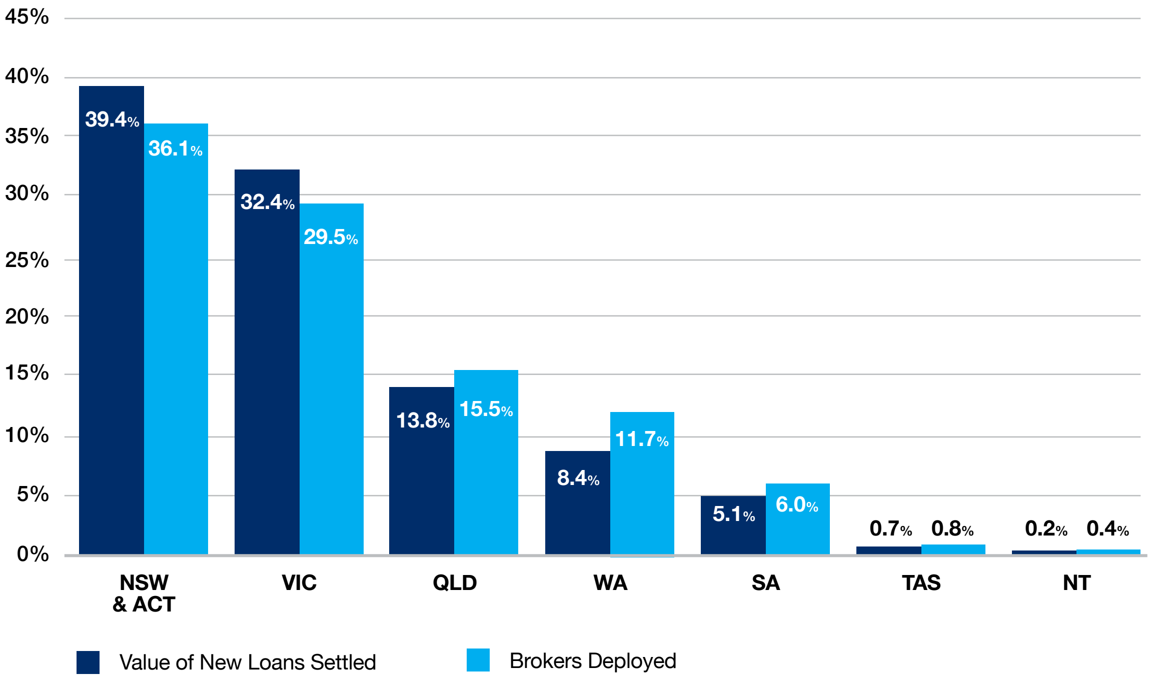
Western Australia, where the market has been in decline for a longer period of time, saw a decline both in broker numbers and in the value of new loans settled – though the change in value of loans settled out-paced the change in number of brokers.

South Australia and Tasmania saw the greatest percentage growth in brokers, with Tasmania also showing significant growth in the value of new loans settled, at 16.4%.

Victoria recorded growth in broker numbers and even stronger growth in new loans settled.

Again, the Northern Territory was the standout with a large percentage-drop in brokers despite an impressive growth in the value of new loans settled.

Share of national value of home loans settled (%) vs. share of total brokers deployed by state (%), April-to-September 2018



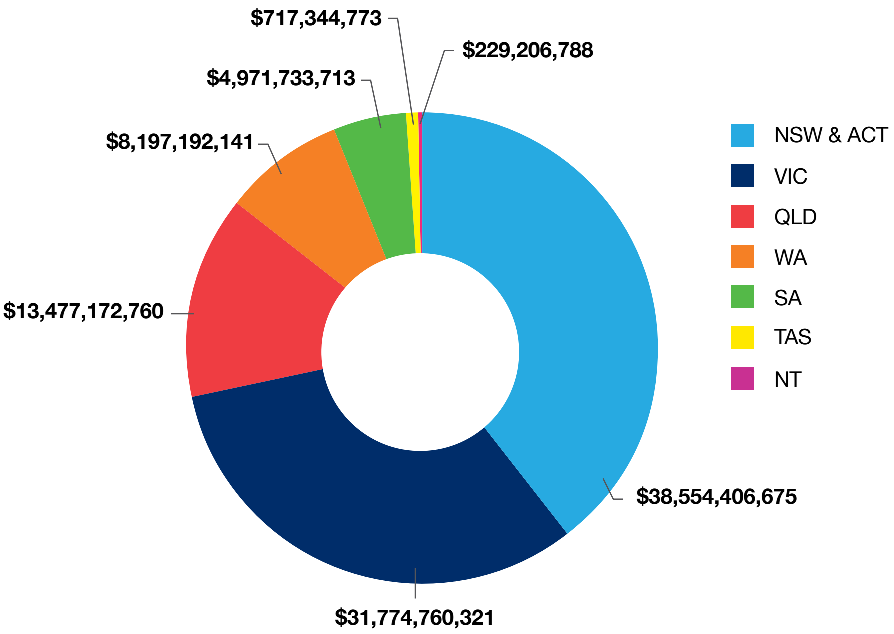
New South Wales and ACT, and Victoria both have a higher proportion of value of new loans settled nationally compared to their proportion of broker population.

Looking back to the equivalent period last year, April-to-September 2017, the difference between the two measures has reduced for New South Wales and ACT. In April-to-September 2017, New South Wales and ACT had 42.2% share of the value of home loans settled and 36.5% of the broker population - a variation of 5.7 percentage points. Most recently, the gap has closed to 3.3 percentage points, driven by a lower share of home loans settled, at 39.4% (down from 42.2%), whilst the share of brokers remained relatively flat between periods, from 36.5% down to 36.1%.

The reduction in market share of home loans settled in New South Wales and ACT of 2.8 percentage points was taken up mostly by Victoria which increased from 29.5% market share a year ago up to 32.4%, a change of 2.9 percentage points, or 9.83%. At the same time, Victoria's market share of brokers climbed slightly, from 29.1% in April-to-September 2017 to 29.5% currently.

The other states were mostly flat across both measures, with little variation year-on-year.

Value of home loans settled during the period, by state ($)

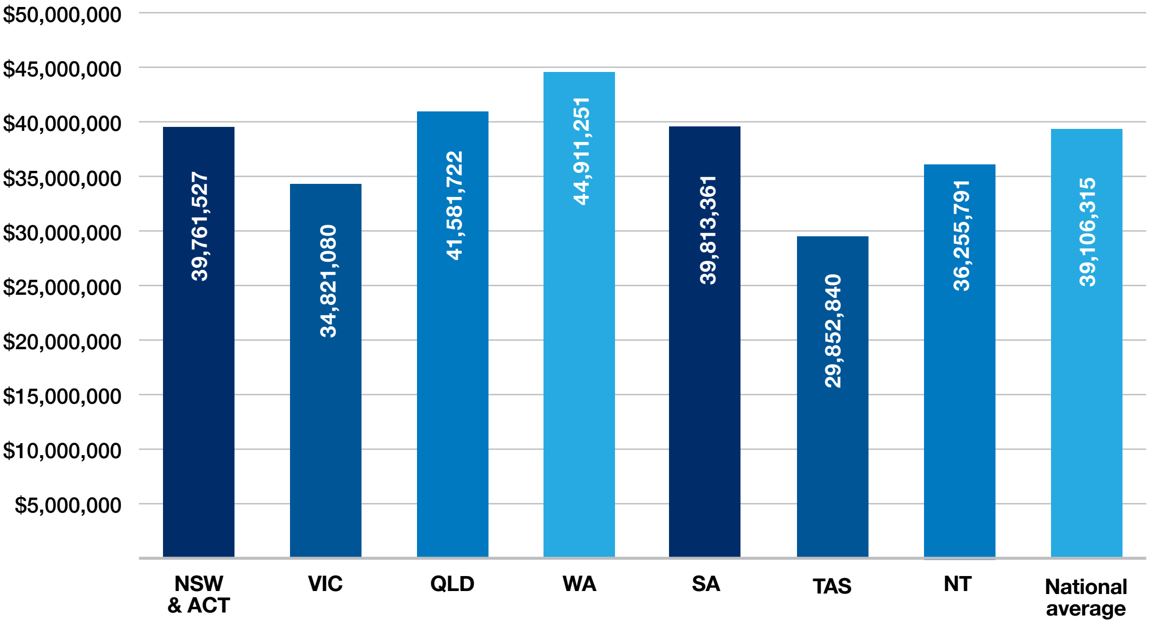


Once again, New South Wales and ACT, and Victoria have dominated with the largest share of home loans settled by value, at a combined 71.82%, up 0.13 percentage points period-on-period. Victoria accounted for all, and more of this difference, up $481.82 million since the previous period, whereas New South Wales and ACT's value settled dropped by $145.22 million between periods.

Period-on-period, all states, including New South Wales and ACT and Victoria, maintained a relatively unchanged value, with value changes between -1.84% to 1.86%, except for the Northern Territory which increased in value by 3.09%, up from $222.35 million (off a comparatively low base); and more impressively Tasmania which increased by 12.07% from $640.06 million.

The average value of a broker's loan book has increased year-on-year.

Average value of residential home loan book per broker, by state; and in total as of Sept 2018



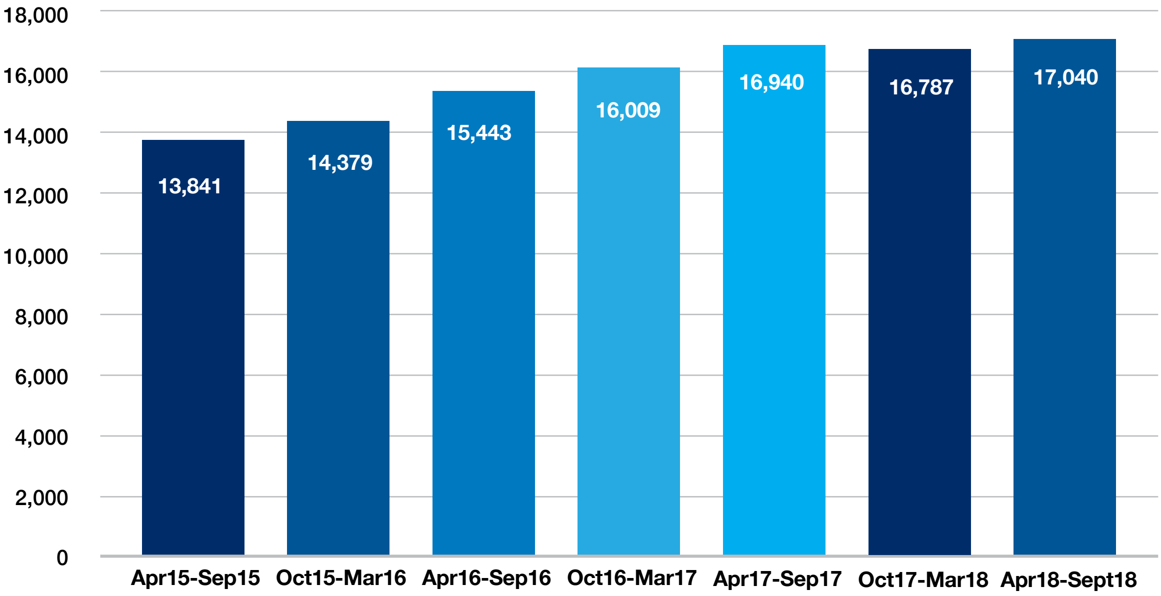
The national average value of brokers' loan books has increased year-on-year from April-to-September 2017, from $35.88 million to $39.1 million, an increase of $3.23 million or 9%. This book-per-broker growth rate of 9% was greater than the total book of 5.2% (see page 15). This was due to the number of brokers growing at 3.3% which was lower than the growth of the total book. This leaves a larger book to be divided amongst an increased, but proportionately smaller, population of brokers.

Since the last report, the average value of residential loan books increased in all states except Western Australia and the Northern Territory.

Year-on-year, this average value metric has also increased for all states except for the Northern Territory, where it declined $2.39 million or 6.01%. New South Wales and ACT's value has increased by $3.81 million, or 10.59%, whilst Victoria's has increased by $3.54 million, or 11.33%.

The broker population was largely steady.

Broker population, in total for the sampled aggregators

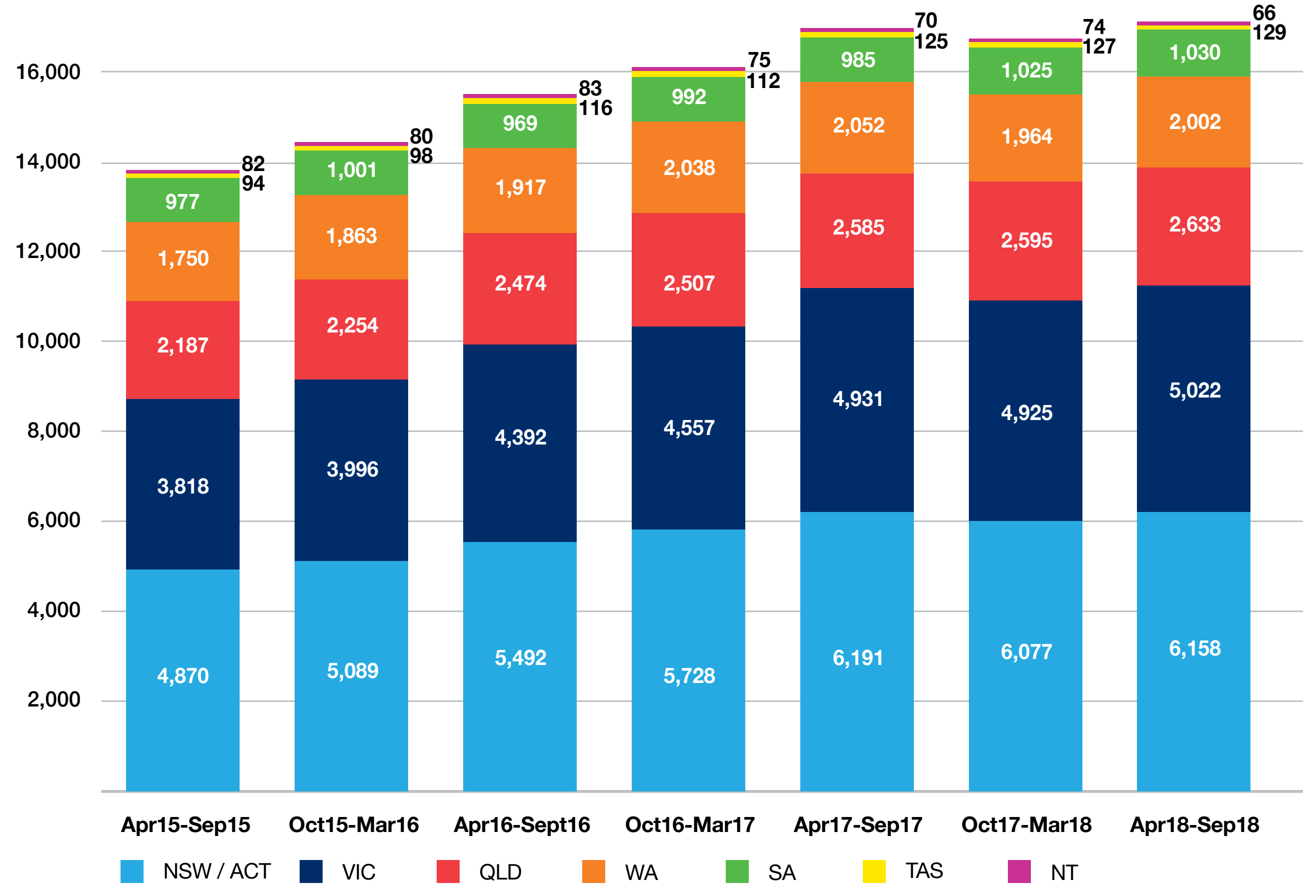


Note: There is data from one less aggregator included in the two most recent six-month periods, from October 2017 to September 2018 period, compared to previous periods.

For this first time, the broker population surpassed 17,000, up 253 brokers or 1.51% compared to last period.

Year-on-year, from April-to-September 2017 to 2018, growth was measured at 3.27% on a like-for-like basis for the 13 aggregators.

Broker population by state, and population change between reporting periods



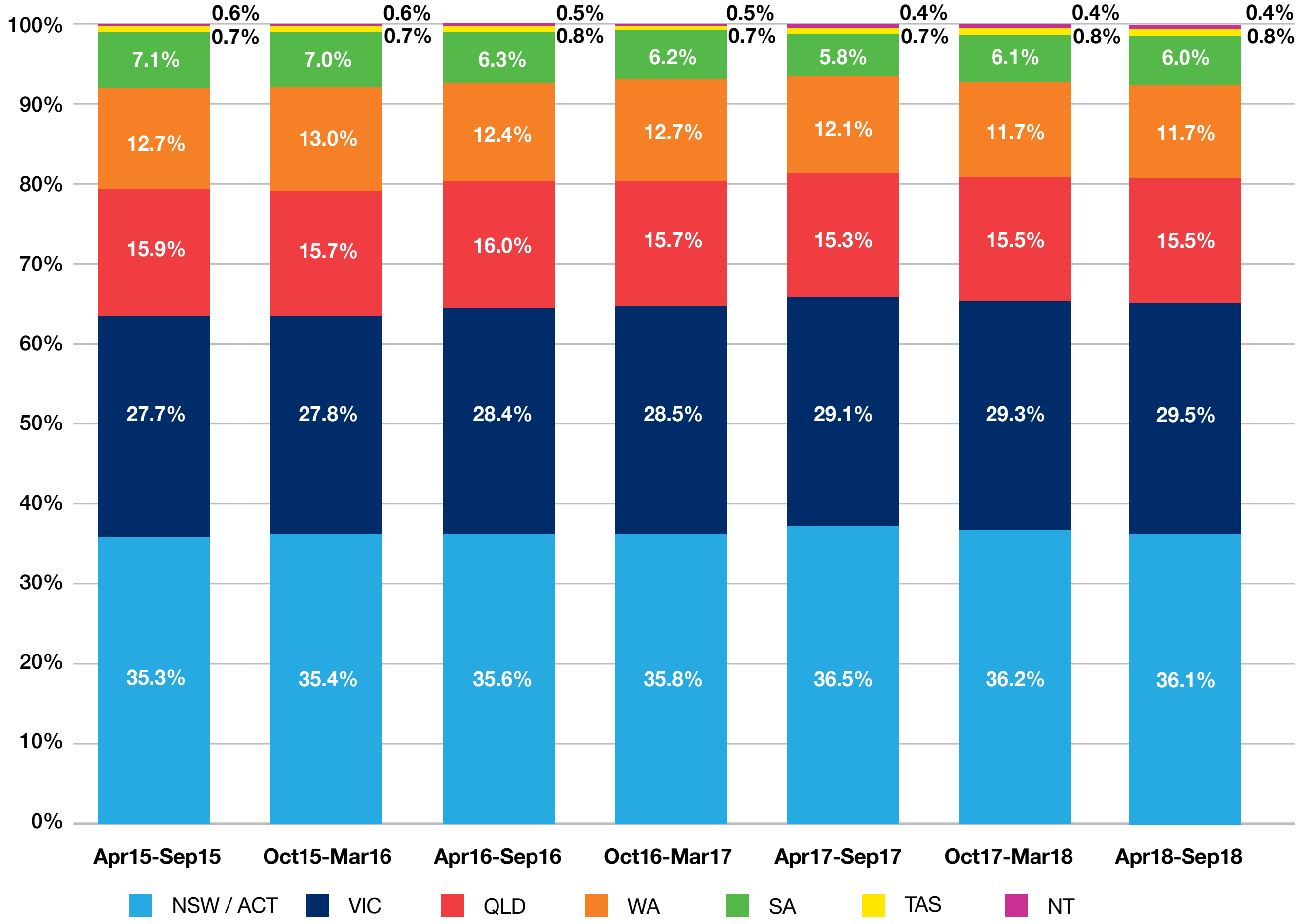
Difference (%) in broker population per state, between reporting periods	Apr15-Sep15 to Oct15-Mar16	Oct15-Mar16 to Apr16-Sep16	Apr16-Sep16 to Oct16-Mar17	Oct16-Mar17 to Apr17-Sep17	Apr17-Sep17 to Oct17-Mar18	Oct17-Mar18 to Apr18-Sep18
Northern Territory	-3.0%	4.5%	-9.8%	-6.7%	5.7%	-10.8%
Tasmania	3.9%	19.0%	-3.6%	11.6%	1.6%	1.6%
South Australia	2.5%	-3.2%	2.4%	-0.7%	4.1%	0.5%
Western Australia	6.4%	2.9%	6.3%	0.7%	-4.3%	1.9%
Queensland	3.0%	9.8%	1.3%	3.1%	0.4%	1.5%
Victoria	4.7%	9.9%	3.8%	8.2%	-0.1%	2.0%
New South Wales and ACT	4.5%	7.9%	4.3%	8.1%	-1.8%	1.3%

Note: There is data from one less aggregator included in the two most recent six-month periods from October 2017 to September 2018 period compared to previous periods. Data sets for the number of brokers at a state level do not always reconcile to national figures. This is because of slight variations in some aggregators' data extracts at the state level. This is not a material cause for concern.

Compared to the previous period, all states but one recorded growth in their broker population, between 0.5% in South Australia to 2% in Victoria.

The broker population in the Northern Territory declined by 10.8%, but this was a decline of eight brokers, from 74 to 66.

Proportion of broker population, by state



Note: There is data from one less aggregator included in the two most recent six-month periods from October 2017 to September 2018 period compared to previous periods. Data sets for the number of brokers at a state level do not always reconcile exactly to national figures. This is because of slight variations in some aggregators' data extracts at the state level. This is not a material cause for concern.

The proportion of brokers in each state has remained steady compared to last period, with very little volatility. Victoria's share of population grew at the expense of New South Wales and ACT, and South Australia.

Over the history of this metric, since 2015, Victoria is the only state to have shown consistent period-on-period population share growth. Victoria's market share over this period has grown from 27.7% to 29.5%, up 1.8 percentage points or 6.49%.

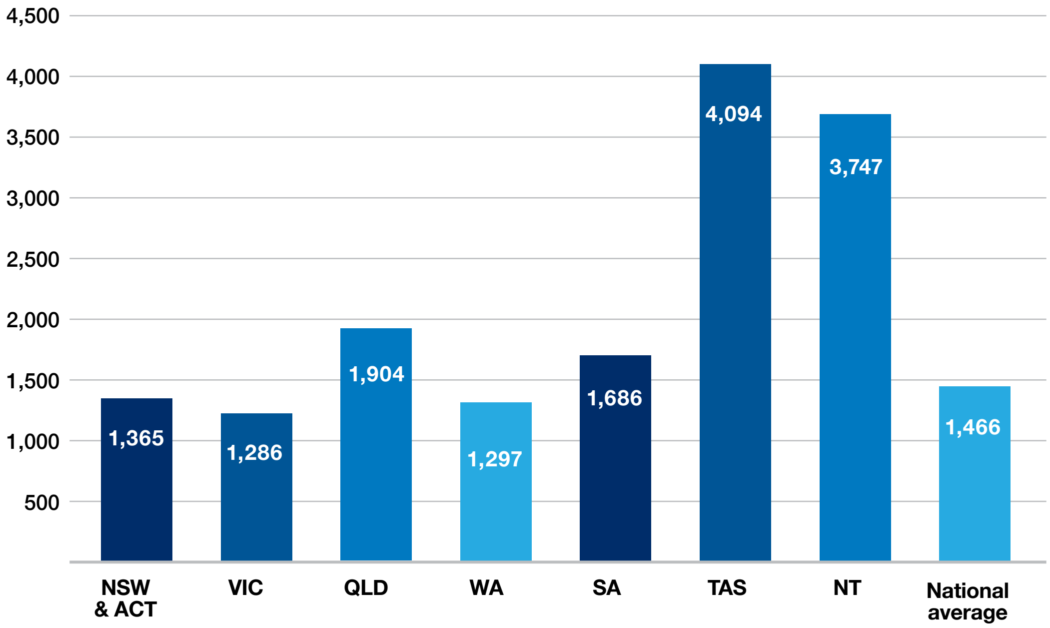
New South Wales and ACT on the other hand has experienced two consecutive periods of decline following a history of consistent population share growth.

Since 2015, the two states that have lost most of their market share are Western Australia and South Australia, with Western Australia down one percentage point or 7.87%, and South Australia down 1.1 percentage point or 15.49%.

There is now one mortgage broker per 1,466 people in Australia.

Number of Australians per mortgage broker

Based on ABS's Estimated Resident Population, June 2018

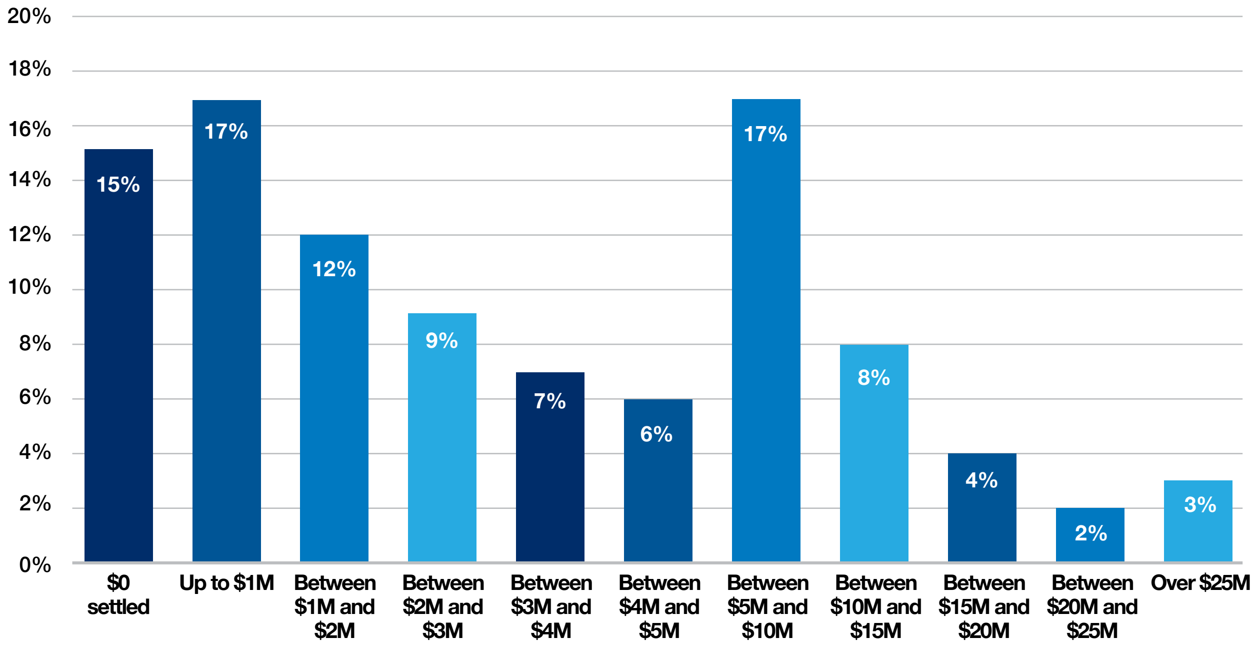


Overall, there has been very little change, year-on-year, in the number of Australians per broker. As at April-to-September 2017, it was calculated that there were 1,452 Australians per broker. For the latest period, this increased to 1,466 per broker – an increase of 14 people or 0.96%. Last period, there were 1,475 Australian's per broker.

On a state-by-state basis for the current period, Victoria has the highest concentration of brokers per capita, followed by Western Australia, indicating high competition; while Tasmania has the lowest saturation of brokers, with 4,094 Australians per broker, followed by the Northern Territory at 3,747.

Inactive brokers continue to represent a significant proportion of the broker population at 15%.

Share of brokers that settled home loans in aggregate in the following value bands, April to September 2018



Note: The figures in this analysis are a representative sample of the industry.

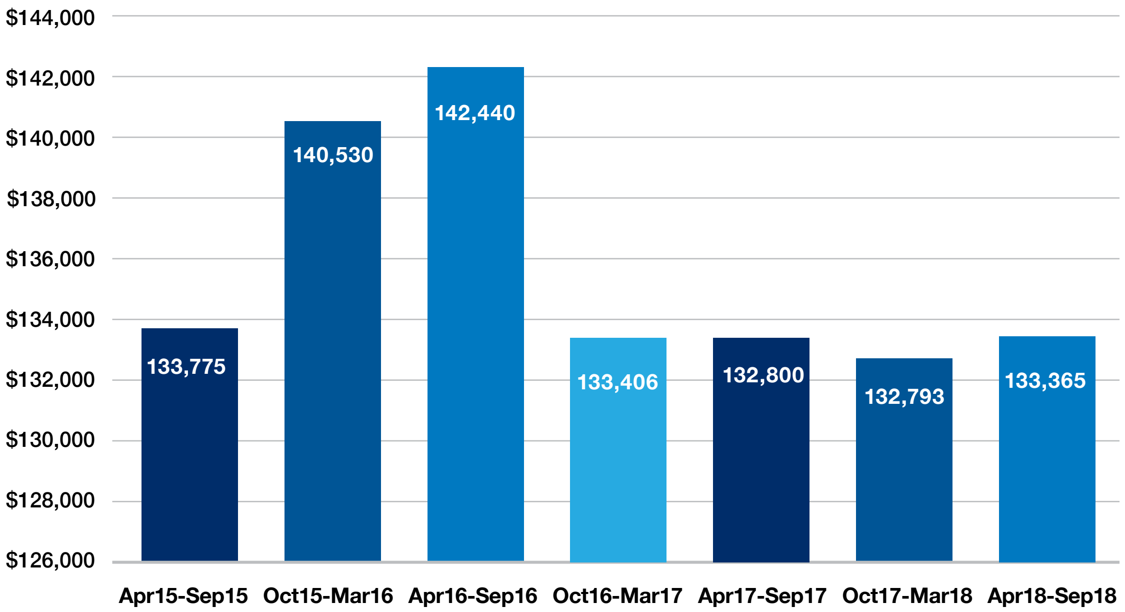
The share of brokers in aggregate between this current period and last has remained unchanged – with each value band remaining the same compared to last period. This is in the context of an increase in broker numbers compared to last period.

Based on the data provided by the participating aggregators, approximately 2,340 brokers did not settle a home loan during the reported six-month period, which, as expressed in previous graphs, impacts broker productivity indicators.

Excluding inactive brokers, and recalculating for their exclusion, 44% of brokers wrote $3 million in home loans or less for the latest six-month period.

Broker remuneration averages remain stable.

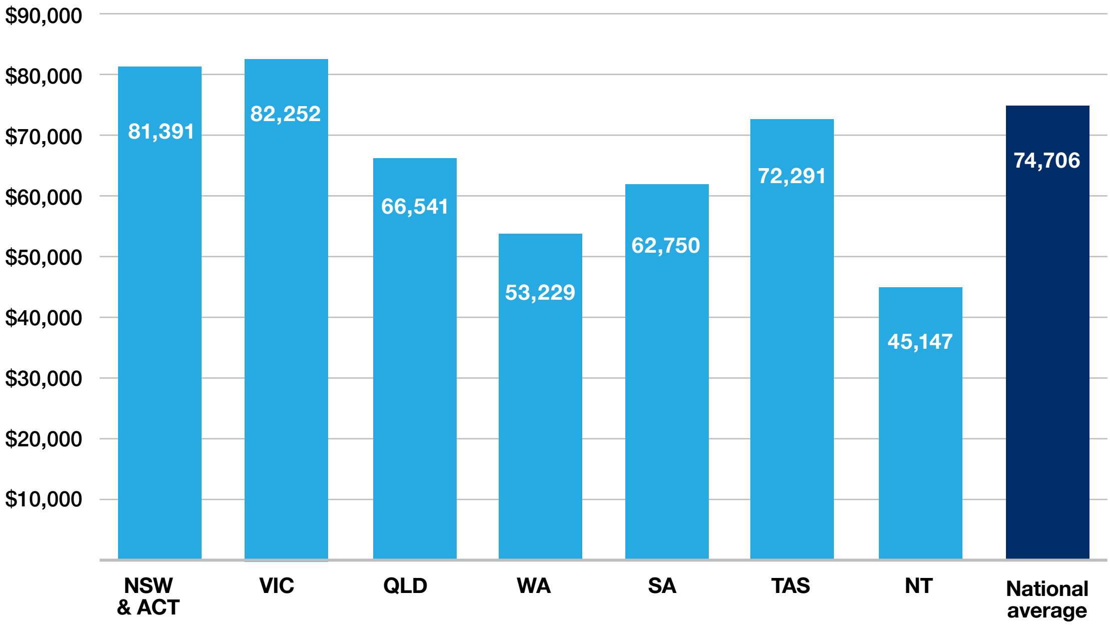
National average total broker remuneration



Nationally, there is little change in the estimated combined average up-front and trail remuneration compared to the previous IIS Report, rising from $132,793 in the October 2017 to March 2018 period to $133,365 for the April-to-September 2018 period, a difference of 0.43%.

The last three reporting periods have seen relatively consistent levels of remuneration after peaking in April-to-September 2016 at $142,440.

Average annual up-front commission per broker, prior to costs ($)



Note: Brokers' average measured 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.
Gross remuneration generated in this analysis means the total amount that lenders paid for the origination services provided by brokers. Out of these gross commission figures, brokers have to pay their own salaries, all their fixed costs of doing business, premises, and service provision fees paid to aggregators, marketing and communications expenses, support staff salaries and wages, and other costs.

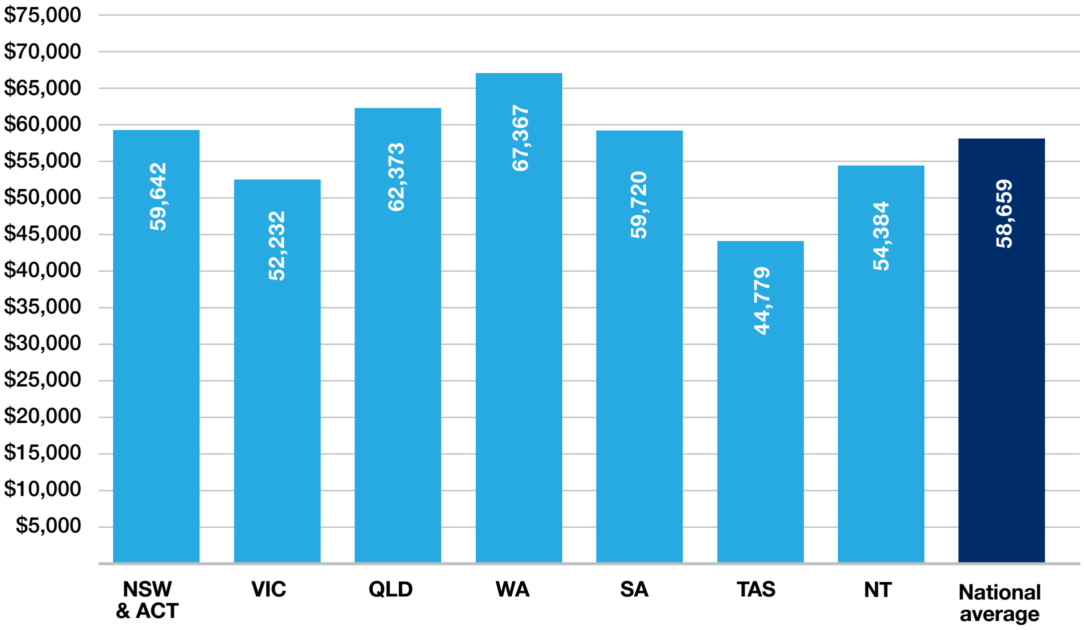
The average annual gross up-front remuneration (before costs) generated per broker for the last annual period to September 2018 is $74,706, compared to $76,715 for the corresponding annual period to September 2017 - a decrease of 2.62%.

New South Wales and ACT, and Victoria are the stand-out states for up-front commission, though both states are clearly ahead in regard to the average value of home loans settled per mortgage broker – as seen earlier in this report. It is worth noting that Victoria has now surpassed New South Wales and ACT compared to last year, and this aligns with Victoria surpassing New South Wales and ACT for the first time on the average value of home loans settled per mortgage broker in each state. Victoria's average annual upfront increased by $4,397 or 5.65% from $77,855, whilst New South Wales and ACT's declined by $7,179 or 8.11%.

In the other states, Queensland's average annual upfront reduced by $2,055 or 3%, and Western Australia's declined by $1,897 or 3.44%. South Australia had the largest reduction of $4,280 or 6.39%.

Tasmania recorded good year-on-year growth up $6,574 or 10%, and the Northern Territory recorded the largest rise, up by $8,667 or 23.76%, from $36,480.

Average annual gross trail commission per broker, prior to costs ($)



Note: Brokers' average annual 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 annual national trail commission for this period was calculated at $58,659, compared to $56,085 for the April-to-September 2017 period, and increase of 4.59%.

On a state-by-state basis, gross annual trail commission estimates have mostly increased with Tasmania having the largest percentage increase of 10.13%, however, its trail commission remains the lowest of all the states at $44,779.

Victoria had the second largest percentage gain at 7.95%, however, has the second lowest annual trail commission at $52,232.

New South Wales and ACT experienced the largest gain in dollar terms, up $4,236 or 7.65%.

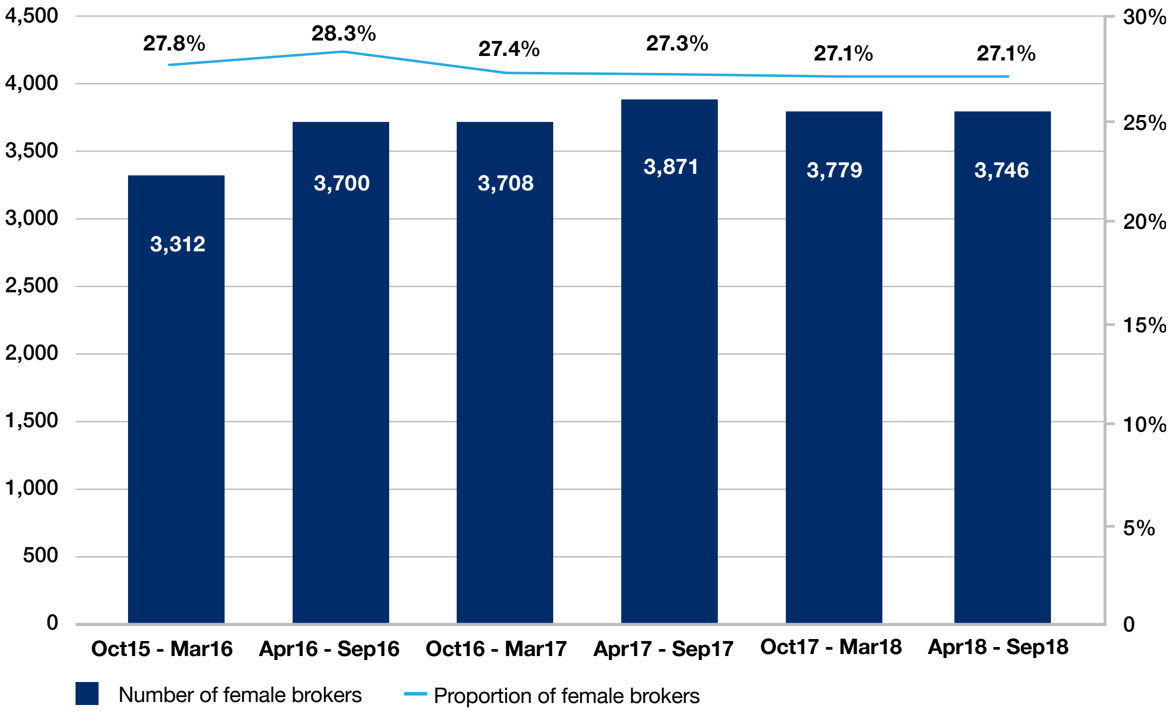
Despite a drop of 4.21%, Western Australia still remains the highest trail-earning state at $67,367.

Average annual commission per broker, prior to costs ($)

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	81,391	59,642	141,034
Victoria	82,252	52,232	134,484
Queensland	66,541	62,373	128,914
Western Australia	53,229	67,367	120,595
South Australia	62,750	59,720	122,470
Tasmania	72,291	44,779	117,070
Northern Territory	45,147	54,384	99,530
National Average	**74,706**	**58,659**	**133,365**

Female broker representation is showing signs of decline.

Number and proportion of female brokers in the industry



Despite an overall increase in broker numbers this period compared to the previous period, October 2017 to March 2018, the number of female brokers in the industry has declined.

Female industry participation declined by 33 mortgage brokers.

This is the second consecutive decline recorded, a trend started following the peak period of female participation in April-to-September 2017, at 3,871 female brokers.

The number of female brokers (noting a limited set of aggregators who supply the data), has remained relatively stable since the October 2016 to March 2017 period, though admittedly the share had slowly been trending downwards.

The share figure for the current period, 27.1%, had remained stable compared to last, despite the overall population of brokers increasing, and the number of female brokers decreasing. This result may be due to the mix of aggregators who had or had not supplied gender participation data.

Number recruited per period, by gender

	Apr15 – Sep15	Oct15 – Mar16	Apr16 – Sep16	Oct16 – Mar17	Apr17 – Sep17	Oct17 – Mar18	Apr18 – Sep18
Number of men recruited during period	931	972	947	938	1168	892	854
Number of women recruited during period	475	454	439	360	523	406	371

Proportion of men and women recruited per period

	Apr15 – Sep15	Oct15 – Mar16	Apr16 – Sep16	Oct16 – Mar17	Apr17 – Sep17	Oct17 – Mar18	Apr18 – Sep18
% of men recruited during period	66%	68%	68%	72%	69%	69%	70%
% of women recruited during period	34%	32%	32%	28%	31%	31%	30%

As can be seen from the recruitment numbers and percentage of new brokers, the composition of female to male brokers has reduced slightly. Share of female new recruits has reduced from its peak of 34% in April-to-September 2015 to 30% currently.

The industry recorded an average turnover of 10.9% during the six-month period.

Broker turnover/churn by state and nationally

New South Wales and Australian Capital Territory	10.7%
Victoria	10.9%
Queensland	10.0%
Western Australia	9.7%
South Australia	9.2%
Tasmania	16.3%
Northern Territory	11.1%
National average	**10.9%**

Turnover accounts for the number of brokers at the start of the six-month period compared to the number at the end of the period, at an aggregator level. Turnover does not exclusively account for the number of brokers joining and leaving the industry. Included in the data are brokers moving from one aggregator to another. For industry comparisons, it is important to note that this is for six months.

Year-on-year, from April-to-September 2017 to 2018, turnover increased by one percentage point, from 9.9% to 10.9%. Last period, October 2017 to March 2018, the churn rate was calculated at 9.6%.

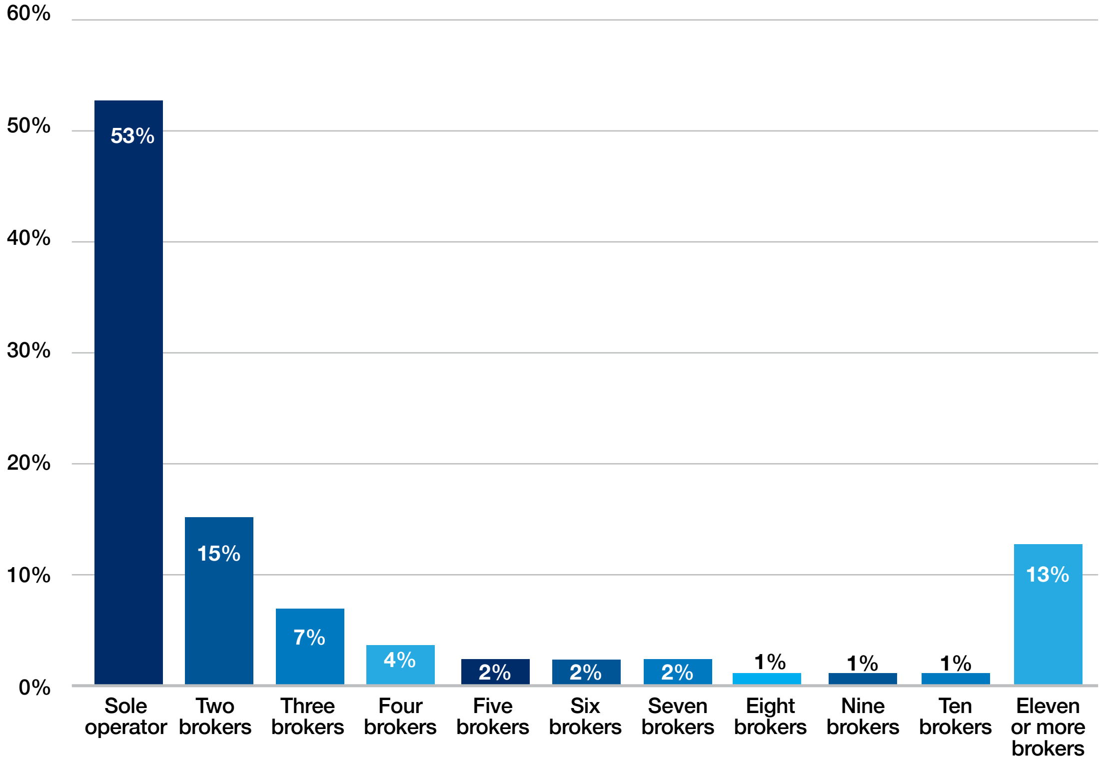
Year-on-year, New South Wales and ACT's churn increased from 9% to 10.7% and Victoria saw a similar increase from 8.8% to 10.9%. Queensland reduced their churn from 11.7% to 10%, while Western Australia had little change with a small churn increase from 9.5% to 9.7%. South Australia reduced their turnover from 11.1% to 9.2%, a decrease of 17.12%.

Tasmania saw the largest change from 8.5% to 16.3%, a 91.76% increase. Due to the lower number of brokers in Tasmania, a small turnover change can result in a significant percentage change.

Year-on-year, churn in the Northern Territory remained flat at 11.1%.

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

Number of loan writers per broker business, April 2018 to September 2018



Note: The data in this chart is based on a sample of 9,199 brokers.

There was a significant increase in the share of brokers working as sole operators compared to last period, as well as year-on-year. Currently at 53%, only 41% of brokers reported to operate as sole operators last period, and 40% in the previous period of April-to-September 2017.

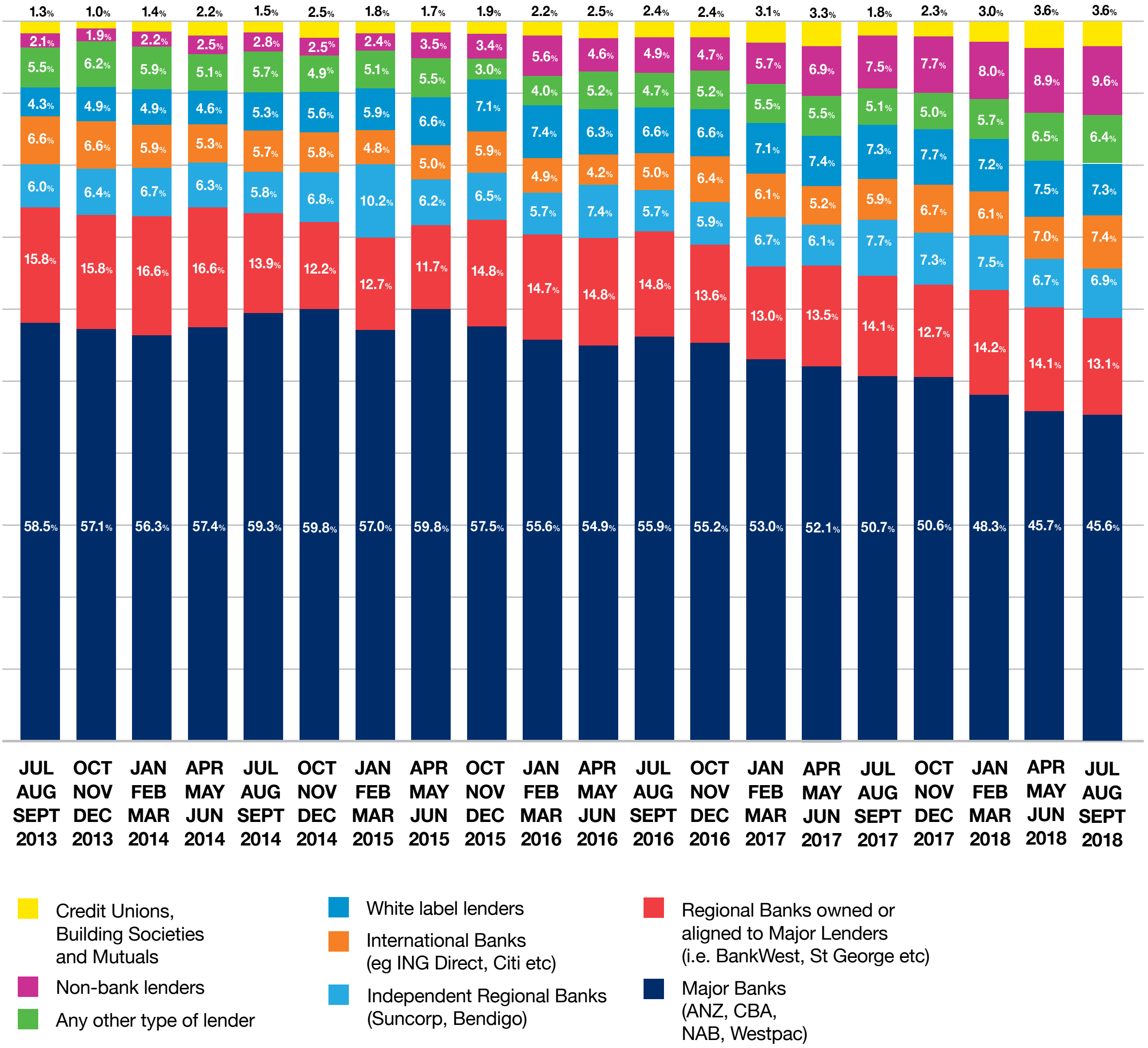
15% of the remaining brokers in this period are in two-broker offices, a decrease year-on-year from 17%, after an increase to 18% last period.

The shift to single broker offices may suggest that multi-broker businesses are rationalising their number of loan writers by reducing headcounts. In some instances, these brokers are going out on their own and operating independently.

Lender Segments

The proportion of broker-originated home loans settled with lenders other than the major banks and their affiliates continues to grow.

Share of broker-originated lending settled with each lender segment



Note: No data was available for the July-to-September 2015 quarter. 'Non-Bank lenders' refers to: Firstmac, Resimac etc.

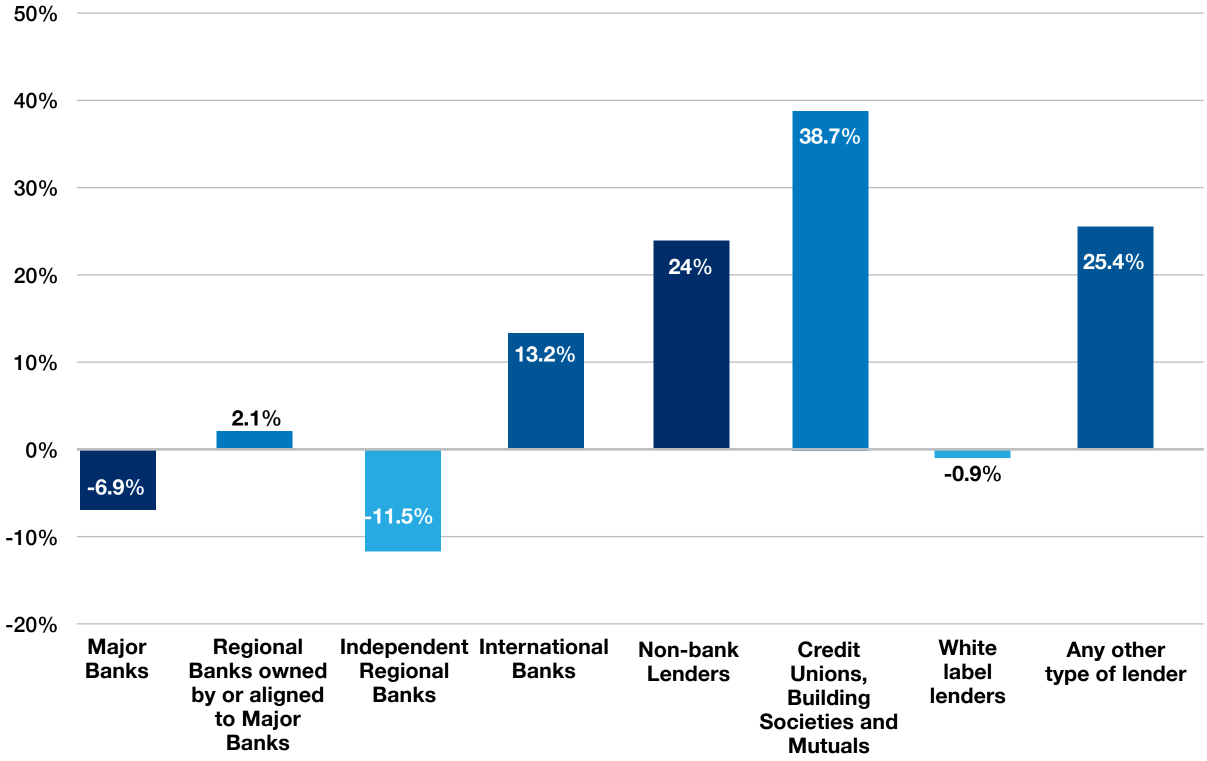
The shift away from the Major Banks continues with the segment recording another record low market share result. The Major Banks have now seen their market share reduce from the high of 59.8% recorded in April-to-June 2015 to 45.6% as at July-to-September 2018. Over the last year the Major Bank segment has lost 5.1% market share with Non-bank Lenders and the International Banks the main beneficiaries

Since October-to-December 2013, the market share of the Non-bank Lenders has increased from 1.9% to 9.6% - an increase of 405.26%, and over the last three years, the International Banks have increased their market share from 5% (April-to-June 2015) to 7.4%, an increase of 48%.

Credit Unions, Building Societies and Mutuals, who initially started from a very low base, have recorded two strong quarters, taking 3.6% of the market, up 20% compared to the January-to-March 2018 quarter.

Volatility in growth rates amongst some lender segments implies agility amongst brokers.

Change in value of broker-originated home loans settled per lender category, compared to the previous six month period



The value of new home loans settled with the Major Banks has contracted for the second period in a row, down 6.9% in this report following a contraction of 6.2% reported in the IIS Report 6th edn.

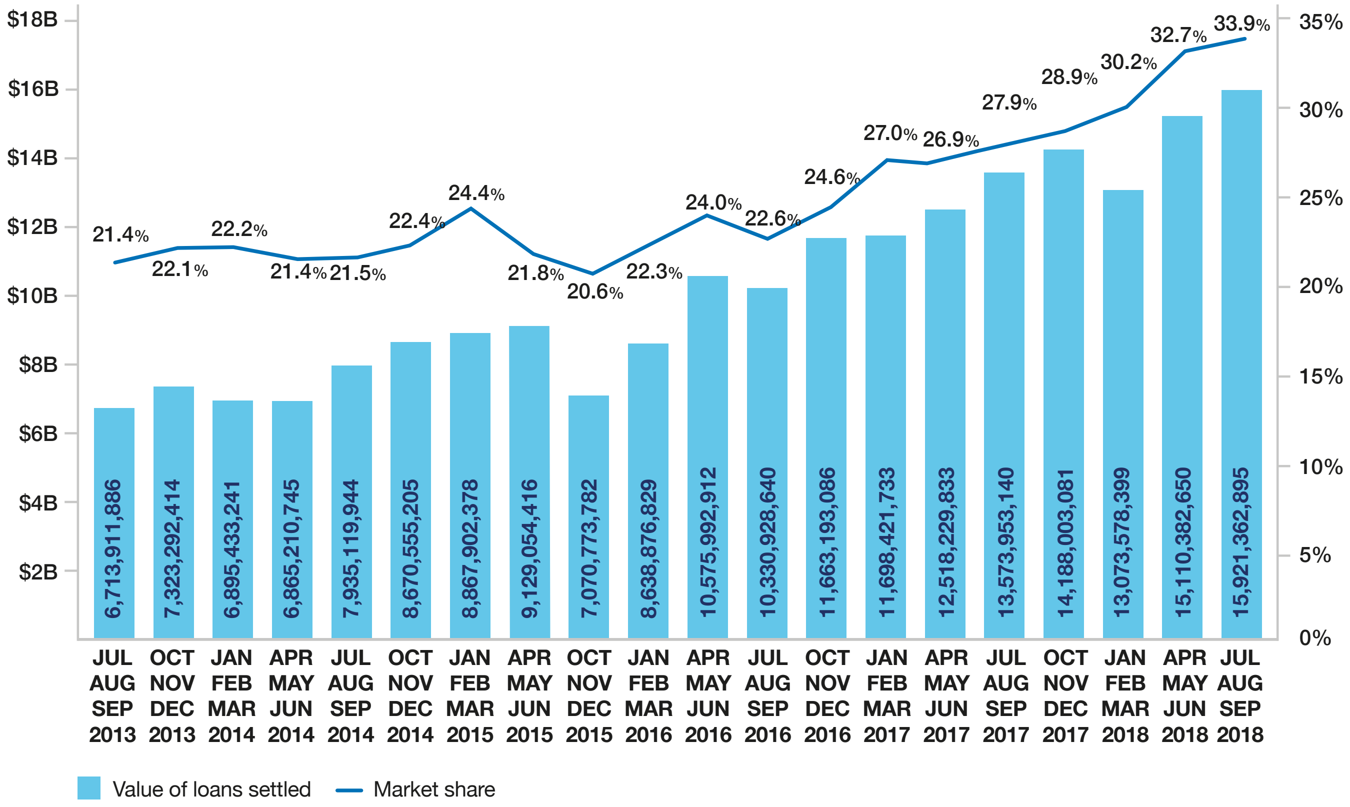
The Regional Banks owned by, or aligned to, the Major Banks recorded a positive growth figure this current period, compared to a 4.7% contraction last period.

Credit Unions, Building Societies and Mutuals recorded a stand-out result this period, with the growth rate of the value of home loans written through this segment up 38.7% following an increase of 13.4% last period. It must be noted that these results followed a difficult July-to-September 2017 period for the segment. These results may be part of the segment's recovery.

Compared to last period, where the Independent Regional Banks recorded a 5.4% growth increase in the value of home loans settled, this period the segment recorded a 11.5% contraction.

These fluctuations in market share across lender segments (excluding the Major Banks segment), from period-to-period, combined with insights from the lender segment market share, further reinforces the notion that brokers are able to be agile in their placement of lending products to better suit their customers' needs.

Value ($) and market share of broker-originated business to lenders other than the Major Banks and their affiliates



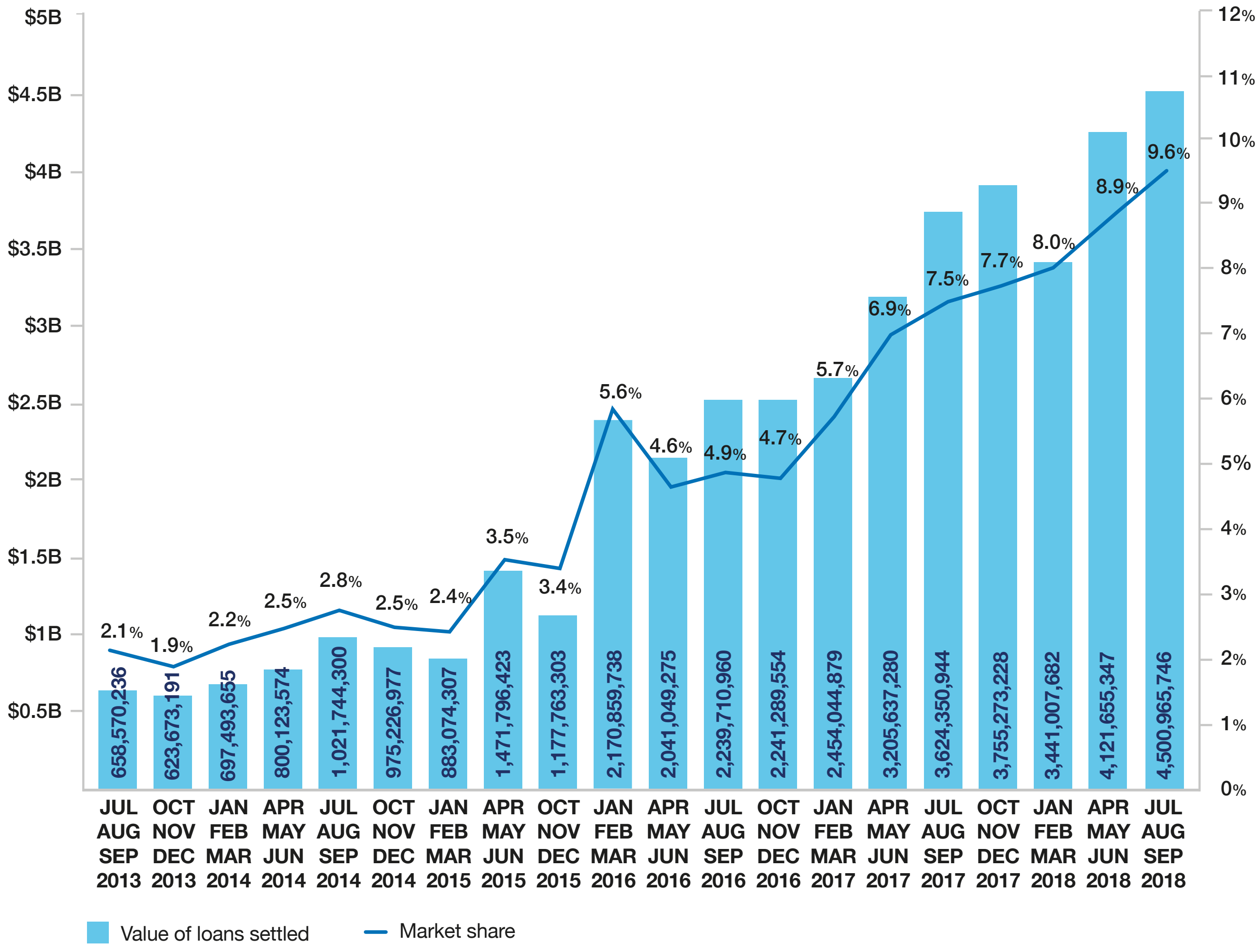
Note: Due to decimal rounding, the sum of market share percentages presented in the ‘ Value ($) and market share of broker-originated business to lenders other than the Major Banks and their affiliates ‘ graph does not exactly add up to the equivalent sum of percentages in the ‘Share of lending settled with each lender segment graph’. There is a 0.1 percentage point difference. No data was available for July-to-September 2015 quarter.

This segment, including the Credit Unions, Building Societies and Mutual Banks, Non-bank Lenders, International Banks, Independent Banks, and Any other type of lender segments - those that are in no way affiliated to the Major Banks – has recorded another record market share and value-settled result.

The segment now controls 33.9% of the broker-originated market, up 12.25% or 3.7 percentage points when compared to the end of the last IIS Report period, January-to-March 2018. The value of loans settled has also increased significantly, by $2.85 billion or 21.78%.

The broker-originated business directed to the Non-bank Lending segment continues to grow in market-share and value measures.

Value ($) and market share of broker-originated business to Non-bank Lenders



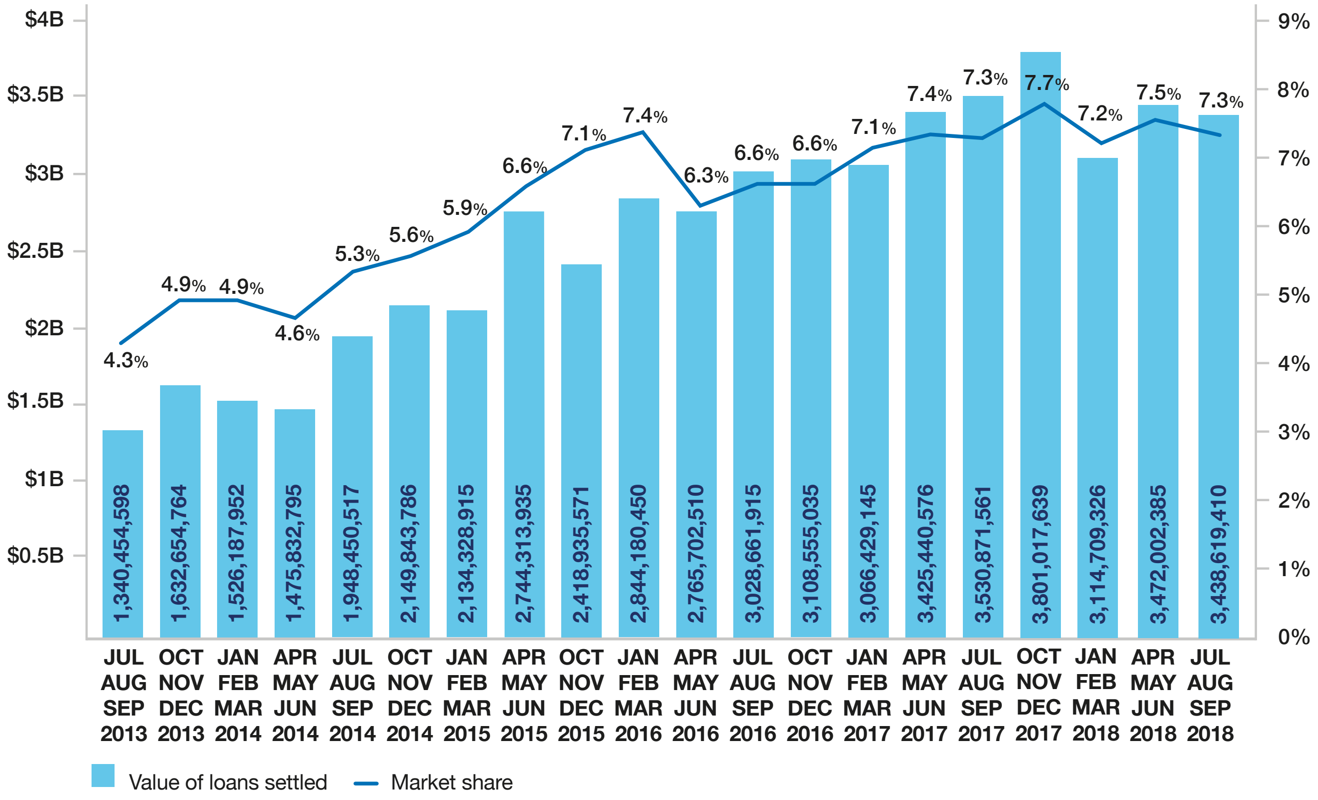
Note: No data was available for July-to-September 2015 Quarter

The percentage of business directed to Non-bank Lenders by brokers continues to grow, with the segment now owning 9.6% of the market - the highest market share recorded. These recent quarter results further solidify the segment's continued growth, beginning around January-to-March 2015.

In terms of market share, the last two quarters have been very strong for the segment. Market share has increased by 20% (1.6 percentage points) over the last six months. Over the same period, value settled by the segment has also increased by 30.8%, up $1.06 billion.

Share of the White Label Home Loan segment has remained stable, year-on-year, at 7.3%.

Value ($) and market share of broker-originated business to White Label Lenders



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 that have offered the product consistently over the past four years. As such, it reflects organic growth in the product category. As is commonly known, other aggregators are beginning to offer white label loans, but their small share has not been counted in this analysis.

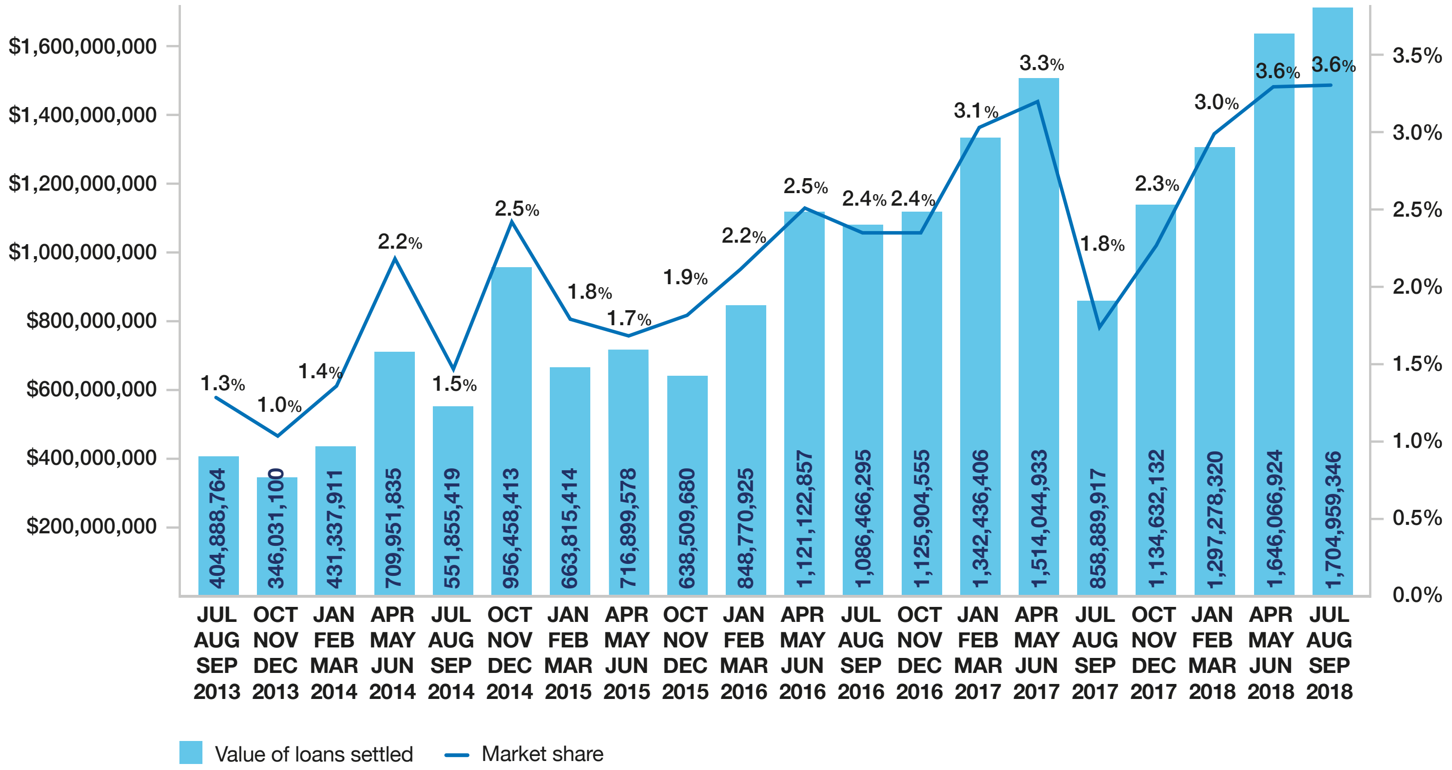
Over the last six quarter-periods, from April-to-June 2017 to July-to-September 2018, the market share of broker-originated business to White Label Lenders has remained fairly stable, within a range of 0.5 percentage points, from 7.2% to 7.7% market share. Currently, market share sits at the lower end of the range, relatively unchanged at 7.3%.

While market share has remained fairly flat, recently the value settled by the segment has been, to a degree, more inconsistent. Compared to the equivalent period in 2017, the value of loans settled has remained stable, falling slightly by $92.25 million or 2.61%. During October-to-December 2017 the amount settled peaked for the recent period at $3.8 billion, and the following period, January-to-March 2018, the amount was at its recent lowest at $3.11 billion settled.

Up until October-to-December 2017, the value settled and the market share for the segment was clearly on an upward trend. Over the last three quarters this trend has stalled, and it now appears unclear how the segment will continue to perform in the future.

New lending originated by brokers and directed to the Credit Unions, Building Societies and Mutuals segment has continued its bounce back after an unexpected decline in July-to-September 2017.

Value ($) and market share of broker-introduced business to Credit Union, Building Society and Mutual Lenders



Note: No data was available for July-to-September 2015 quarter.

It is clear now, that after an unexpected and drastic decline in terms of both market share and segment value back in July-to-September 2017, the channel has now recovered and reached an all-time high in both market share and dollar value of mortgages settled.

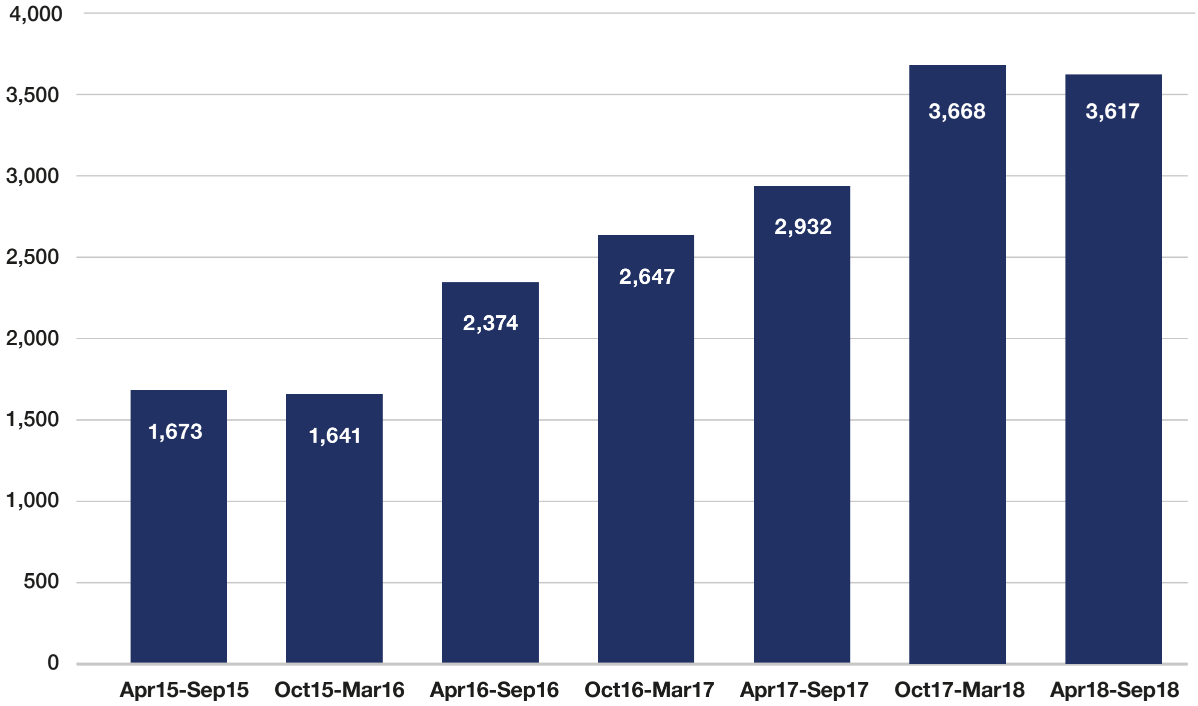
Value settled for the segment sits at $1.7 billion for the current quarter, up from the previous quarter, while market share sits at 3.6%, flat compared to the previous quarter.

Compared to the same July-to-September period one year ago, value originated by brokers and settled by the segment has increased by 98.51% or $846 million, from $858.89 million, while market share had increased by 100%, from 1.8% to the current 3.6%.

Although, year-on-year, these results could be considered extremely impressive, in context, the Credit Unions, Building Societies and Mutuals segment has only really just recovered to it's pre-July-to-September 2017 record highs, and the segment may once again now look to continue its growth trajectory from the initial four years.

Commercial Broking

Number of mortgage brokers also writing commercial loans



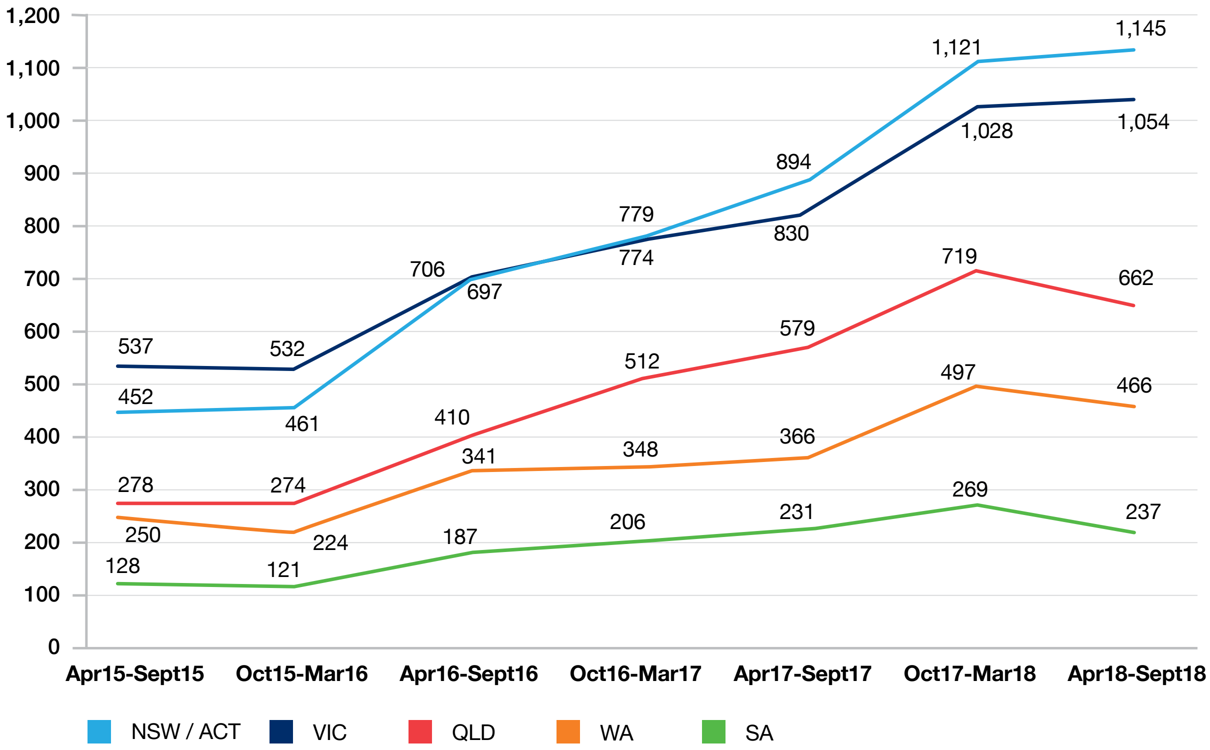
Note: Commercial brokers as those mortgage brokers who had written a commercial loan through their aggregator's panel for the period. Mortgage brokers who solely wrote loans direct with lenders are not included.

Compared to the previous six-month period, from October-to-March 2018, the number of mortgage brokers also writing commercial loans via their aggregator's panel has decreased slightly, down by 51 mortgage brokers or 1.39%. However, year-on-year, the number has increased by 685 mortgage brokers, or 23.36%.

It is unclear as to why the population of mortgage brokers diversifying into commercial has contracted this period. This may be a one-off. Or, anecdotally, reasons may include the lack of commercial business opportunities arising, mortgage brokers doubling-down on their core mortgage broking services, or restrictions in commercial credit making it more difficult to trade.

At a time when diversification is important, any ongoing downward trend in the number of residential brokers also writing commercial products going forward would be a concern for the industry.

Number of mortgage brokers writing commercial loans, by state

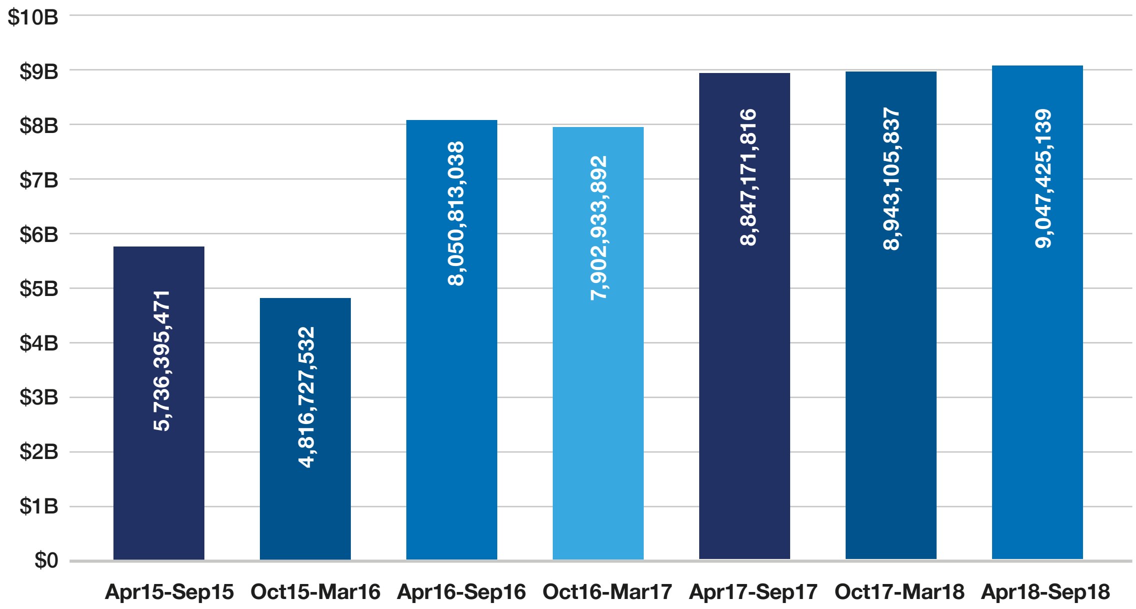


Note: Commercial brokers as those mortgage brokers who had written a commercial loan through their aggregator's panel for the period. Mortgage brokers who solely wrote loans direct with lenders are not included. Due to the scale of the Y-axis labels, graph excludes data for Tasmania.

Whilst the population of mortgage brokers who had also written commercial loans via their aggregator, period-on-period, increased again in New South Wales and ACT (by 24 brokers or 2.14%), and Victoria (by 26 brokers or 2.53%), all other states measured, Queensland, South Australia and Western Australia, saw reductions in the number of mortgage brokers writing commercial loans, and this accounts for the overall national decline.

Queensland recorded the largest fall of 57 brokers, down by 7.93%. However, year-on-year, all states recorded broker population figures above the equivalent year's period.

Value of commercial lending settled by mortgage brokers ($)

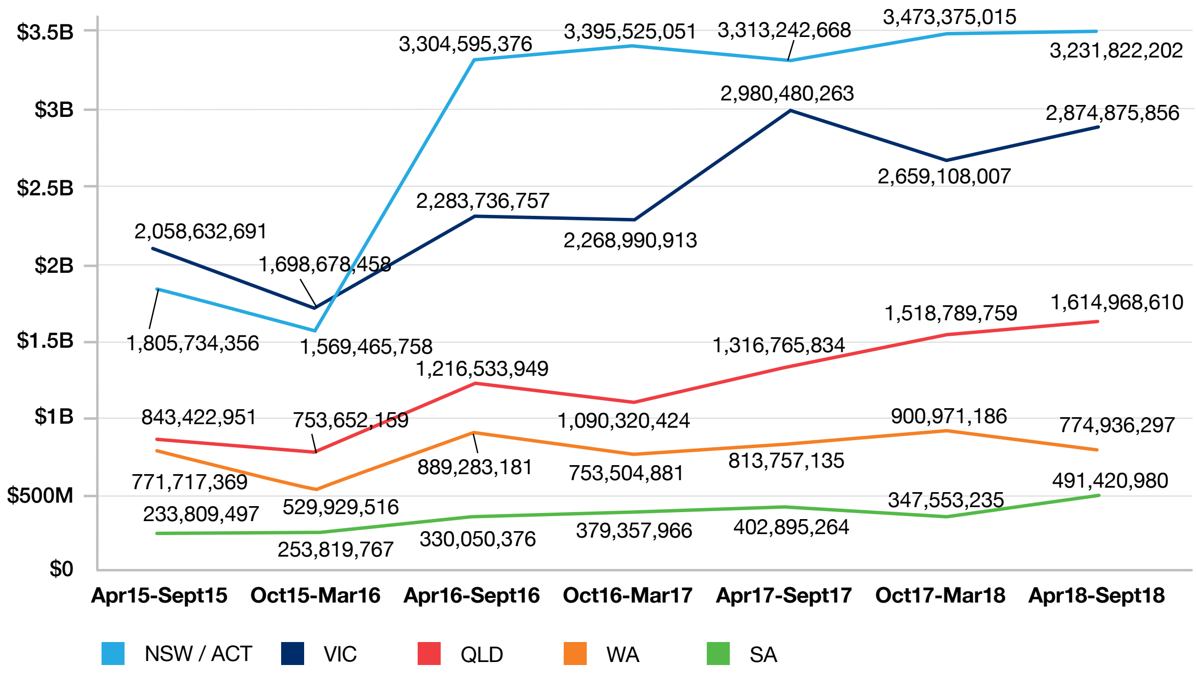


Note: Commercial brokers as those mortgage brokers who had written a commercial loan through their aggregator's panel for the period. Mortgage brokers who solely wrote loans direct with lenders are not included.

For the first time, the value of commercial loans settled by mortgage brokers via their aggregator for a six-month period has exceeded $9 billion. This amount is up $200 million or 2.26% on the corresponding period of April-to-September 2017, and this is also despite a reduction in the mortgage/commercial broker population.

Whilst this is a positive result, the mortgage/commercial broking sector appears to be going through a period of stable results and isn't experiencing the same rate of growth experienced over the two years, between April-to-September 2015 to April-to-September 2017.

Total value of commercial lending settled by mortgage brokers, by state ($)



Note: Commercial brokers as those mortgage brokers who had written a commercial loan through their aggregator's panel for the period. Mortgage brokers who solely wrote loans direct with lenders are not included..

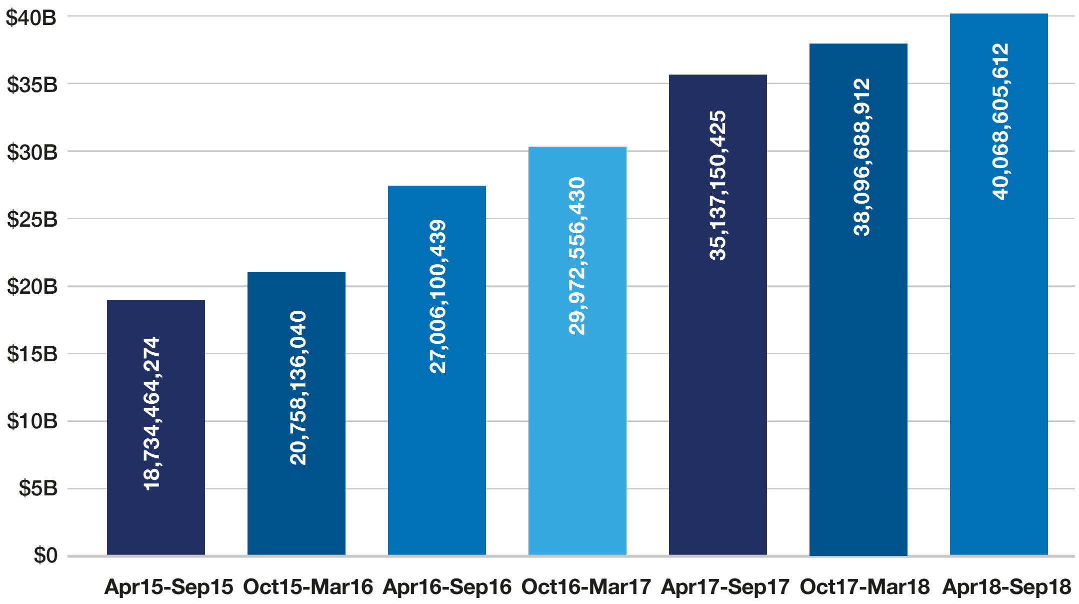
Year-on-year, despite the increase in population of mortgage brokers also writing commercial loans in both New South Wales and ACT, and Victoria, the value written in each state has declined slightly. The reduction was minor for New South Wales and ACT, at $81.42 million or 2.46%, whilst in Victoria, the value reduced by $105.6 million or 3.54%.

Over the recent three-year period, New South Wales and ACT's value appears to have plateaued, whilst Victoria continues its upward trend.

In other areas, Queensland has written another record amount of $1.61 billion, up 22.65% year-on-year – despite the state's latest decline in population of mortgage/commercial brokers, and South Australia had a new record period, writing $491.42 million, up 21.97% or $88.53 million year-on-year, and continuing its slow-growth trend.

As for Western Australia, year-on-year, and period-on-period, the state wrote less this period, but overall, in recent history, continues its flat trend of results.

Total commercial lending loan book value of mortgage brokers ($)

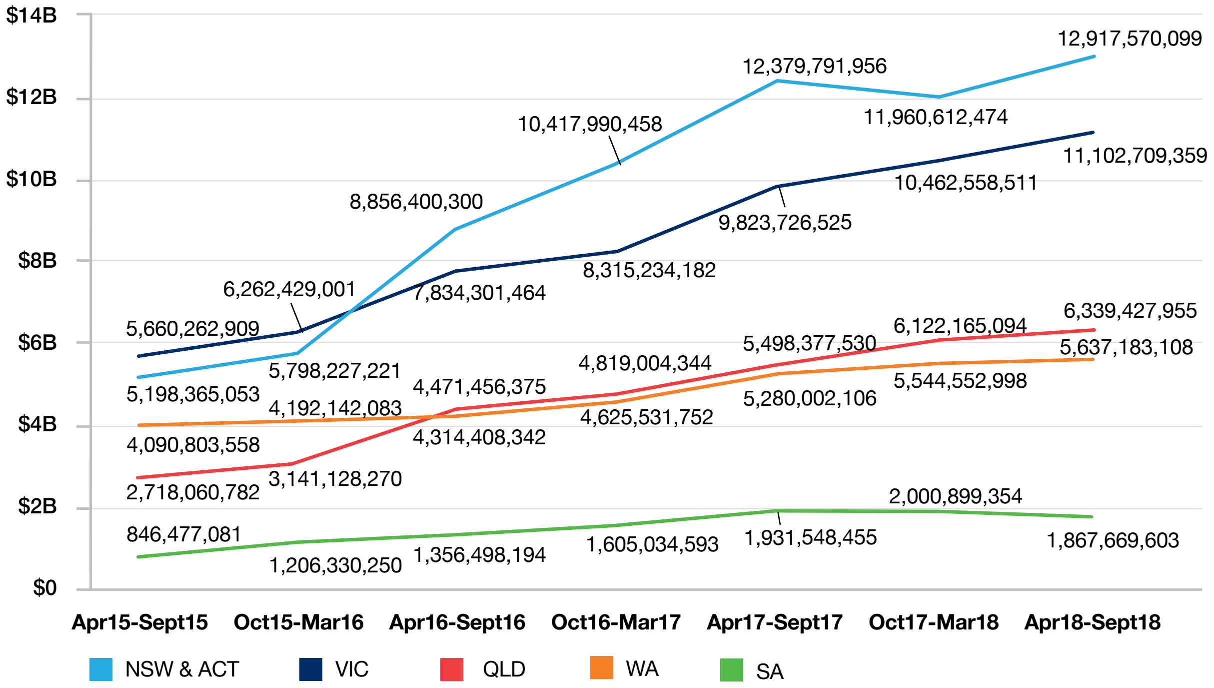


Note: Commercial brokers as those mortgage brokers who had written a commercial loan through their aggregator's panel for the period. Mortgage brokers who solely wrote loans direct with lenders are not included.

The total loan book value of commercial lending for mortgage brokers continues to grow, hitting another record value at just over $40 billion.

Period-on-period, the commercial book value has increase by $1.97 billion or 5.18%, whilst year-on-year the value has increased by 14.03% or $4.93 billion.

Commercial lending loan book value of mortgage brokers, by state ($)



Note: Commercial brokers as those mortgage brokers who had written a commercial loan through their aggregator's panel for the period. Mortgage brokers who solely wrote loans direct with lenders are not included.

Nationally, year-on-year, the total loan book value in each state has increased, except in South Australia.

New South Wales and ACT's book value bounced back to a new record value of $12.92 billion following a period of decline in October 2017 to March 2018. The value is up by 8% or $956.96 million since the last period and returns the state to an overall growth trajectory.

Year-on-year, from April-to-September 2017 to 2018, Queensland had the strongest growth in percentage terms, up 15.3% or $841 million, followed by Victoria at 13.02% or $1.28 billion. Western Australia was also up by 6.76% or $357.18 million.

In South Australia, and although the state was down slightly, year-on-year, by 3.31% or $63.88 million from $1.93 billion, the October 2017 to March 2018 period was a record amount, and period-on-period, South Australia is down 6.66% or $133.23 million.

State-by-state analysis

NSW and ACT

It was a tough period for New South Wales and ACT.

During the April-to-September 2018 period, NSW and ACT brokers settled $38.55 billion in home loans compared to $42.18 billion during the equivalent 2017 period, a decline of 8.6%. The average value settled was $7.23 million, down 9.1% compared to $7.95 million last year.

These results, although down, contributed to a growth in value of the state's overall home loan book, up by 7.1%, from $228.69 billion to $244.85 billion.

On an individual basis, the average New South Wales and ACT broker settled $6.26 million in home loans for the period per broker, down 8.1% year-on-year, from $6.81 million. This result contributed to the increase in value of the average loan book value of $39.76 million per broker, from $35.95 million a year ago, up 10.6%.

The population of 6,158 brokers for the period – down compared to 6,191 a year ago, lodged on average 12.9 loans. This equates to a total of 79,578 loans lodged for the state, for the period, down 7.9% compared to a year ago at 86,415.

Home to 36.1% of the national population of brokers, New South Wales and ACT brokers settled 39.4% of the national value of home loans settled – a favourable relationship between metrics.

Brokers earned $81,391 gross up-front for the period, compared to $88,570 the previous year, and $59,642 gross trail for the period, compared to $55,404 last year, for a combined gross commission of $141,034. In total, this was down by 2% from a year ago.

VIC

During the April-to-September 2018 period, Victorian brokers settled $31.77 billion in home loans compared to $29.53 billion during the April-to-September 2017 period, up 7.6%. The average value settled was $7.47 million, up 6.4% compared to $7.02 million last year.

These results contributed to the growth in value of the state's overall home loan book, up by 9.9%, from $159.06 billion to $174.87 billion.

On an individual basis, the average broker settled $6.33 million in home loans for the period per broker, up 5.6% year-on-year, from $5.99 million. This result contributed to the increase in value of the average loan book value of $34.82 million per broker, from $31.28 million a year ago, up 11.3%.

The population of 5,022 brokers for the period – up compared to 4,931 a year ago, lodged on average 16.8 loans. This equates to a total of 84,587 loans lodged for the state, for the period, down 2.4% compared to a year ago at 86,679.

Home to 29.5% of the national population of brokers, Victorian brokers settled 32.4% of the national value of home loans settled – a favourable relationship between metrics.

Brokers earned $82,252 gross up-front for the period, compared to $77,855 the previous year, and $52,232 gross trail for the period, compared to $48,386 last year, for a combined gross commission of $134,484. In total, this was up by 6.5% from a year ago.

QLD

During the April-to-September 2018 period, Queensland brokers settled $13.48 billion in home loans compared to $13.64 billion during the April-to-September 2017 period, a decline of 1.2%. The average value settled was $5.82 million, down 3.5% compared to $6.03 million last year.

These results contributed to the growth in value of the state's overall home loan book, up by 6.4%, from $102.91 billion to $109.48 billion.

On an individual basis, the average broker settled $5.12 million in home loans for the period per broker, down 3% year-on-year, from $5.28 million. This result contributed to the increase in value of the average loan book value of $41.58 million per broker, from $38.95 million a year ago, up 6.6%.

The population of 2,633 brokers for the period – up compared to 2,585 a year ago, lodged on average 17.4 loans. This equates to a total of 45,700 loans lodged for the state, for the period, down 3.4% compared to a year ago at 47,308.

Home to 15.5% of the national population of brokers, Queensland brokers settled 13.8% of the national value of home loans settled.

Brokers earned $66,541 gross up-front for the period, compared to $68,596 the previous year, and $62,373 gross trail for the period, compared to $59,704 last year, for a combined gross commission of $128,914. In total, this was up by 0.5% from a year ago.

WA

It was another tough period for Western Australia.

During the April-to-September 2018 period, Western Australian brokers settled $8.2 billion in home loans compared to $8.7 billion during the April-to-September 2017 period, a difference of 5.8%. The average value settled was $4.65 million, down 1.6% compared to $4.73 million last year.

These results contributed to the reduction in value of the state’s overall home loan book, down by 6.5%, from $96.21 billion to $89.91 billion.

On an individual basis, the average broker settled $4.09 million in home loans for the period per broker, down 3.4% year-on-year, from $4.24 million. This result contributed to the increase in value of the average loan book value of $44.91 million per broker, from $41.93 million a year ago, up 7.1%.

The population of 2,002 brokers for the period – down compared to 2,052 a year ago, lodged on average 11.7 loans. This equates to a total of 23,395 loans lodged for the state, for the period, down 14.7% compared to a year ago at 27,428.

Home to 11.7% of the national population of brokers, Western Australian brokers settled 8.4% of the national value of home loans settled.

Brokers earned $53,229 gross up-front for the period, compared to $55,126 the previous year, and $67,367 gross trail for the period, compared to $70,327 last year, for a combined gross commission of $120,595. In total, this was down by 3.9% from a year ago.

SA

During the April-to-September 2018 period, South Australian brokers settled $4.97 billion in home loans compared to $5.08 billion during the April-to-September 2017 period, down 2.1%. The average value settled was $5.67 million, down 3.8% compared to $5.89 million last year.

These results contributed to the growth in value of the state’s overall home loan book, up by 1.4%, from $40.43 billion to $41.01 billion.

On an individual basis, the average broker settled $4.83 million in home loans for the period per broker, down 6.4% year-on-year, from $5.16 million. This result contributed to the increase in value of the average loan book value of $39.81 million per broker, from $38.67 million a year ago, up 3%.

The population of 1,030 brokers for the period – up compared to 985 a year ago, lodged on average 19.5 loans. This equates to a total of 20,111 loans lodged for the state, for the period, down 7.2% compared to a year ago, at 21,683.

Home to 6% of the national population of brokers, South Australian brokers settled 5.1% of the national value of home loans settled.

Brokers earned $62,750 gross up-front for the period, compared to $67,030 the previous year, and $59,720 gross trail for the period, compared to $61,565 last year, for a combined gross commission of $122,470. In total, this was down by 4.8% from a year ago.

TAS

Tasmania had another strong period.

During the April-to-September 2018 period, Tasmanian brokers settled $717.34 million in home loans compared to $631.9 million during the April-to-September 2017 period, up by 13.5%. The average value settled was $6.7 million, up 15% compared to $5.83 million last year.

These results contributed to the growth in value of the state's overall home loan book, up by 13.7%, from $3.39 billion to $3.85 billion.

On an individual basis, the average broker settled $5.56 million in home loans for the period per broker, up 10% year-on-year, from $5.06 million. This result contributed to the increase in value of the average loan book value of $29.85 million per broker, from $27.11 million a year ago, up 10.1%.

The population of 129 brokers for the period – up compared to 125 a year ago, lodged on average 19.8 loans. This equates to a total of 2,554 loans lodged for the state, for the period, up considerably, by 32% compared to a year ago, at 1,935.

Home to less than one per cent (0.8%) of the national population of brokers, Tasmanian brokers settled 0.7% of the national value of home loans settled.

Brokers earned $72,291 gross up-front for the period, compared to $65,717 the previous year, and $44,779 gross trail for the period, compared to $40,659 last year, for a combined gross commission of $117,070. In total, this was up by 10.1% from a year ago.

NT

During the April-to-September 2018 period, Northern Territory brokers settled $229.21 million in home loans compared to $196.43 million during the April-to-September 2017 period, an increase of 16.7%. The average value settled was $4.41 million, up considerably, by 28.2% compared to $3.44 million last year.

These strong results helped minimise the reduction in value of the territory's overall home loan book, down by by 11.4%, from $2.7 billion to $2.39 billion.

On an individual basis, the average broker settled $3.47 million in home loans for the period per broker, up a solid 23.8% year-on-year, from $2.81 million. This strong result also helped to minimise the decrease in value of the average loan book value at $36.26 million per broker, from $38.58 million a year ago, down 6%.

The population of 66 brokers for the period – down compared to 70 a year ago, lodged on average 10.7 loans. This equates to a total of 705 loans lodged for the territory, for the period, down 13.8% compared to a year ago, at 818.

Home to less than one per cent (0.4%) of the national population of brokers, Northern Territory brokers settled 0.2% of the national value of home loans settled.

Brokers earned $45,147 gross up-front for the period, compared to $36,480 the previous year, and $54,384 gross trail for the period, compared to $57,863 last year, for a combined gross commission of $99,530. In total, this was up by 5.5% from a year ago.

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.

CoreLogic® Comparator

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

MFAA
MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA

MFAA
INDUSTRY INTELLIGENCE SERVICE

7TH EDITION

Benchmark your business

For the six month period
1 April 2018 – 30 September 2018

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	$5.7 million	$6.3 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	$39.1 million	$39.8 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	$74,706	$81,391		
Average gross trail remuneration generated per broker, prior to costs per annum	$58,659	$59,642		
Average gross remuneration generated per mortgage broker, prior to costs per annum	$133,365	$141,034		

My key actions

Victoria

	National average	VIC	My data	% Difference
Average value of new home loans settled per broker in each state during the 6 month period	$5.7 million	$6.3 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	$39.1 million	$34.8 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	$74,706	$82,252		
Average gross trail remuneration generated per broker, prior to costs per annum	$58,659	$52,232		
Average gross remuneration generated per mortgage broker, prior to costs per annum	$133,365	$134,484		

My key actions

Queensland

	National average	QLD	My data	% Difference
Average value of new home loans settled per broker in each state during the 6 month period	$5.7 million	$5.1 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	$39.1 million	$41.6 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	$74,706	$66,541		
Average gross trail remuneration generated per broker, prior to costs per annum	$58,659	$62,373		
Average gross remuneration generated per mortgage broker, prior to costs per annum	$133,365	$128,914		

My key actions

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	$5.7 million	$4.1 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	$39.1 million	$44.9 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	$74,706	$53,229		
Average gross trail remuneration generated per broker, prior to costs per annum	$58,659	$67,367		
Average gross remuneration generated per mortgage broker, prior to costs per annum	$133,365	$120,595		

My key actions

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	$5.7 million	$4.8 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	20 loans		
Average value of the home loan book per broker in each state and in total, at the end of the period	$39.1 million	$39.8 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	$74,706	$62,750		
Average gross trail remuneration generated per broker, prior to costs per annum	$58,659	$59,720		
Average gross remuneration generated per mortgage broker, prior to costs per annum	$133,365	$122,470		

My key actions

Tasmania

	National average	TAS	My data	% Difference
Average value of new home loans settled per broker in each state during the 6 month period	$5.7 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	20 loans		
Average value of the home loan book per broker in each state and in total, at the end of the period	$39.1 million	$29.9 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	$74,706	$72,291		
Average gross trail remuneration generated per broker, prior to costs per annum	$58,659	$44,779		
Average gross remuneration generated per mortgage broker, prior to costs per annum	$133,365	$117,070		

My key actions

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	$5.7 million	$3 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	$39.1 million	$36.3 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	$74,706	$45,147		
Average gross trail remuneration generated per broker, prior to costs per annum	$58,659	$54,384		
Average gross remuneration generated per mortgage broker, prior to costs per annum	$133,365	$99,530		

My key actions

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