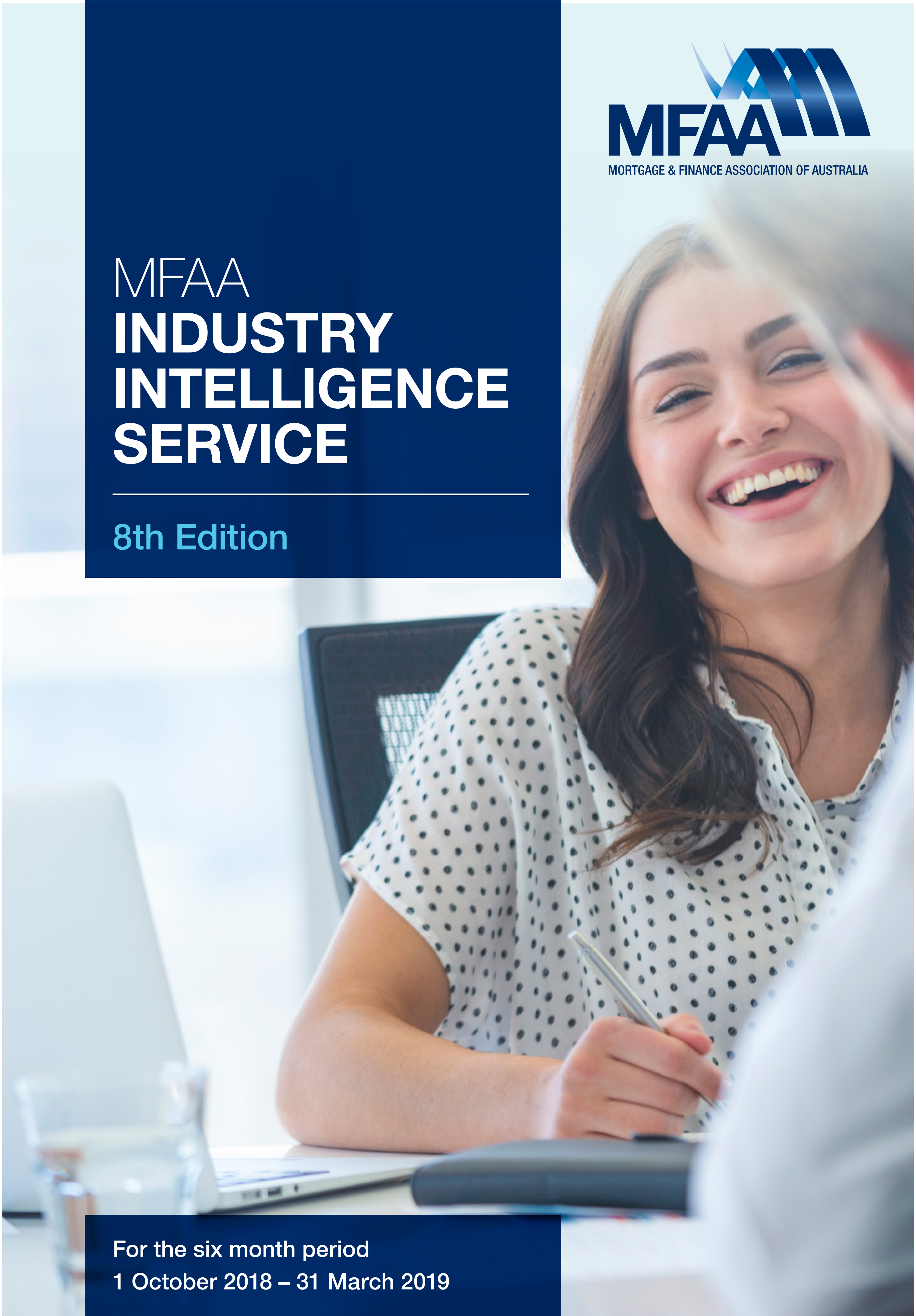

MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA

# MFAA INDUSTRY INTELLIGENCE SERVICE

8th Edition

For the six month period
1 October 2018 – 31 March 2019

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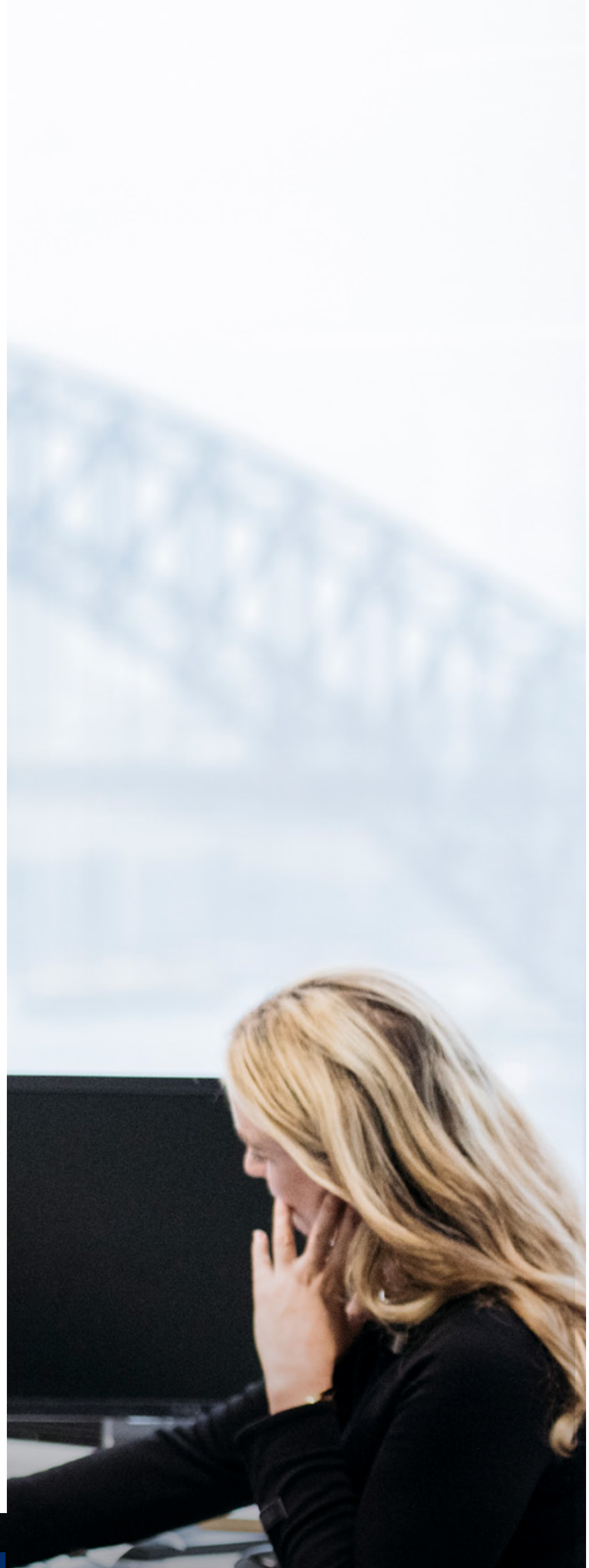
# CONTENTS *Continued*



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Insights derived by MFAA based on CoreLogic Data.

## CEO's Report

It is with pleasure that we present the eighth edition of the MFAA's Industry Intelligence Service (IIS) Report. This report covers the six-month period of October 2018 to March 2019.

This IIS Report coincided with a period of severe credit tightening, as well as the release of the final report and recommendations of The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (February 2019). Overall, it has been a tough period for Australia's housing market and the mortgage broking industry. But despite this, broker market share reached another record high of 59.7% compared to the direct channel for this latest period.

Furthermore, with the share of broker-originated lending settled by the major banks dropping to a record low figure of 45% during the January-to-March 2019 quarter and the segment of lenders other than the major banks and their affiliates recording a record-high market share of 36.5%, this clearly shows the systemic importance of the broker channel, which continues to offer choice, access to credit, drive competition and moderate the dominance of the major lenders.

As discussed, October 2018 to March 2019 was a tough period as we witnessed period-on-period and year-on-year reductions in the value of home loans settled and in the number of home loan applications lodged by mortgage brokers – results that have impacted the individual performance measures of brokers across the country. Whilst these results are of concern, they are the outcome of overall tough market conditions. In this context you will see the mortgage broking channel performed extremely well in comparison to the proprietary channel.

Having reached a peak of 17,040 brokers last period, the broker population has contracted slightly this period to 16,851 brokers. With this we see an emerging stabilisation of the broker population, tracking at around 16,900 brokers over the last four periods.

The national broker residential loan book grew by a further 7.3% compared to the same period a year ago. Australia's total loan book value now sits at a new record of $686.93 billion. Nationally, both year-on-year and period-on-period, average trail commission increased accordingly. But while trail commission grew, the national average combined remuneration per broker declined to the lowest levels observed by the IIS Report – driven by reductions in up-front payments.

Overall, compared to previous periods, it has been a more muted six months for the mortgage broking industry which has seen another decline in average mortgage broker remuneration, partially due to the correction in the housing market and lower overall mortgage lending activity. But with ongoing year-on-year market share growth proving the value that mortgage brokers deliver to their customer, we're in a strong position to capitalise on future periods of growth and prosperity.

# CEO's Report *(cont.)*

Again, I would like to thank our aggregator partners who contributed their data to allow us to develop this report. I would also like to thank 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, the MFAA is always happy to hear from you.

Regards,

**Mike Felton**
MFAA CEO

# Executive summary

This latest Industry Intelligence Service (IIS) Report, 8th edn., provides broker and industry performance and demographic data for the six-month period of October 2018 to March 2019, as well as data from recent quarterly periods.

This report draws on data supplied by 12 of the industry's leading aggregator brands.

During this period, the broker channel has again achieved another record-high residential home loan market share of 59.7%, further cementing that the broker channel is the channel of choice for consumers. Year-on-year, this share increased from 55.3%.

Despite this exceptional share result, the broker channel settled $87.56 billion in residential home loans for the six-month period, the lowest six-month value recorded since the MFAA commenced reporting in 2015, down 10.59% period-on-period, and down 10.32% year-on-year. Whilst these results are a concern, the mortgage broking channel performed extremely well in the context of overall tough market conditions. The mortgage broking channel's declines were modest compared to the declines in value settled directly with lenders which were down 15.71% period-on-period and 19.1% year-on-year.

The aggregate value of brokers' home loan books grew again, by 3.09% period-on-period to $686.93 billion. At a state level, all states grew their total loan books except for the Northern Territory.

The average value of new home loans settled per broker continues to decline. However, the decline experienced this period was far greater, period-on-period (down 9.58%) and year-on-year (down 10.66%), than ever before.

The number of loan applications lodged between October 2018 and the end of March 2019 was also down to a level never before recorded. Period-on-period, applications were down 8.53%, whilst year-on-year, applications declined by 13.39%, and this was felt across all states except Tasmania. Over the same period, at an individual mortgage broker level, with the exception of Tasmania, the average number of applications lodged per broker (including inactive brokers) declined across all states.

The conversion rate of applications to settlement improved slightly, by 2.71% period-on-period, further extending the run of consistent conversion rates experienced over the previous five six-month periods.

Period-on-period, the broker population is down from the record high of 17,040 mortgage brokers. When comparing state-by-state population changes to settled value changes, whilst most states recorded population decreases, or population stability to coincide with decreases in settled values, Tasmania and Victoria stood out with noticeable broker population increases. Whilst Tasmania's value of settlements increased in excess of the rate of population growth, in contrast, Victoria's value of settlements rate decreased. Overall, the net industry turnover – accounting for those joining and leaving the industry and those moving between aggregators, of 9.8%, is roughly inline with the rate experienced a year ago at 9.6%, following a spike last period, with turnover up to 10.9%.

These factors have contributed to a fall in the calculated average total broker renumeration, to the lowest levels ever observed by the IIS Report. Average combined remuneration has dropped 3.49% period-on-period and is down 3.08% year-on-year. Year-on-year, this combined remuneration decline can be attributed to a decrease in up-front commission, as trail commission had increased across all states.

With the overall broker population down period-on-period, the population of female brokers also declined, down 1.79%. This is despite the proportion of new female recruits (compared to male new recruits) increasing by 10%.

Mortgage brokers again continue to play a significant role in changing the lender landscape by offering choice, access to credit and driving competition through the increasingly diverse range of lenders they offer their customers. This period, the combined segment of lenders other than the major banks and their affiliates recorded another record market share. At the same time the major banks recorded a record low market share. Although values settled were generally down across all lenders, the International Banks shone through, recording value and market share increases over the last six months.

## Executive summary *(cont.)*

The number of mortgage brokers also writing commercial loans has decreased for the second period in a row, with the relevant broker population down 3.76% compared to last period. The value of settled commercial lending was also down period-on-period by 2.87% – though the value settled has remained reasonably stable over the last four periods.

## 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:

AFG

Aussie

choice AGGREGATION

connective

FAST Stay Ahead

FINSURE FINANCE AND INSURANCE

Loan Market

Mortgage Choice

nMB National Mortgage Brokers

PLAN AUSTRALIA

smartline personal mortgage advisers

vow FINANCIAL

# Industry snapshot

**Industry Intelligence Service (IIS) Report – 8th edition, October 2018 to March 2019**

### Population of mortgage brokers

16,851
down from
17,040
Apr-Sep18

### Ratio of mortgage brokers

1 to 1,494

Brokers per head of the Australian population

Compared to 1 broker per 1,466 Australians in Apr-Sep18

### Total value of loans settled

Total Loans $87.56B

10.32%

Compared to the Oct 17-to-Mar 18 period

### Average gross annual earnings

Oct 2018 – Mar 2019 $128,709

Down 3.49%

Apr 2018 – Sep 2018 $133,365

### Average value of home loans settled per broker

$5.7 Million
Apr-Sep18

$5.2 Million
9.58%
Oct18-Mar19

### Average number of home loan applications lodged per broker

Including inactive brokers

17
Apr-Sep18

15
Oct18-Mar19

### Market share of lenders other than the Majors and their affiliates

33.9%
Apr-Sep18

36.5%
Jan-Mar19
+7.67%

### Total number of home loans lodged

300,828
Oct17-Mar18

13.39%

260,544
Oct18-Mar19

### Proportion of mortgage brokers also writing commercial loans

21.2%
Apr-Sep18

2.36%

20.7%
Oct18-Mar19

### Average value of the home loan portfolio per broker

$39.1 Million
Apr-Sep18

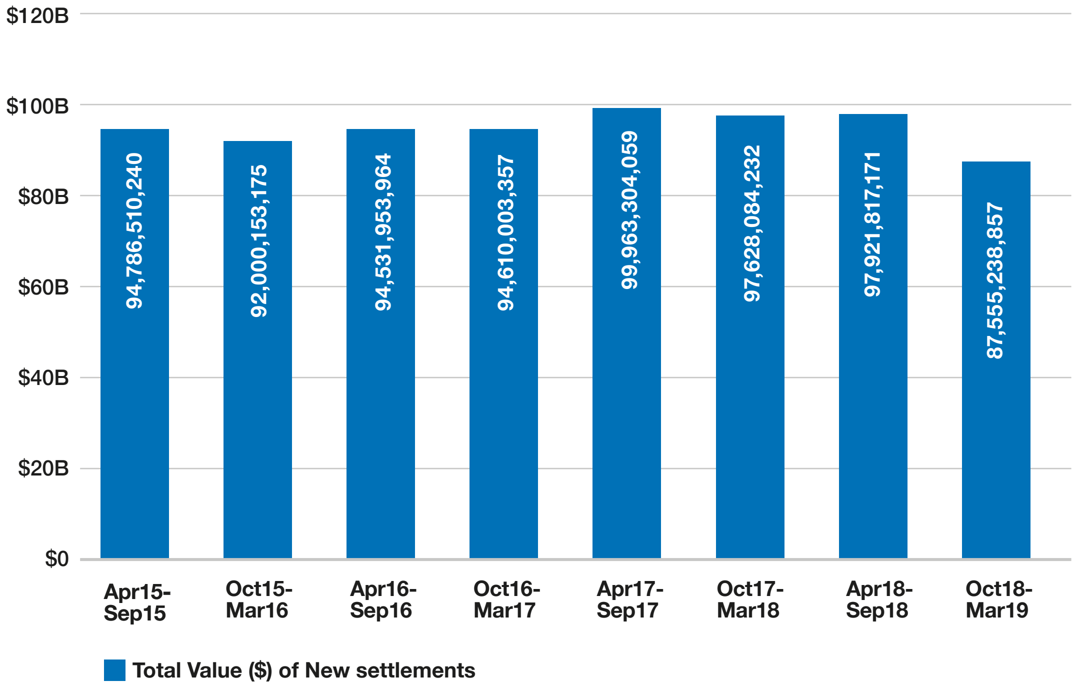
4.24%

$40.8 Million
Oct18-Mar19

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

*There has been a notable decline in home loan settlements, but the pace of decline has been slower than that of the overall market.*

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




**Note:** There is data from one less aggregator in the three most recent six-month periods from October 2017 to March 2019 period compared to previous periods. It is estimated that this impact is only marginal though, and not material.

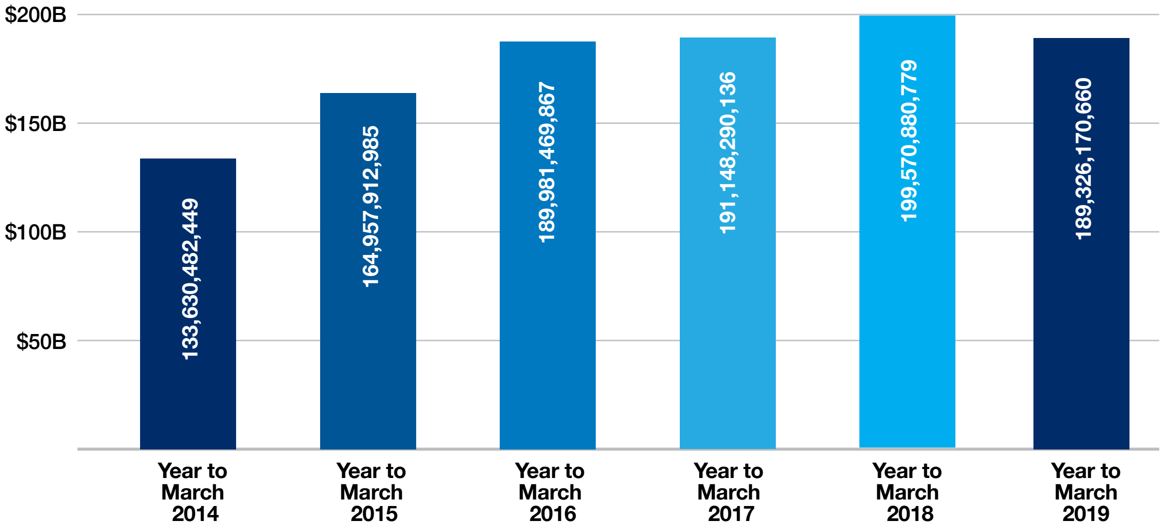
For the six-month period covering October 2018 to March 2019, mortgage brokers settled $87.56 billion in residential home loans, the lowest six-month value recorded since the MFAA commenced reporting. This is attributed to the softest overall property and mortgage finance market experienced in some time.

This represents a decline of $10.37 billion or 10.59% in new loan settlements compared to the previous period, April-to-September 2018; and a $10.07 billion or 10.32% decline compared to the equivalent period a year ago. These declines are the biggest year-on-year and period-on-period declines ever recorded by the MFAA's IIS Report.

Whilst these results are a concern, the mortgage broking channel performed well in the context of overall tough market conditions by outperforming the proprietary channel. Where the combined total value of home loans settled by mortgage brokers and lenders was down 13.05% period-on-period and 14.64% year-on-year, the value settled directly with lenders was down 15.71% period-on-period and 19.1% year-on-year (compared to the broker-channel's 10.59% period-on-period and 10.32% year-on-year declines).

Historically, the sum value of settlements during the October-to-March period tends to be lower than the sum value of the preceding April-to-September period. However, the last six months has seen a much larger decline than usual due to the overall tough market conditions.

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




**Source:** MFAA Quarterly Survey

**Note:** IIS 7th edn. compares the value of home loans settled by brokers for the year-ending periods from October to September; whereas this 8th edn compares year-ending periods from April to March.

In the twelve months to the end of March 2019, brokers settled just over $189 billion in home loans – a decline of $10.24 billion or 5.13% compared to the previous period, to similar levels observed three years ago, to March 2016.

After continuous year-on-year growth, this is the first decline in settlements observed since IIS reporting commenced.

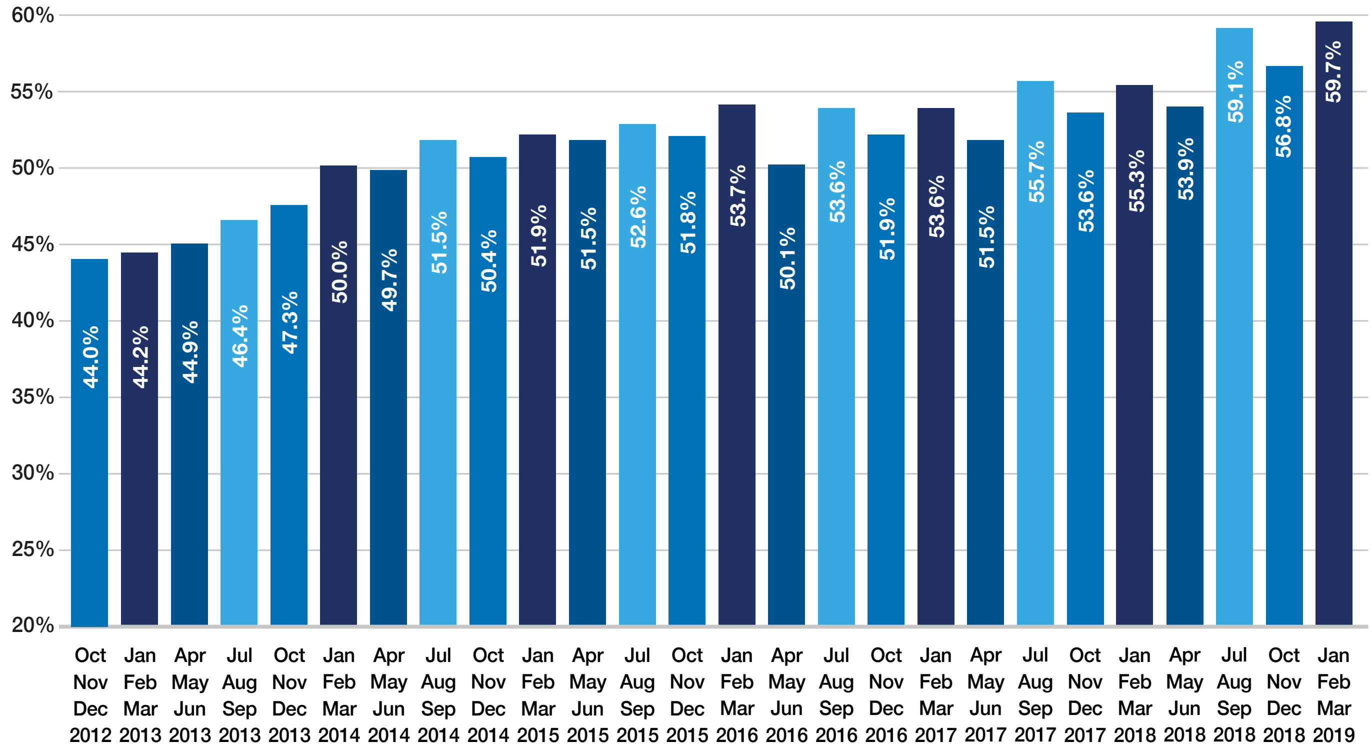
As per the previous six-month results, whilst these annual results are of concern, the mortgage broking channel performed well in the context of overall tough market conditions.

Where the combined total value of home loans settled by mortgage brokers and lenders was down 10.31% year-on-year, from $393.53 billion down to $352.96 billion, the value settled directly with lenders was down 15.64% year-on-year compared to the broker-channel's more modest decline of 5.13% year-on-year.

# MFAA's Quarterly Survey of brokers and aggregators

*The brokers' market share of all new residential home loan settlements has reached its highest ever share at 59.7%.*

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




**Note:** The Quarterly Survey draws on data from 13 aggregator brands, whilst the IIS draws on data from 12 aggregator brands.

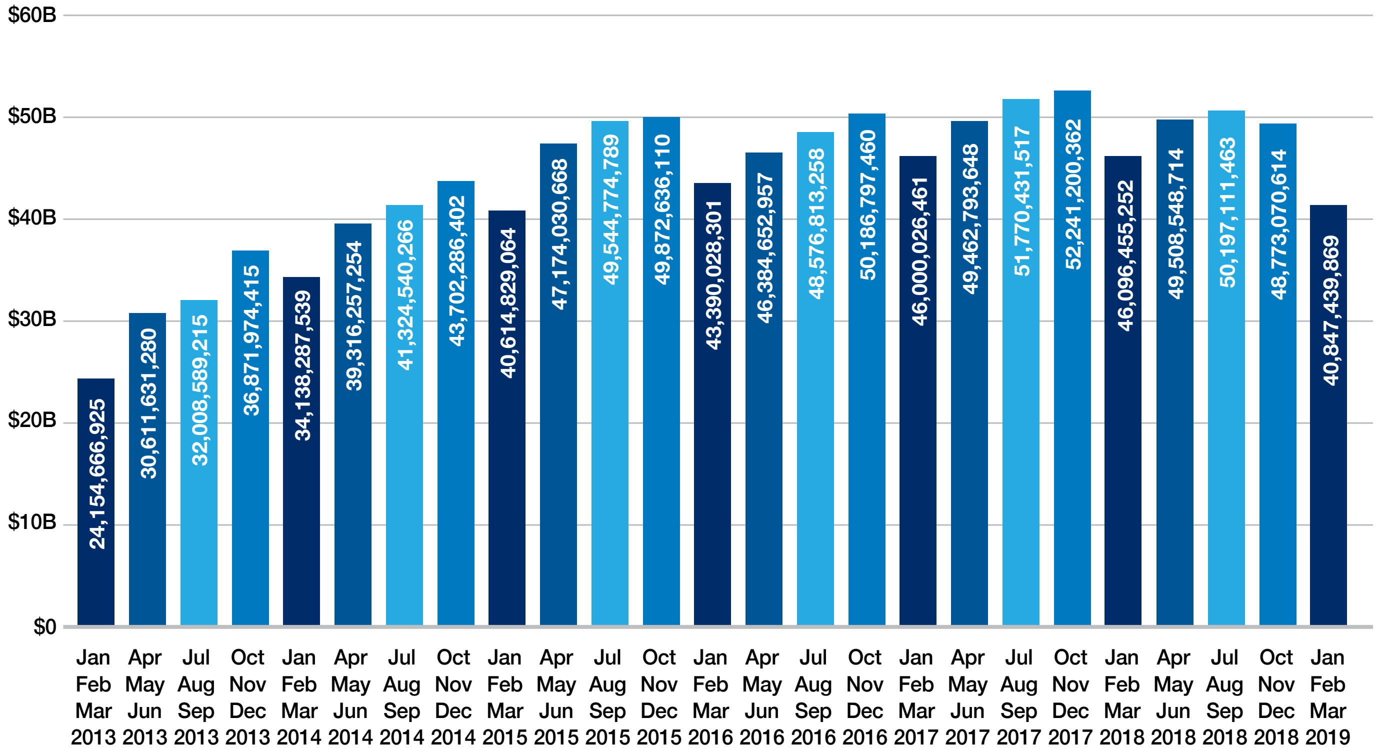
The market share result of the latest January-to-March 2019 quarter is the largest on record for broker share of new residential home loan settlements. Furthermore, the latest October-to-December 2018 quarter was also the strongest October-to-December quarter to date for broker market share.

Overall, since the MFAA's Quarterly Survey of Brokers and Aggregators began measuring market share in late 2012, the percentage of all home loans settled by mortgage brokers has increased from 44% to 59.7% – growth of 35.7%.

Period-on-period, broker market share has increased by 2.9 percentage points, or 5.1%, up from 56.8% to the current 59.7%.

Year-on-year growth for the January-to-March quarter, when comparing 2019 to 2018, was 4.4 percentage points, or 7.96%. This was the second largest year-on-year growth recorded since January-to-March 2014.

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




**Note:** The Quarterly Survey draws on data from 13 aggregator brands, whilst the IIS draws on data from 12 aggregator brands.

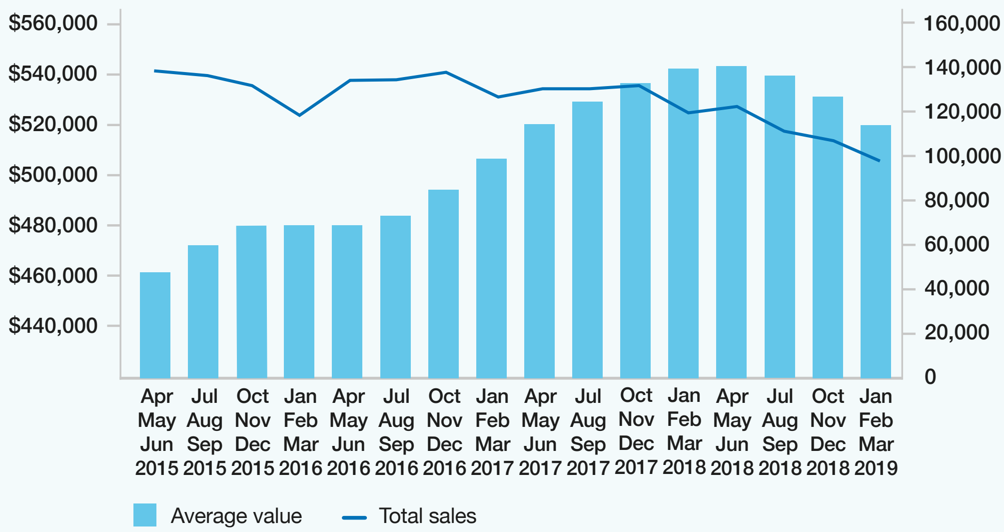
Historically, following the October-to-December quarter, a seasonal decline in the value in new loan settlements is observed in January-to-March – which is also typically the weakest performing quarter of the year in value terms. Despite this, the most recent January-to-March quarter settled value is considerably lower than one would normally have expected for the quarter. In fact, the decline in value between October-to-December 2018 and January-to-March 2019 is the biggest period-on-period decline ever recorded. Again, here we see the impact of tough overall market conditions - but with the decline of new loans settled by the broker industry not being as severe as that experienced by the rest of the home loans sector.

Year-on-year, this is also the first time that the value of home loans settled by mortgage brokers had contracted between January-to-March quarters, with a decline of 11.39% or $5.25 billion.

Whilst previous years' trends show settlements increasing quarter-on-quarter throughout the calendar year, 2018 was unique in that it was the first year where value peaked earlier, in the July-to-September quarter, followed by the first ever decline into October-to-December 2018.

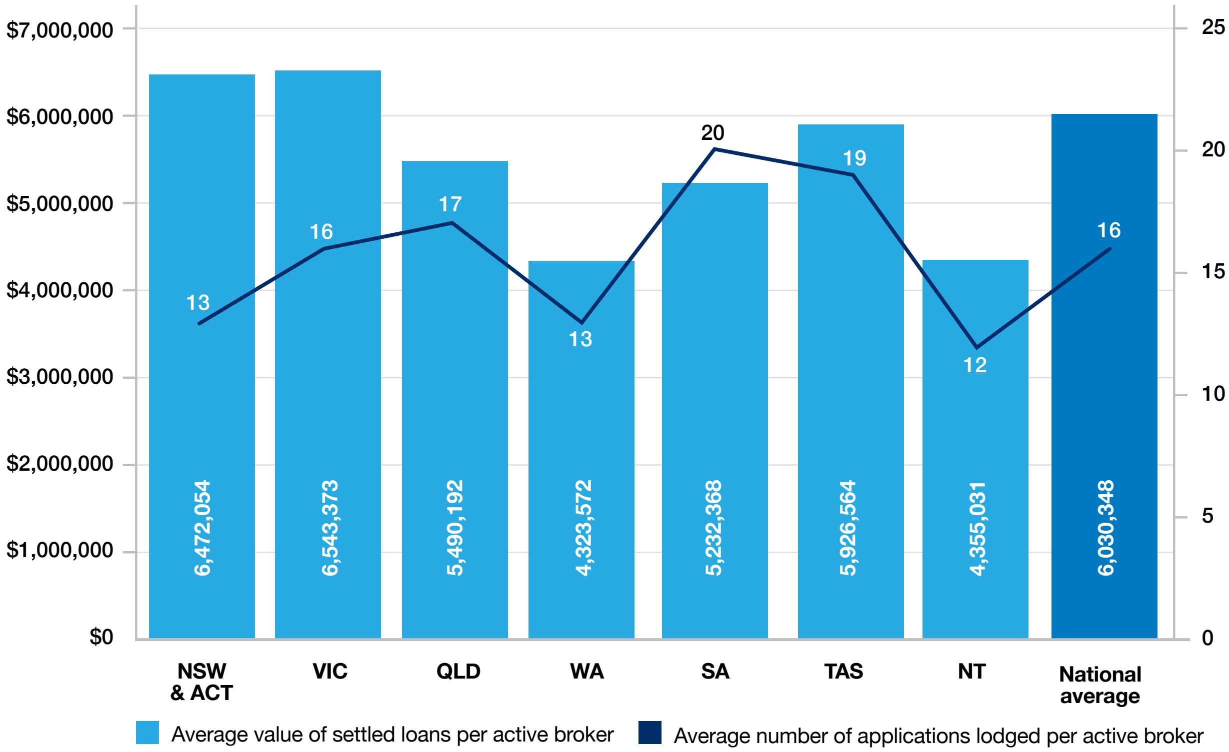
**Comparator insights:** This trend in value of loans settled by mortgage brokers correlates with an ongoing decline in investment lending which has been compounded more recently by a sharp decline in owner occupier mortgage commitments.

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




**Comparator insights:** After consistent period-on-period growth, national median dwelling values peaked in April-to-June 2018, with a gradual decline thereafter. Although generally down, sales volumes fluctuate through a cyclical trend, with seasonal cycles evident each year and a market low typically occurring in the January-to-March quarter each year. 2018 has seen a more marked and ongoing decline in total sales since April-to-June.

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




**Note:** Inactive brokers – those who had not settled a loan for the six-month period – represent 16% of the total broker population and have been excluded from the data used to compile the above graph.

Period-on-period, nationally, the latest results show a decline in the number of applications lodged per active broker – from 18 down to 16, with the value of settled loans per active broker also reducing from $6.66 million down to $6.03 million, a decline of $630,958 or 9.47%.

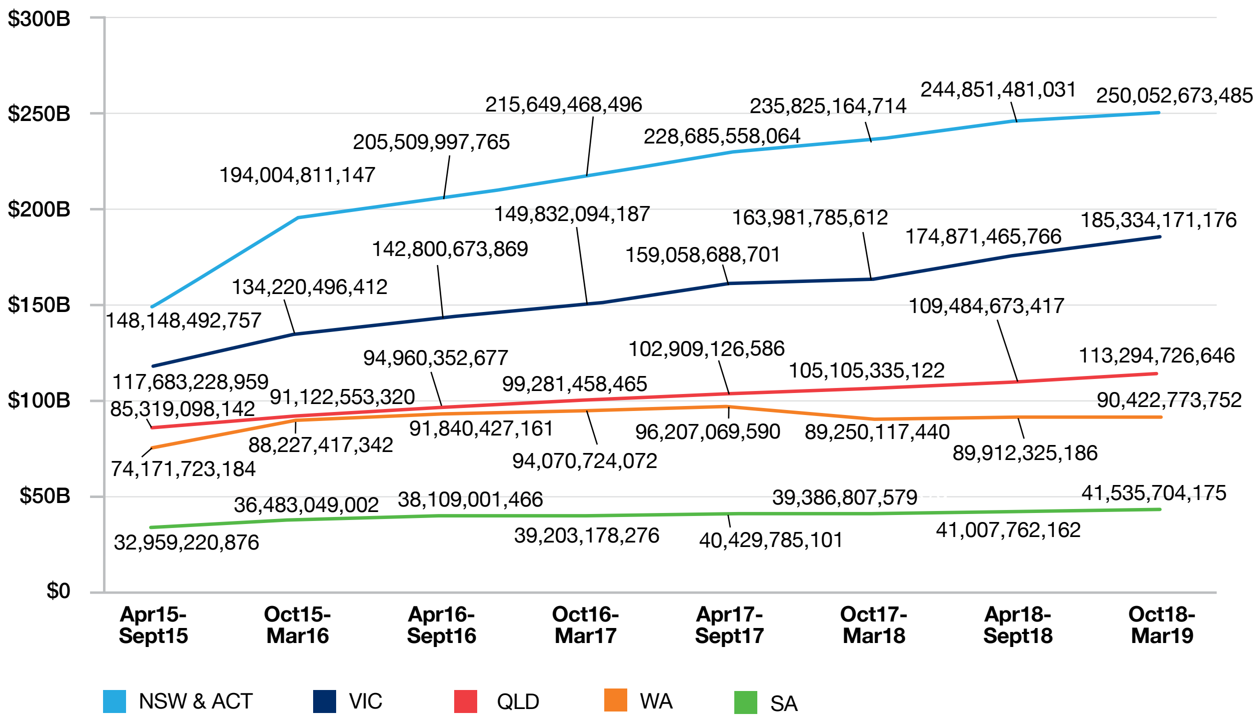
Period-on-period, at the state and territory level, the three largest states of New South Wales and ACT, Victoria and Queensland, plus Tasmania, all saw reductions in the number of applications lodged per active broker. New South Wales and ACT declined from 14 to 13, Victoria from 18 to 16, Queensland from 18 to 17 and Tasmania from 20 to 19.

Period-on-period, South Australia and the Northern Territory were flat at 20 and 12 applications lodged per active broker between periods respectively, whilst active Western Australian brokers were more productive, lodging 13 loans this period compared to 12 last period.

Period-on-period, for the average value of settlements per active broker, all states recorded declines. New South Wales and ACT's average value of settlements declined by $757,349, down by 10.48% from $7.23 million, whilst Victoria's average value settled declined from $7.47 million, or by 12.42%.

Tasmania also recorded a notable decline, down 11.6% or $777,593 from $6.7 million – though, year-on-year, Tasmania's results are flat, compared to $5.93 million in October 2017 to March 2018.

## Total value of broker loan books, by state ($)




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

### New to the IIS Report, 8th edn.

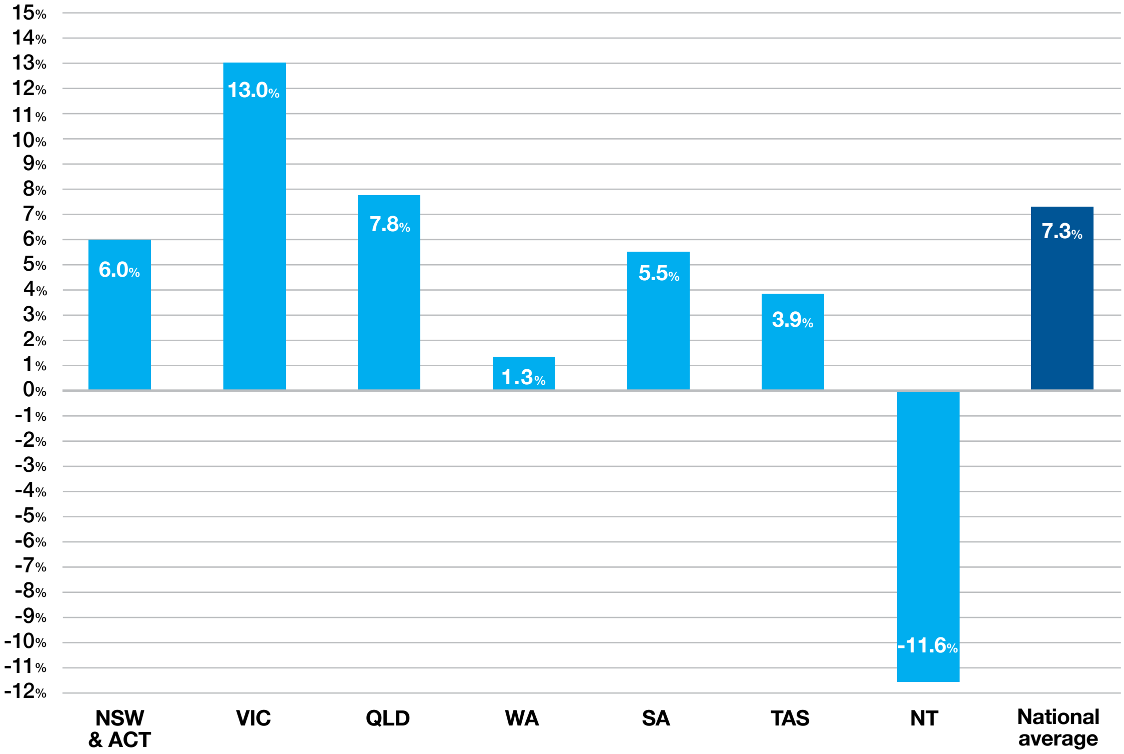
New South Wales and ACT has the largest mortgage broker loan book, valued at just over $250.05 billion. This equates to 36.4% of the overall national home loan book, as at the end of March 2019. Historically, in New South Wales and ACT, the loan book value has grown consistently period-on-period, although the rate of growth appears to be slowing. The last six months has seen the weakest period-on-period growth experienced, at 2.12%, a $5.2 billion increase.

Victoria has the second largest loan book, at $185.33 billion, which represents a 27% share of the national total. Historically, Victoria has seen consistent period-on-period growth in line with New South Wales and ACT, however, its rate of growth appears to have increased over the last two periods.

Queensland and Western Australia historically have seen their loan book values almost aligned, up until October 2017 to March 2018 where the Western Australian loan book value contracted by $6.96 billion or 7.23%. Since then, Queensland's loan book value has continued to build, up to $113.3 billion.

## *All states grew their loan books, except one.*

**Change in the value of broker loan books, from March 2018 to March 2019**




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

Nationally, brokers' total loan books grew year-on-year to March 2019 by 7.3% to $686.93 billion. This is up compared to the previous March 2017 to March 2018's growth of 1%.

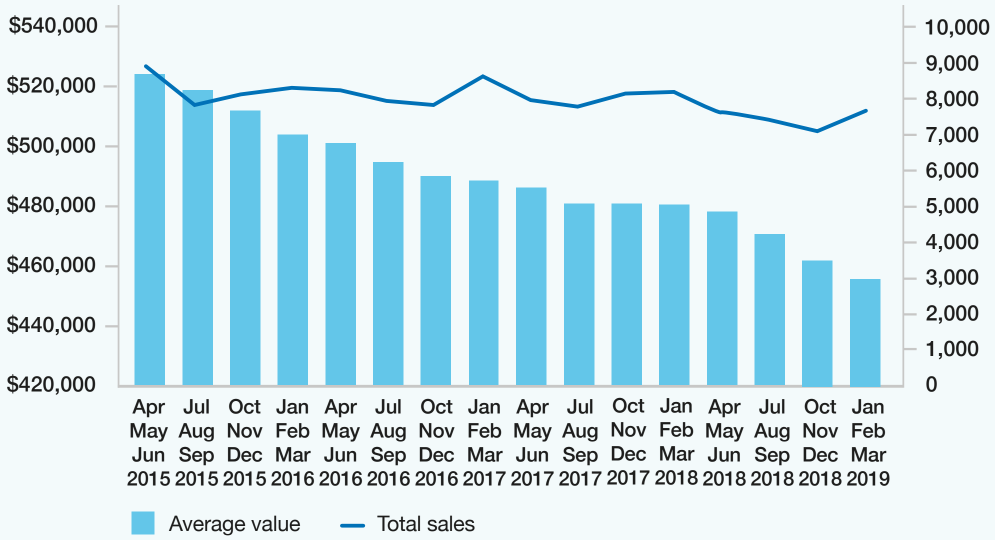
At the state level, all state loan books grew, with the exception of the Northern Territory.

Year-on-year, Victoria recorded the standout growth of 13%, currently valued at $185.33 billion, compared to a growth rate of 3.1%. New South Wales and ACT recorded a 6% increase, currently valued at $250.05 billion, compared to 3.1% growth between March 2017 and 2018, whilst Queensland achieved the second highest growth rate this period, at 7.8%, compared to 2.1% between March 2017 and 2018.

Over the same period South Australia achieved a 5.5% increase over the previous year's value, up to $41.54 billion, whilst Tasmania and Western Australia recorded more modest growth rates. Western Australia's value rebounded after a value contraction of 7.2% between March 2017 and 2018, whilst Tasmania's loan book value grew 8.3% between the 2017 and 2018 period.

Year-on-year, the Northern Territory's total home loan book reduced by 11.6% to $2.48 billion. This contrasts the growth in value experienced between March 2017 and 2018 of 3.8%.

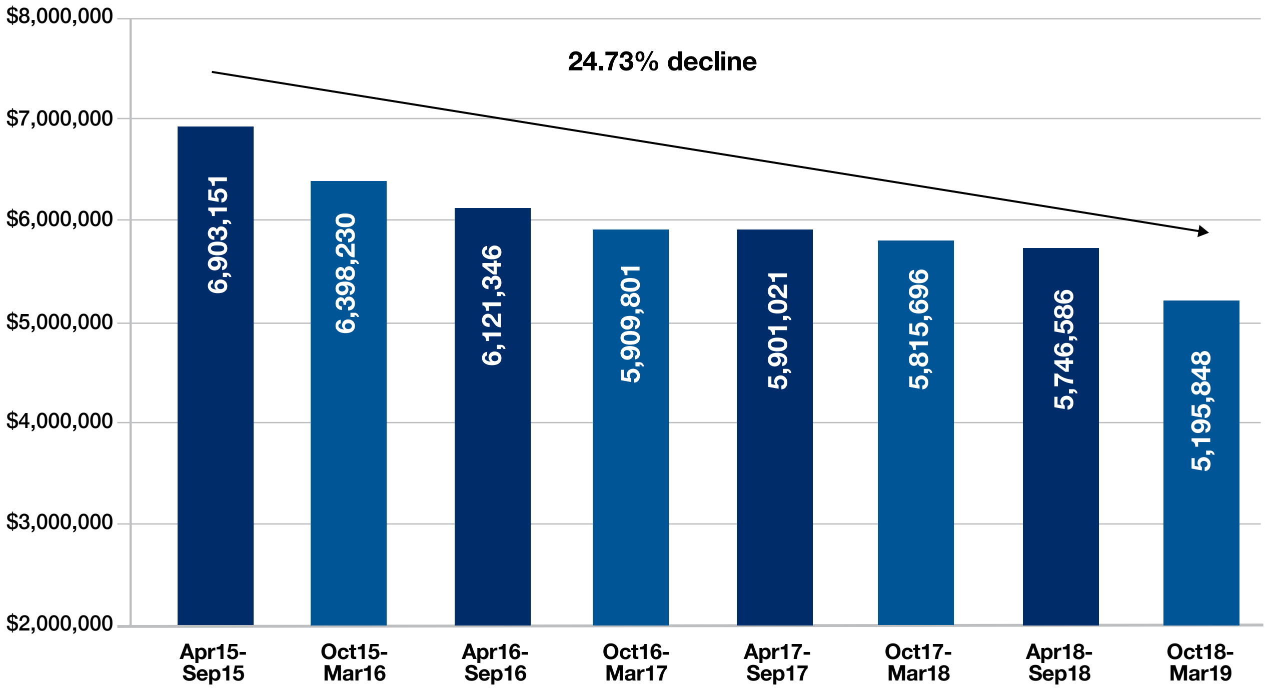
## Residential Property: Average value of sales and total number of sales – Greater Perth area




**Comparator insights:** Up until October-to-December 2018, median values and volumes of sales (to a lesser degree) across the Greater Perth area had been in decline. However, there are some initial signs of a recovery with sales volumes picking up at the start of 2019.

*This most recent period-on-period decline has been the largest decline since IIS reporting began.*

**National average value of new home loans settled per broker**




The average value of new home loans settled per broker continues to decline. However, the last six-month period has seen a marked decline compared to recent previous periods, down 9.58% or $550,738. This most recent period-on-period decline has been the largest experienced since the IIS Report began recording the metric – surpassing the decline experienced between April-to-September 2015 and October 2015 to March 2016 of 7.31%.

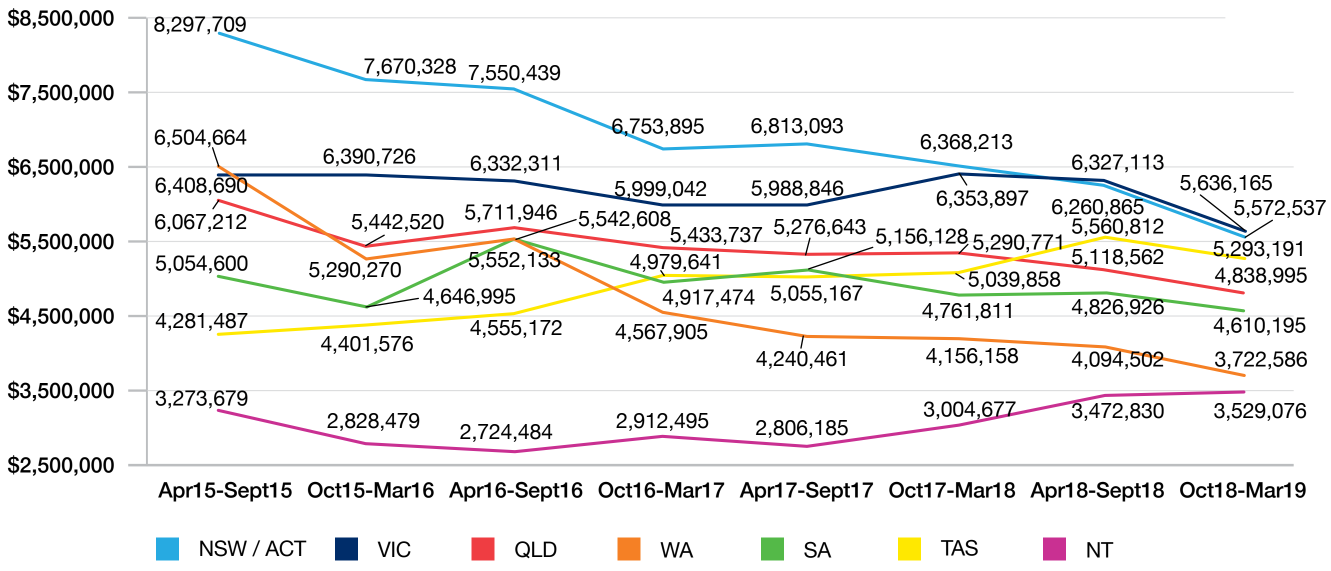
This latest notable decline is attributed to the tough overall market conditions, however again noting that the decline in the value of new loans settled by the broker channel has not been as severe as that experienced by the rest of the home loans sector.

The total decline per broker since the April-to-September 2015 half has been $1.71 million, down by 24.73%, from $6.9 million per broker.

The continued decline in the average value of new home loans settled and volumes of submitted applications by brokers serves to again emphasise the importance of related diversification for mortgage brokers.

*The average value of loans settled per broker at a state level is converging thanks to recent large declines in New South Wales and ACT and Victoria.*

**Average total 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.

With the exception of the Northern Territory, all states recorded a decline in the average cumulative value of home loans settled per mortgage broker, per state, period-on-period.

Furthermore, there appears to be a considerable convergence in the average values across the states. As of April-to-September 2015, the range in average settled values was $5.02 million. Currently the range between highest and lowest average settled value is $2.11 million.

The largest declines over the last six-month period occurred in New South Wales and ACT and Victoria. New South Wales and ACT's value declined by 10.99% or by $688,328 whilst Victoria's value declined by 10.92% or $690,948. Both regions recorded their lowest values ever.

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 $2.73 million or 32.84%, from $8.3 million to $5.64 million. But in contrast, over the same period, Victoria has seen the average value fall by only $772,525 or 12.05%.

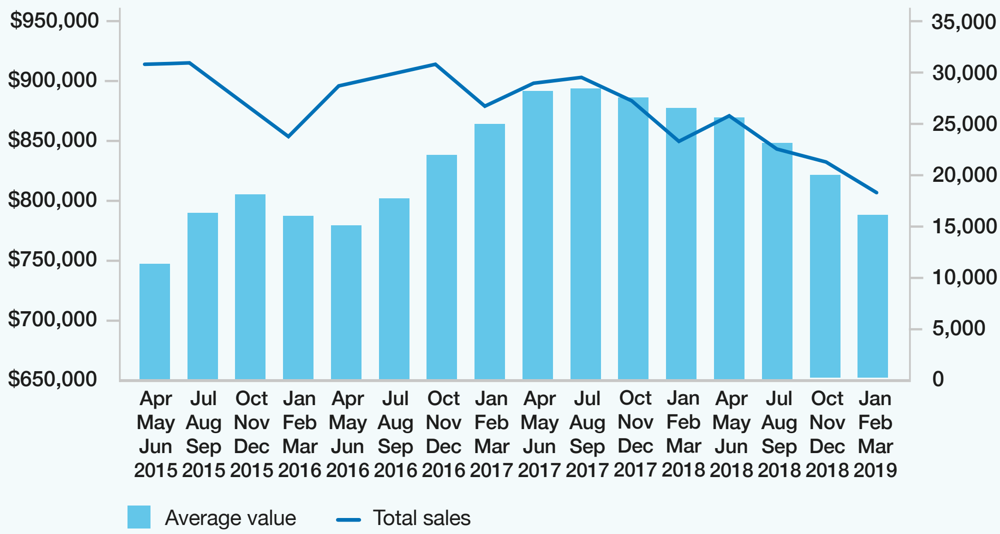
The downward trend in Western Australia's average value settled continues, down 9.08% or $371,915 period-on-period. With Western Australia originally holding the second largest value when recording began, the average settled value per broker has declined 41.91% since then, down $2.69 million. Queensland also experienced a further decline, with the average sum total value of new home loans settled per broker for the period falling 5.46% compared to the previous period.

Tasmania recorded its first IIS-recorded decline with a 4.81% decrease period-on-period. Although year-on-year, Tasmania's average value of home loans settled was up by 5.03% or $253,333. Tasmania maintains its position as the third best performing state.

The Northern Territory was the only state to record period-on-period growth, albeit a milder increase than in previous periods. Off a smaller base, it continues its growth trajectory with a 1.62% increase period-on-period, but more impressively, a 17.45% year-on-year increase. If the Northern Territory maintains its growth trend, we could see it overtaking Western Australia in the next period.

**Comparator insights:** It has been a particularly 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 number of sales – Greater Sydney area




**Comparator insights:** As can be seen in the previous graph, it is clear that the average value of home loans settled per mortgage broker in New South Wales and ACT has been in decline since reporting began, in April-to-September 2015. But the median dwelling values have only been trending downwards since July-to-September 2017, in the greater Sydney area at least. A potential reason for the overall falling average value of home loans settled by mortgage brokers in New South Wales and ACT, up until recently, may have been the consistently increasing population of brokers diluting average total values. However since 2017, this has increasingly become due to tougher overall market conditions in the home loan sector.

*The total number of applications lodged has continued to decline.*

## 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 | Oct18-Mar19 |
|---|---|---|---|---|---|---|---|
| New South Wales and ACT | 86,541 | 83,782 | 89,000 | 86,415 | 83,886 | 79,578 | 72,253 |
| Victoria | 76,758 | 79,584 | 82,548 | 86,679 | 86,836 | 84,587 | 74,489 |
| Queensland | 47,800 | 48,648 | 52,227 | 47,308 | 47,386 | 45,700 | 42,412 |
| Western Australia | 34,128 | 30,613 | 38,366 | 27,428 | 27,234 | 23,395 | 24,426 |
| South Australia | 22,296 | 21,874 | 22,917 | 21,683 | 21,508 | 20,111 | 20,328 |
| Tasmania | 1,640 | 1,769 | 1,680 | 1,935 | 2,225 | 2,554 | 2,425 |
| Northern Territory | 1,125 | 818 | 998 | 818 | 855 | 705 | 648 |
| **Total number of applications** | **290,879** | **317,651** | **303,303** | **303,058** | **300,828** | **284,830** | **260,544** |

**Note:** Only eight aggregators provided data for loan applications at the state level, so sub-totals for the states do not reconcile with the overall total.

Over the last six months, the number of home loan applications lodged has seen its largest decline, down 24,286 or 8.53% on the previous six-month period and down 40,284 or 13.39% year-on-year.

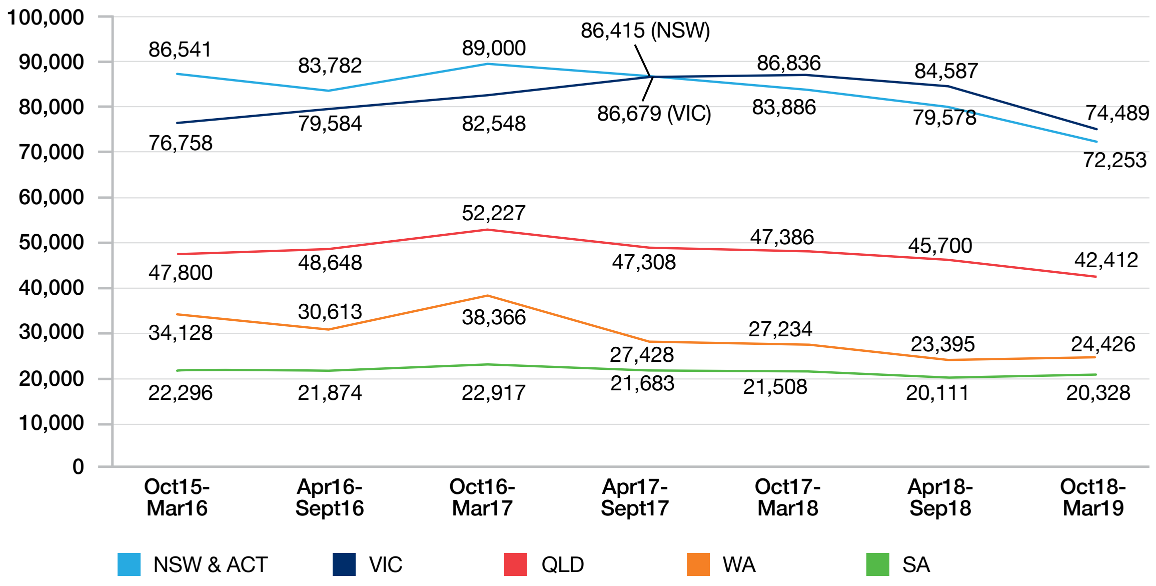
The year-on-year decline was driven by the three largest states with Victoria recording the biggest fall in applications, down 12,347 or 14.22% – which accounted for 37.25% of the gross state-level decline. New South Wales and ACT recorded a fall of 11,633 applications, or by 13.87% year-on-year (35.09% of the gross state-level decline) and Queensland recorded a fall of 4,974 applications, or by 10.5% year-on-year (12.35% of the gross state-level decline).

Western Australia was also notably down 2,808 applications (down by 10.31%) year-on-year – 8.47% of the gross state-level decline.

Although, from a lower base, the Northern Territory had a tough period, lodging only 648 applications, down 24.21% year on year – though only down 8.09% period-on-period.

**Comparator insights:** The declines in the number of lodged loan applications is consistent with anecdotal reports of increasing caution amongst home buyers, 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



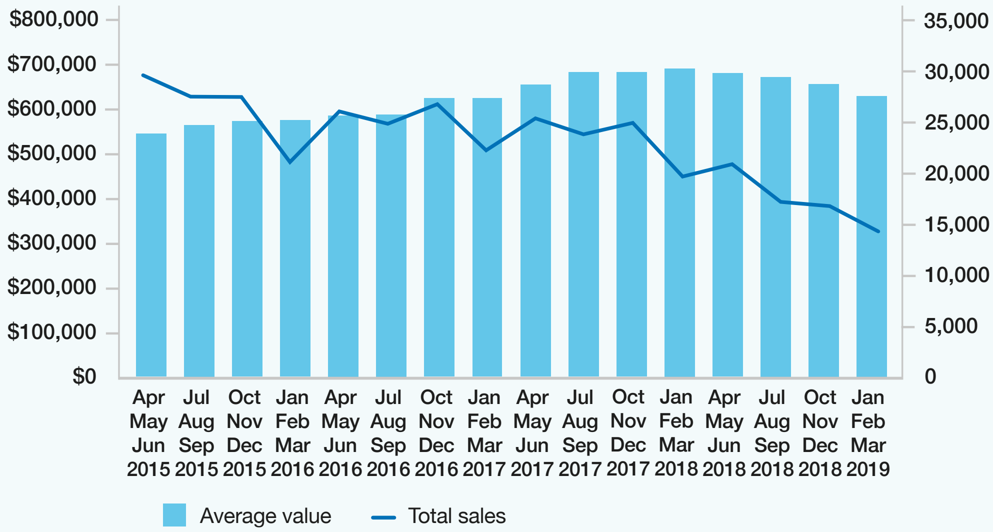

**Note:** Data for the Northern Territory and Tasmania has been excluded from this analysis due to the scale of the Y-axis labelling.

Comparing year-on-year, every state recorded a fall in the number of home loan applications except Tasmania.

Victoria and New South Wales and ACT contributed most to the national decline in number of applications when comparing year-on-year totals from October-to-March, 2017-18 to 2018-19.

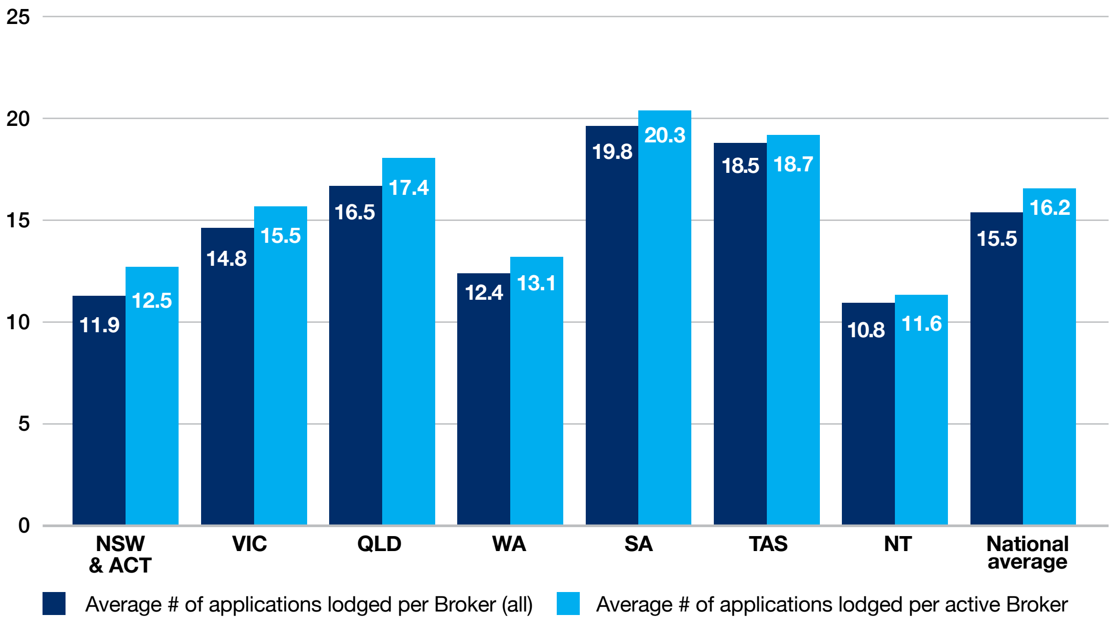
New South Wales and ACT has seen four successive periods of decline, whilst Victoria peaked 12 months ago. Despite experiencing the largest decline in number of applications over the past six months, Victoria still maintained its lead over New South Wales and ACT – although the gap is now closer than before.

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




**Comparator insights:** Comparing the total number of sales for the Greater Melbourne area to the number of home loan applications by brokers for Victoria, it is interesting to note that whilst the total sales have decreased materially, broker-channel business has not decreased at the same pace until this most recent six-month period. This would support the statistics showing that in a declining market overall, brokers are increasing market share over the proprietary channel.

### Average number of home loan applications lodged per broker (total) vs. average number of home loan applications lodged per active broker, October 2018 to March 2019




| | Oct15-Mar16 | Apr16-Sep16 | Oct16-Mar17 | Apr17-Sep17 | Oct17-Mar18 | Apr18-Sep18 | Oct18-Mar19 |
|---|---|---|---|---|---|---|---|
| Average number of home loan applications lodged per broker, national average. | 20 | 21 | 19 | 18 | 18 | 17 | 15 |

**Note:** Inactive brokers - those who had not settled a loan for the six-month period – represent 16% of the total broker population. Therefore, it is important to account for inactive brokers to better illustrate the average rates of productivity for the majority of brokers. 15.46 applications lodged per broker during the October 2018 to March 2019 period.

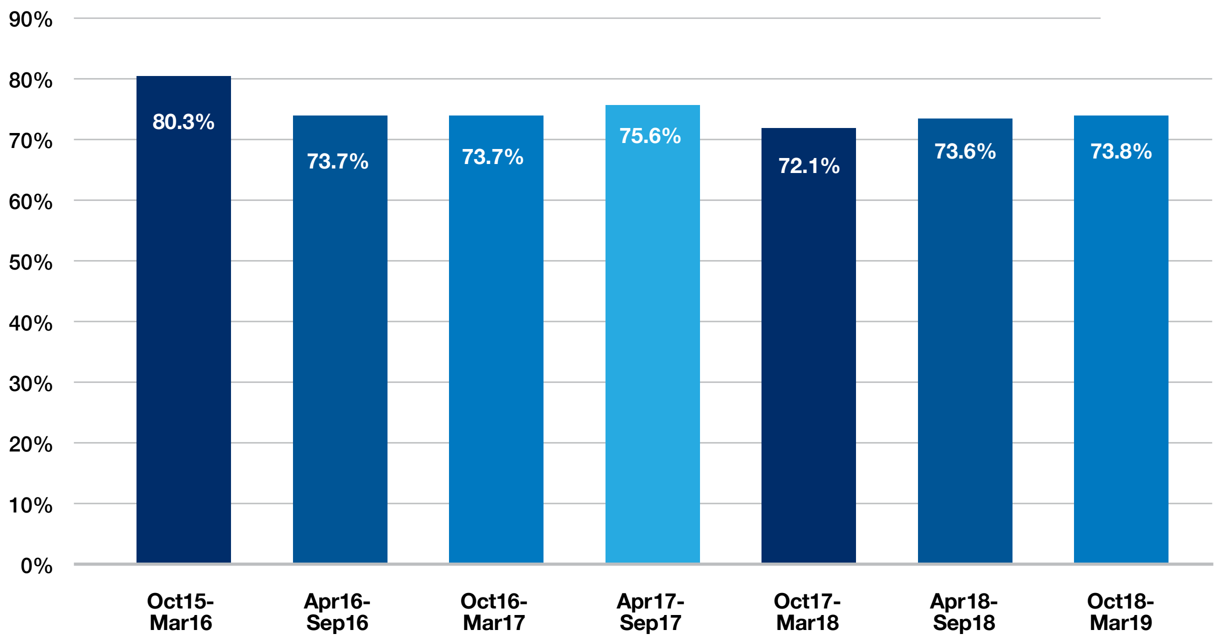
Nationally, comparing the period of October 2018 to March 2019 to the previous year, the average number of applications lodged per active broker decreased from 18.8 to 16.2, whilst the average number of applications lodged for all brokers fell from 17.9 to just under 15.5.

Year-on-year, per active broker, New South Wales and ACT recorded a decline of 2.1 applications, from 14.6 down to 12.5, Victoria had the largest decline falling by 2.8 applications, from 18.3 down to 15.5, Queensland recorded a decline of 1.8 applications, from 19.2 down to 17.4 applications, South Australia declined by 1.8 applications, from 22.1 down to 20.3 average applications and Western Australia, down by 1.2 applications, from 14.3 per active broker.

Tasmania was the only state where applications lodged per active and all brokers increased year-on-year, from 17.8 a year ago to 18.7 for active brokers and from 17.5 to 18.5 for all brokers.

Period-on-period nationally, the average number of applications lodged by all brokers decreased from 16.7 to 15.5, whilst the average number of applications lodged by active brokers decreased from 17.5 to 16.2.

## Conversion rates by brokers




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

The conversion rate is calculated based on 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.

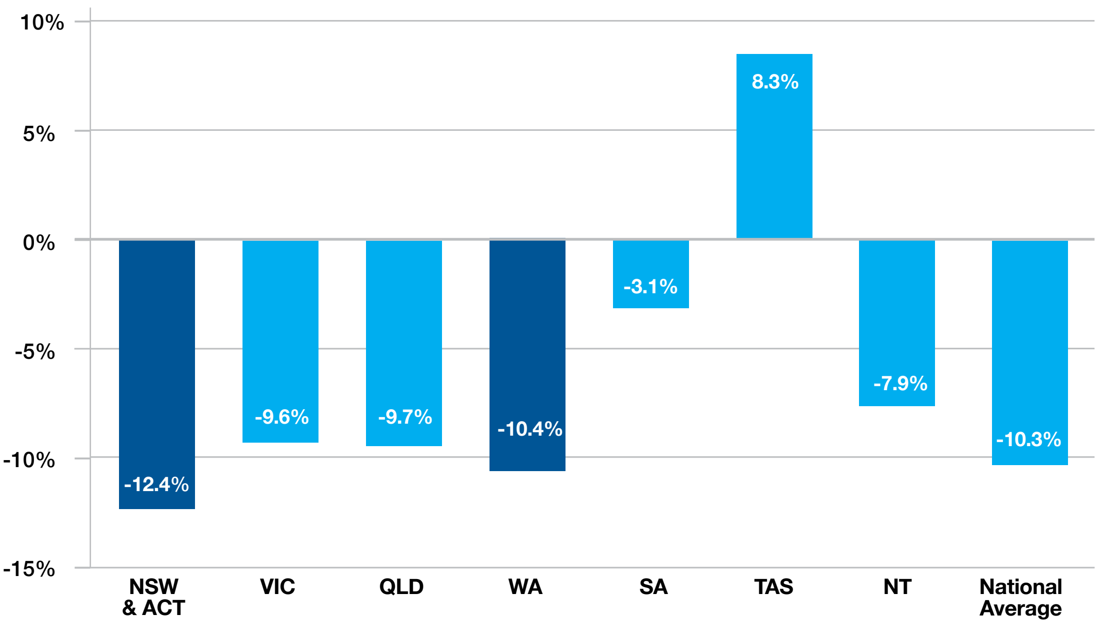
The conversion rate has improved, both period-on-period and year-on-year. Compared to the equivalent period a year ago, it has increased from 72.1% – up 2.36%.

These improvements would suggest that in a challenging market, brokers are positively reacting and responding with increasing agility and precision when lodging their applications.

Overall, the conversion rate continues to remain generally stable since April-to-September 2016.

*The national growth rate of the value of loans settled has fallen in all but one state.*

## Change in the value of home loans settled, March 2018 to March 2019




The value of overall national growth in home loans settled declined by 10.3% year-on-year between October-to-March 2017-18 and 2018-19, from $97.63 billion down to $87.56 billion.

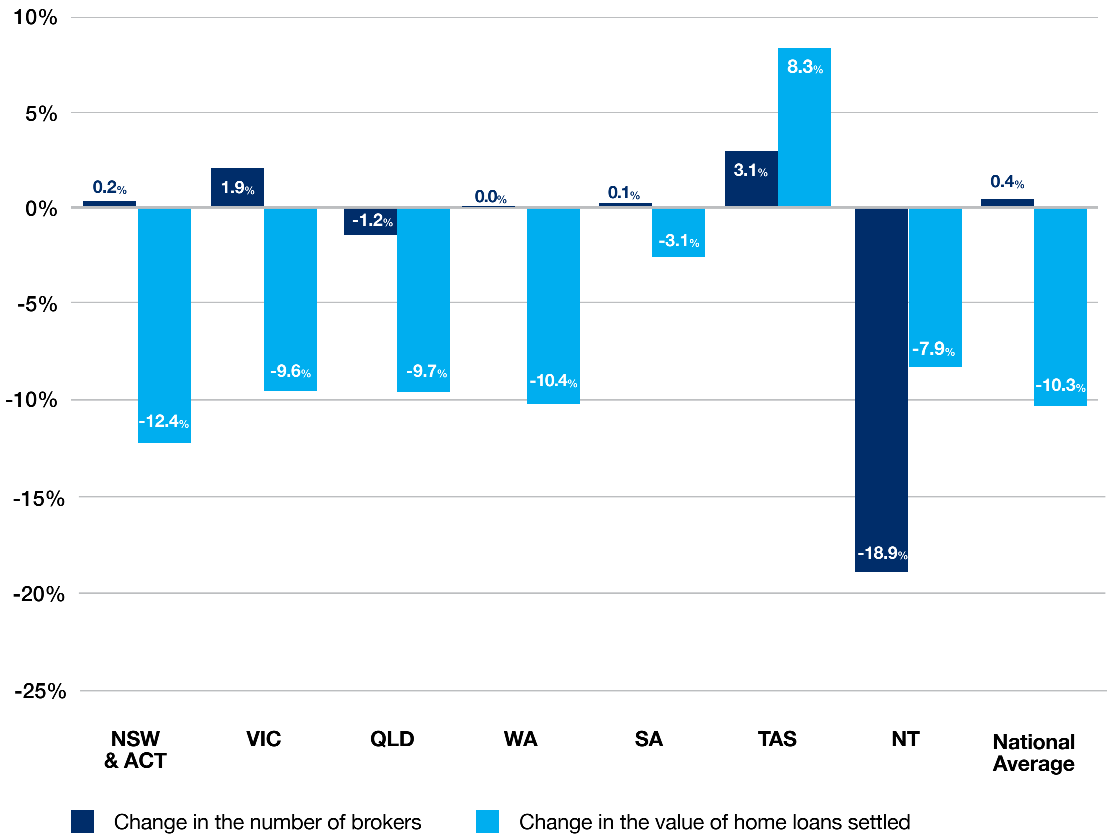
New South Wales and ACT contributed most to this decline with a fall of 12.4%, or by 4.78 billion, from $38.7 billion down to $33.92 billion. This accounted for 47.2% of the nation's gross overall decline. Western Australia contracted by 10.4%, from $8.16 billion down to $7.31 billion.

Victoria and Queensland recorded similar declines of 9.6% and 9.7% respectively, with Victoria down from $31.29 billion to $28.29 billion, accounting for 29.62% of the gross overall national decline, and Queensland down from $13.73 billion down to $12.4 billion – representing only 13.11% of the gross overall national decline.

South Australia and Northern Territory both recorded declines of 3.1% and 7.9% respectively, albeit from smaller bases.

Tasmania remains the sole state to achieve growth with an 8.3% increase in value of home loans settled. Note though that Tasmania has lower base values, growing from $640.06 million to $693.41 million, where all other states (excluding the Northern Territory) have values in the multi-billions.

### Change in the number of brokers deployed vs. change in the value of home loans settled by state, year-on-year, March 2018 to March 2019




When the change in broker numbers is contrasted against the change in value of home loan settlements year-on-year, it's observed that nationally, broker numbers have remained steady with a marginal increase of 0.4%, whilst overall loan growth contracted by 10.3%.

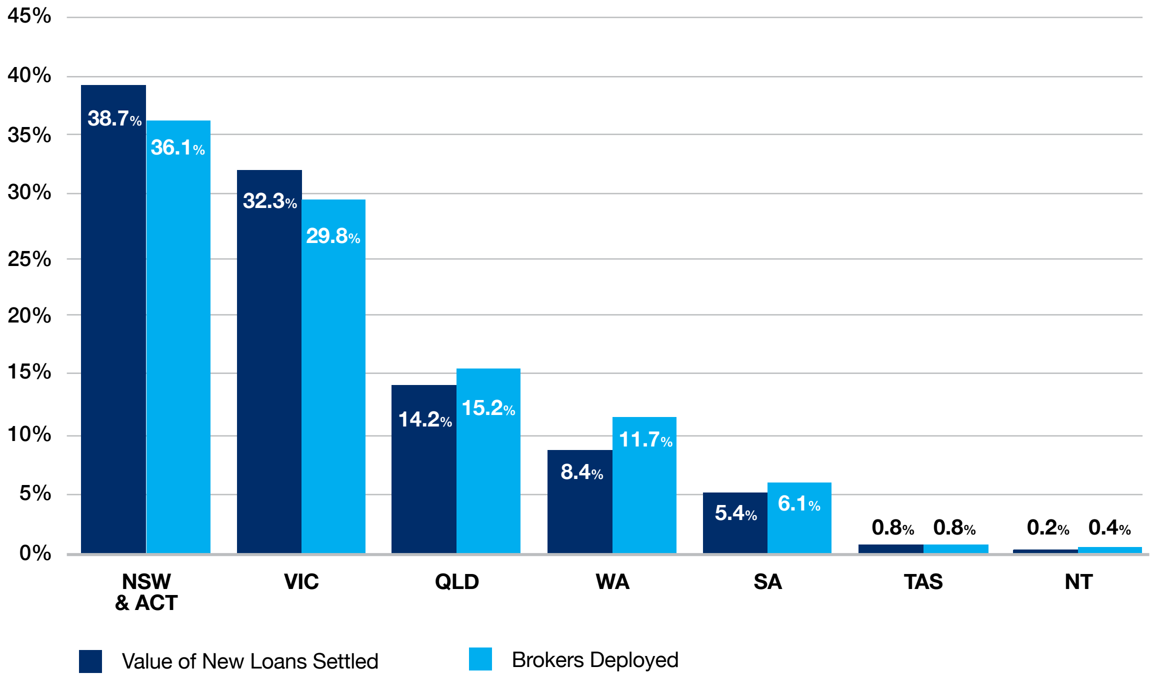
New South Wales and ACT, Western Australia and South Australia all recorded flat or marginal growth in broker numbers, but a notable decline in the value of new loans settled. Victoria, as one of only two states to achieve a noteworthy increase in broker numbers, of 1.9%, inversely saw a 9.6% contraction in the value of new loans settled.

Queensland recorded a slight decrease in the broker population which was disproportionately smaller than the contraction in the value of home loans settled.

Tasmania was the only state to record growth in both broker numbers, at 3.1%, and growth in the value of new loans settled at 8.3%.

The Northern Territory, again, from a small base, saw a significant percentage fall in broker numbers of 18.9%, which was notably greater than the contraction in the value of home loans settled at 7.9%.

### Share of national value of home loans settled by brokers (%) vs. share of total brokers deployed by state (%), October 2018 to March 2019

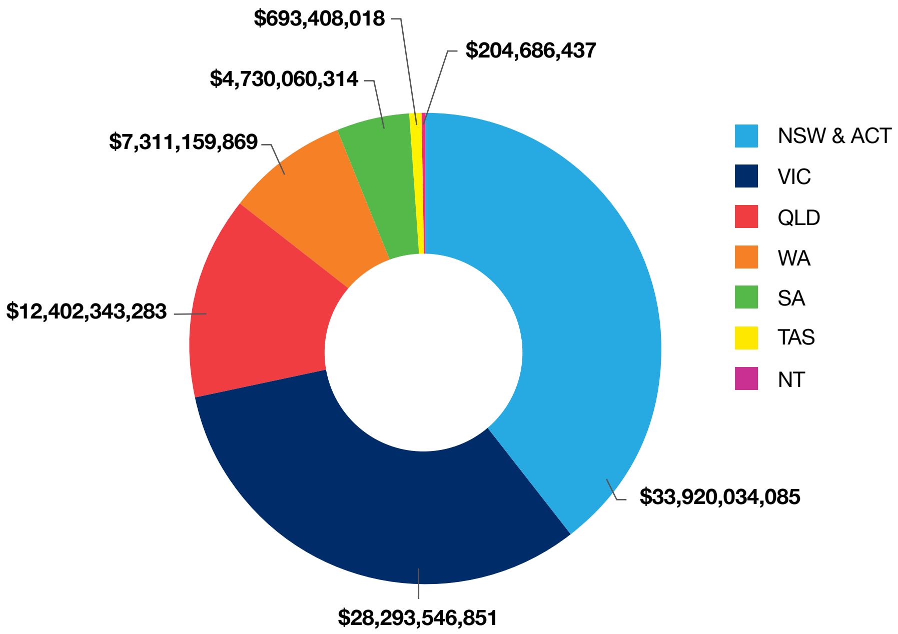



As per usual, New South Wales and ACT and Victoria both have the largest shares of lending, with both recording a higher proportion of value of new loans settled compared to their proportion of the total broker population.

Queensland, Western Australia and South Australia share a different profile, all having a higher share of broker numbers compared to their share of new loans settled, which would suggest these states are slightly overweight in terms of the broker population.

Tasmania and the Northern Territory were on par with equivalent shares in both broker numbers and share of settlement values.

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



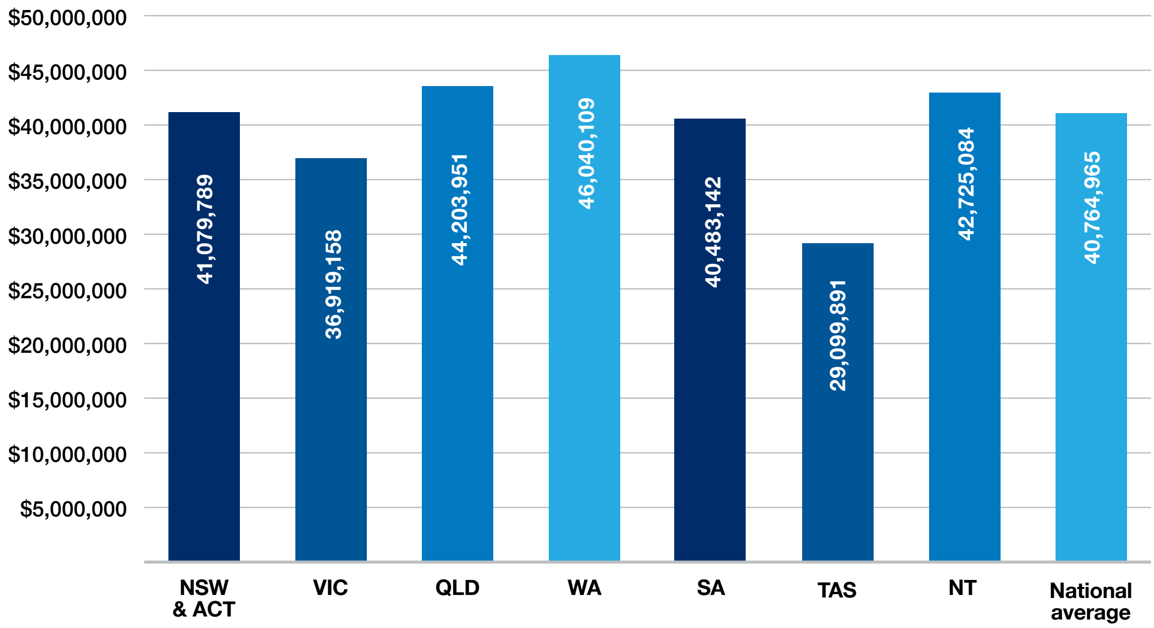

As anticipated, New South Wales and ACT and Victoria continue to dominate with the largest share of the home loan settlements 'pie', at a combined 71.06% - down slightly from a combined share of 71.82% last period.

With the value of all state declining period-on-period, of the total value decline of $10.37 billion, New South Wales and ACT accounted for the largest proportion (44.7%), down $4.63 billion or 12.02% since the previous period; whilst Victoria's value settled dropped by $3.48 billion or 10.96% between periods (accounting for 33.58% of the decline).

Other notable falls include Queensland and Western Australia of $1.07 billion (down 7.98%) and $886.03 million (down 10.81%) respectively.

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

**Average value of residential home loan book per broker, per state and in total, as of March 2019**




The national average value of a broker's loan book has increased year-on-year, from $38.13 million to $40.76 million, an increase of $2.64 million or 6.92%. Period-on-period, the national average value has increased 4.24%, up from $39.12 million.

At the state level, Western Australia (up from $45.44 million or by 1.31% year-on-year) and Queensland (up from $40.5 million or by 9.14% year-on-year) have the highest average loan book values per broker, and noticeably higher than the national average.

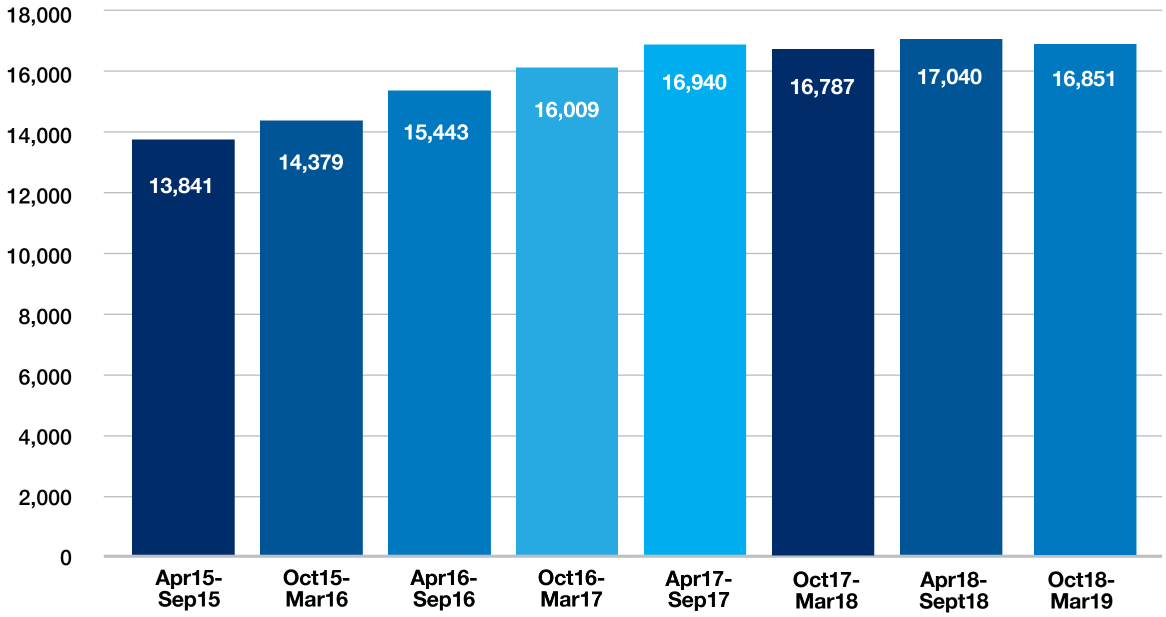
The average loan book value of New South Wales and ACT (up from $38.81 million or by 5.86% year-on-year), Northern Territory (up from $37.87 million or by 12.82% year-on-year) and South Australia (up from $38.43 million or by 5.35% year-on-year) are all above or on par with the national average.

Only Victoria and Tasmania recorded average loan book values below the national average. Victoria was up from $33.3 million with strong growth of 10.88% year-on-year, while Tasmania was up slightly by 0.68%, from $28.9 million a year ago.

Since the last report, period-on-period, the average value of residential loan books per broker increased in all states except Tasmania. Since last period, the stand-out performing states included Queensland, up 6.31%, Victoria, up 6.03% and the Northern Territory, up 17.84%.

*The growth in broker population appears to have flattened.*

## Broker population, in total for the sampled aggregators

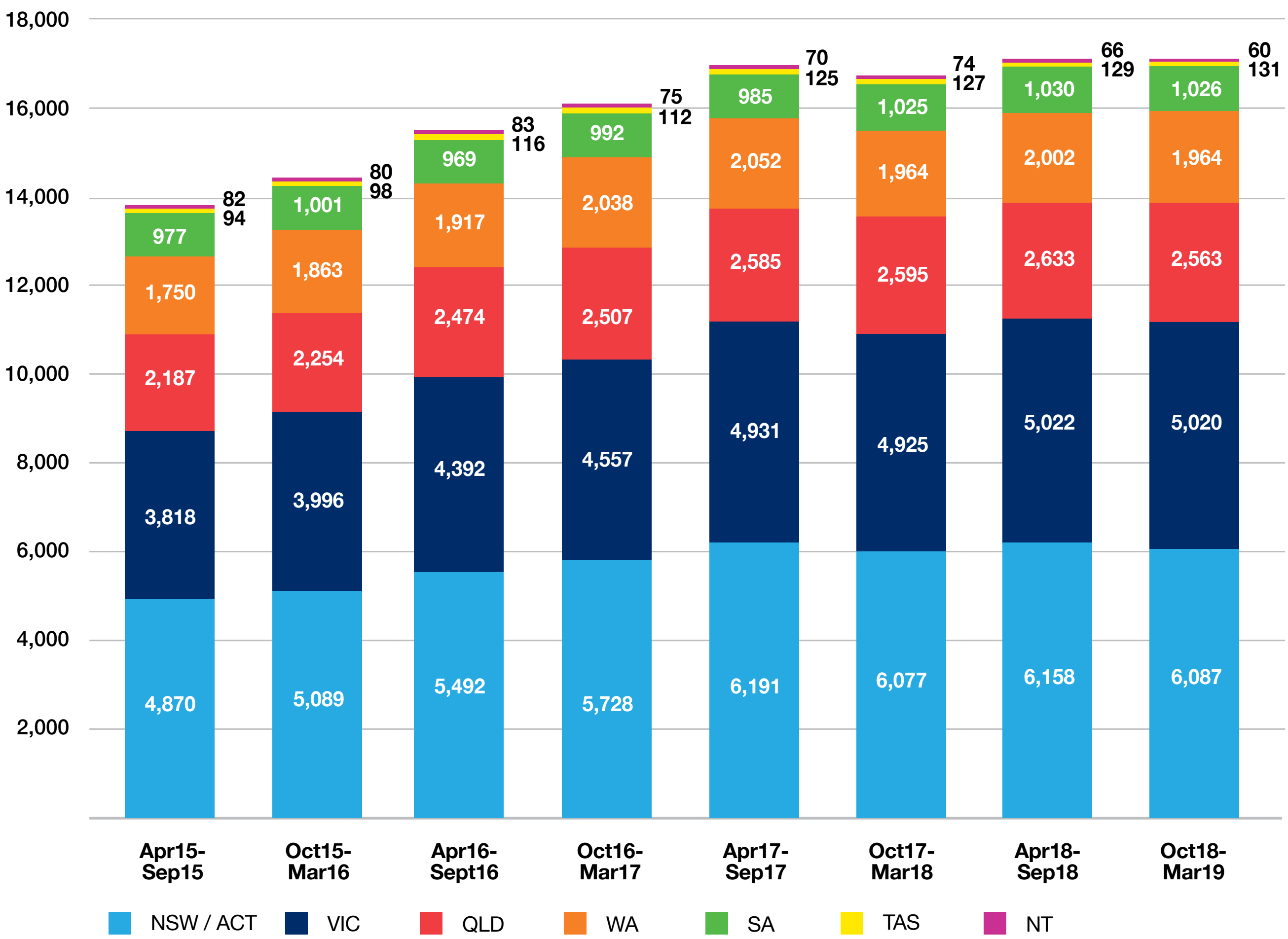



**Note:** There is data from one less aggregator included in the three most recent six-month periods, from October 2017 to September 2018 and onwards.

The overall broker population appears to have reached a ceiling as we observe an emerging plateau with the broker population at an average of around 16,900 brokers, as seen over the last four six-month periods.

After the broker population exceeded 17,000 brokers for the first-time last period, the population has declined by 189 brokers or 1.11% this period to 16,851.

## 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 | Apr18-Sep18 to Oct18-Mar19 |
|---|---|---|---|---|---|---|---|
| New South Wales and ACT | 4.5% | 7.9% | 4.3% | 8.1% | -1.8% | 1.3% | -1.2% |
| Victoria | 4.7% | 9.9% | 3.8% | 8.2% | -0.1% | 2.0% | 0.0% |
| Queensland | 3.0% | 9.8% | 1.3% | 3.1% | 0.4% | 1.5% | -2.7% |
| Western Australia | 6.4% | 2.9% | 6.3% | 0.7% | -4.3% | 1.9% | -1.9% |
| South Australia | 2.5% | -3.2% | 2.4% | -0.7% | 4.1% | 0.5% | -0.4% |
| Tasmania | 3.9% | 19.0% | -3.6% | 11.6% | 1.6% | 1.6% | 1.6% |
| Northern Territory | -3.0% | 4.5% | -9.8% | -6.7% | 5.7% | -10.8% | -9.1% |

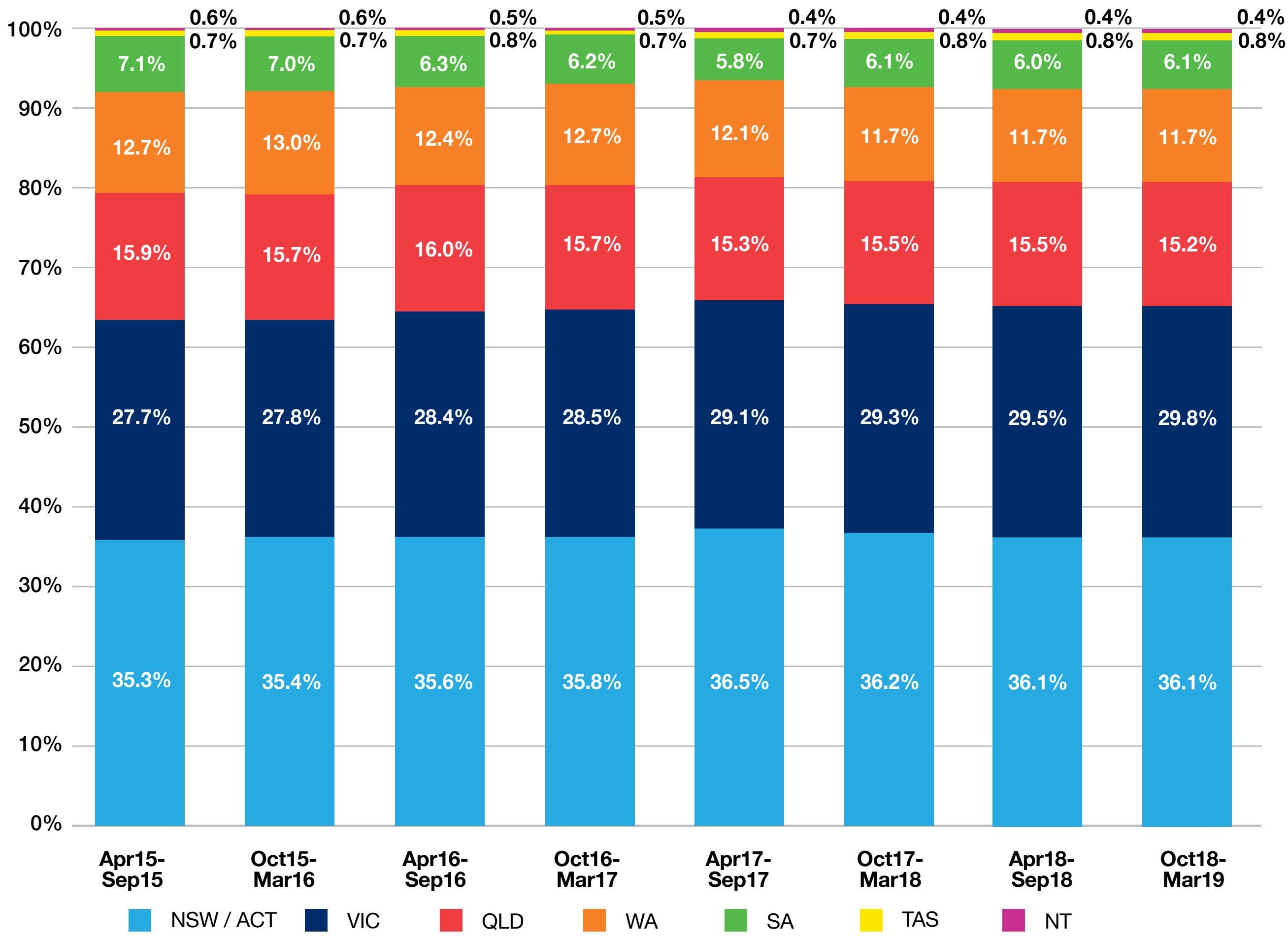
**Note:** There is data from one less aggregator included in the three most recent six-month periods, from October 2017 to September 2018 and onwards. Data sets for the number of brokers at a state level do not reconcile with national figures. This is due to slight variations in some aggregators' data extracts at the state level. This is not a material cause for concern.

The broker population contracted in all states except for Tasmania which grew marginally, though from a small base.

Similar to the overall broker population trend, there are signs that the broker population has also stabilised at a state level. Between the last four periods, particularly in New South Wales and ACT and Victoria, there has been comparatively smaller broker population variances than between earlier periods (except in the Northern Territory due to its lower population of brokers).

Over the previous periods going back to April-to-September 2017, New South Wales and ACT's population has remained stable at around 6,100 brokers, Victoria's stable at around 5,000 brokers, Queensland's stable at around 2,600, Western Australia's stable at around 2,000 brokers and South Australia's stable at around 1,000 (since April-to-September 2015).

## Proportion of broker population by state




**Note:** There is data from one less aggregator included in the three most recent six-month periods, from October 2017 to September 2018 and onwards. Data sets for the number of brokers at a state level do not reconcile with national figures. This is due to 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 continued to remain relatively consistent over time. Between this period and last, the only movement in population share occurred between Victoria, South Australia and Queensland. Queensland shed 70 brokers which resulted in Victoria and South Australia growing their share – even though both these states also shed brokers.

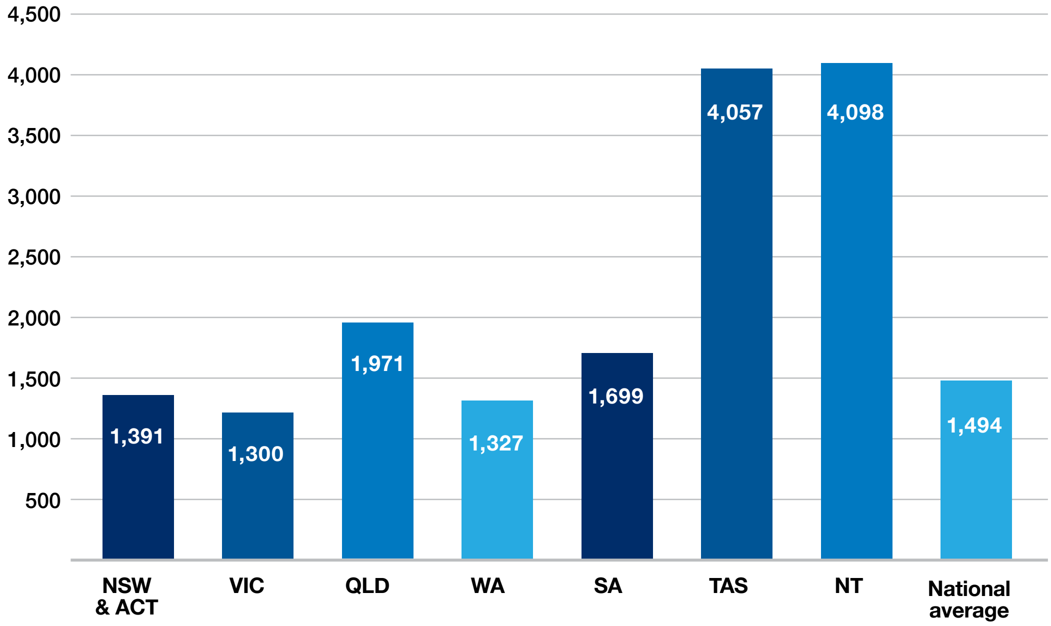
Since 2015, Victoria remains the only state to have shown ongoing period-on-period population share growth. Victoria's share over this period has grown from 27.7% to 29.8%, up 2.1 percentage points or 7.58%.

New South Wales and ACT has been relatively flat over the last three reporting periods following a history of consistent population share growth.

*The number of Australians per mortgage broker has increased.*

### Number of Australians per mortgage broker

Based on ABS's Estimated Resident Population, December 2018




The national average number of Australian's (of all ages) per mortgage broker has increased slightly since last period, from 1,466 up to 1,494. This was a rebound result following a decrease in Australians per broker a year ago when there were 1,475 Australians per broker. Year-on-year, there has been an increase of 19 Australians per broker or 1.29%.

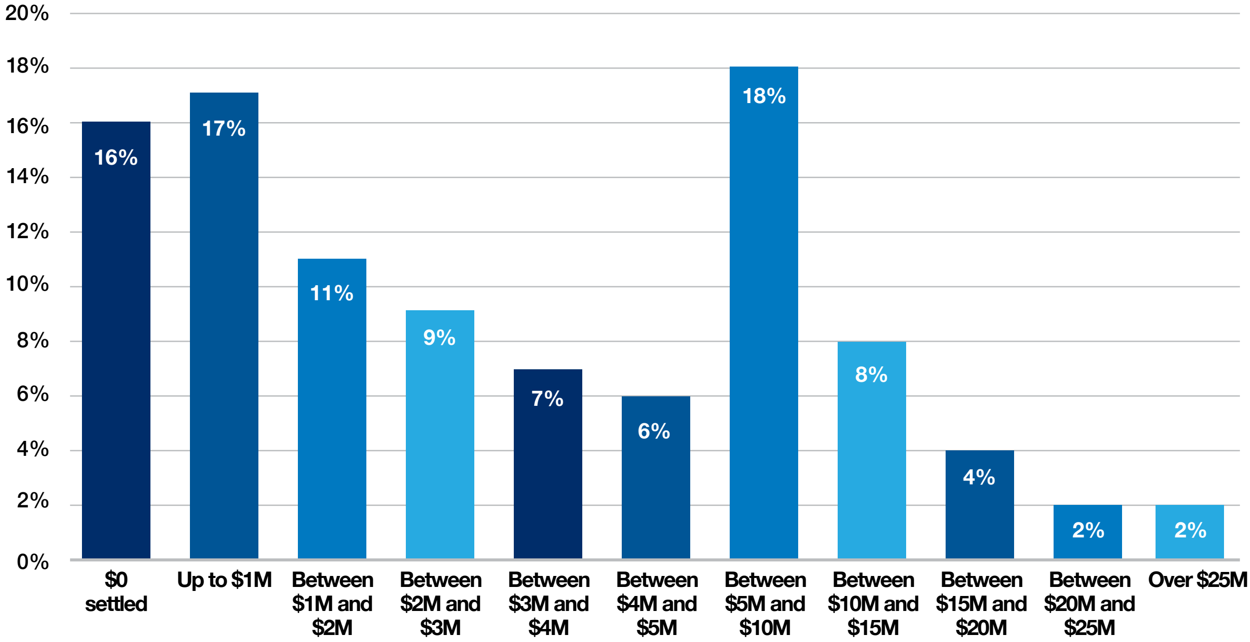
At the state level, Victoria has the highest concentration of brokers per capita, followed closely by Western Australia and then New South Wales and ACT, with all three states recording figures below the national average - indicating higher competition.

The Northern Territory has the lowest saturation of brokers, with 4,098 Australians per broker (noting that only 60 brokers serviced the territory during the current period), followed closely by Tasmania at 4,057 Australians per broker (with 131 brokers servicing the Tasmanian population).

With the exception of Tasmania, all states recorded lower Australians per broker population densities this period compared to last, meaning an easing of competition.

*Inactive brokers continue to represent a significant proportion of the broker population.*

**Share of brokers that settled home loans in aggregate, October 2018 to March 2019.**




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

Overall, the share of brokers in each aggregate value band is very stable, with little change observed between the last period and also year-on-year.

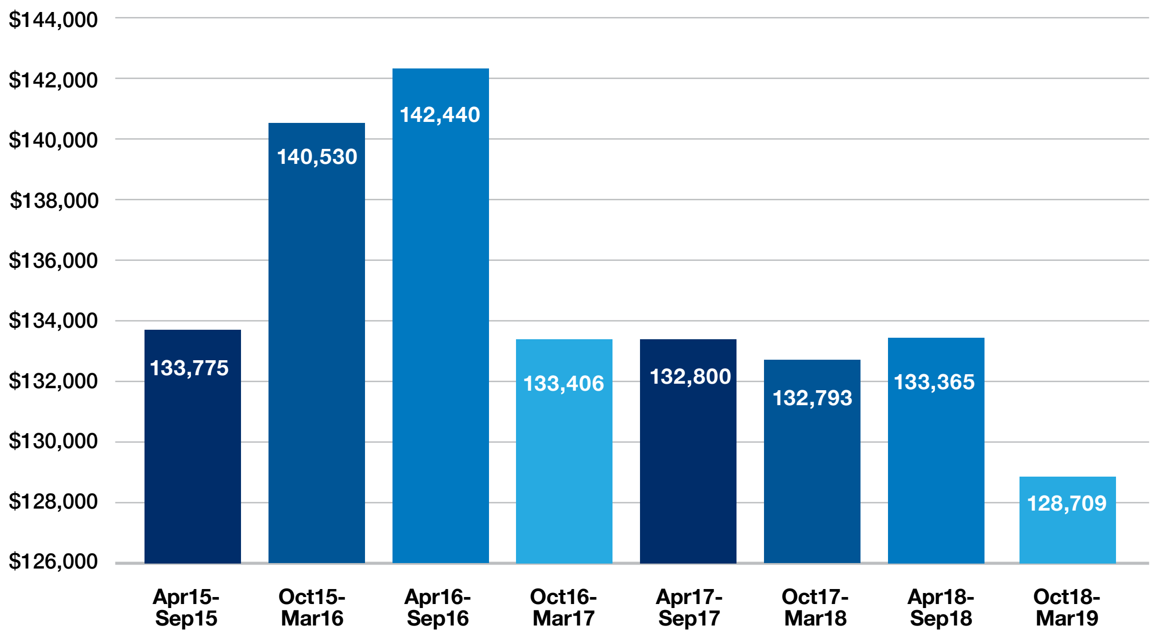
Based on the data of the set of contributing aggregators, 2,332 brokers did not settle a home loan during the current six-month period, which equated to 16% of the broker population, up one percentage point period-on-period and year-on-year. This small increase may be a symptom of the tougher market conditions that have emerged, and this cohort will impact broker productivity measures as seen in previous charts.

If inactive brokers were excluded and recalculated for their exclusion, 44% of brokers wrote $3 million in home loans or less, and 60% of brokers wrote $5 million in home loans or less in the current six-month period.

Other changes include the share of the population settling between $1 and $2 million and those settling over $25 million decreasing by one percentage point period-on-period and year-on-year, and the cohort settling between $5 and $10 million increasing by one percentage point period-on-period and year-on-year.

*Broker remuneration averages have fallen to the lowest levels since the commencement of the survey.*

## National average total broker remuneration

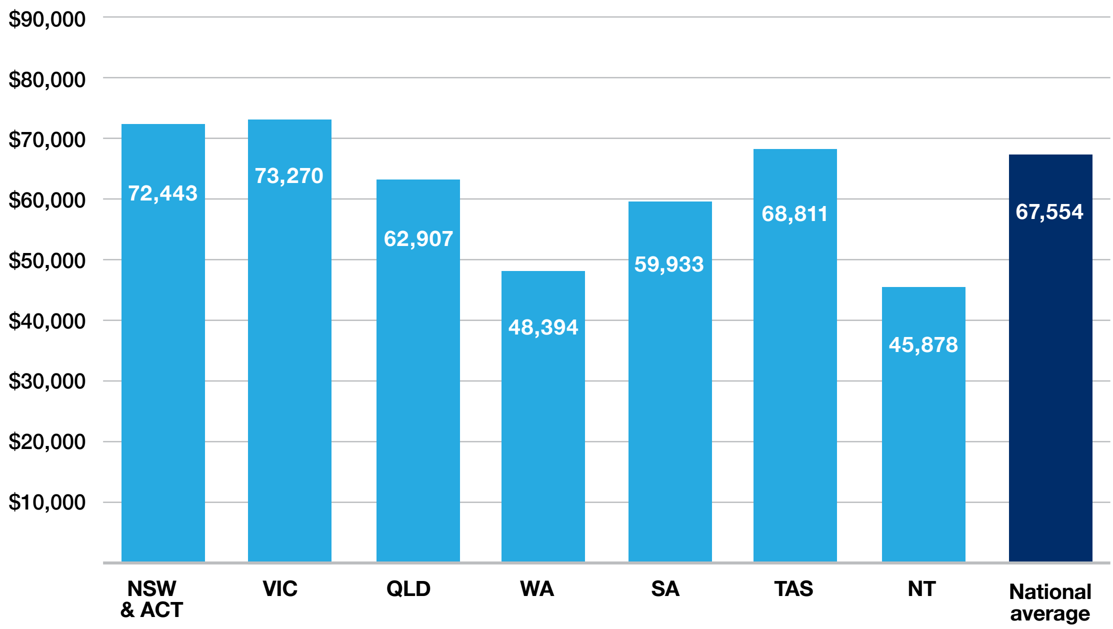



The national calculated combined average up-front and trail remuneration has fallen to the lowest levels ever observed by the IIS Report, driven by the lower up-front commissions, presumably influenced by the lower values settled this period (as broker population numbers remained relatively flat).

Compared to last period, combined remuneration has fallen by 3.49% or $4,656, from $133,365.

Total remuneration is now down $13,731 or 9.64% compared to the highs of April-to-September 2016.

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




**Note:** Brokers' average measured gross up-front remuneration from residential lending, both prior to all costs and prior to meeting any commercial obligations with aggregators are estimates.

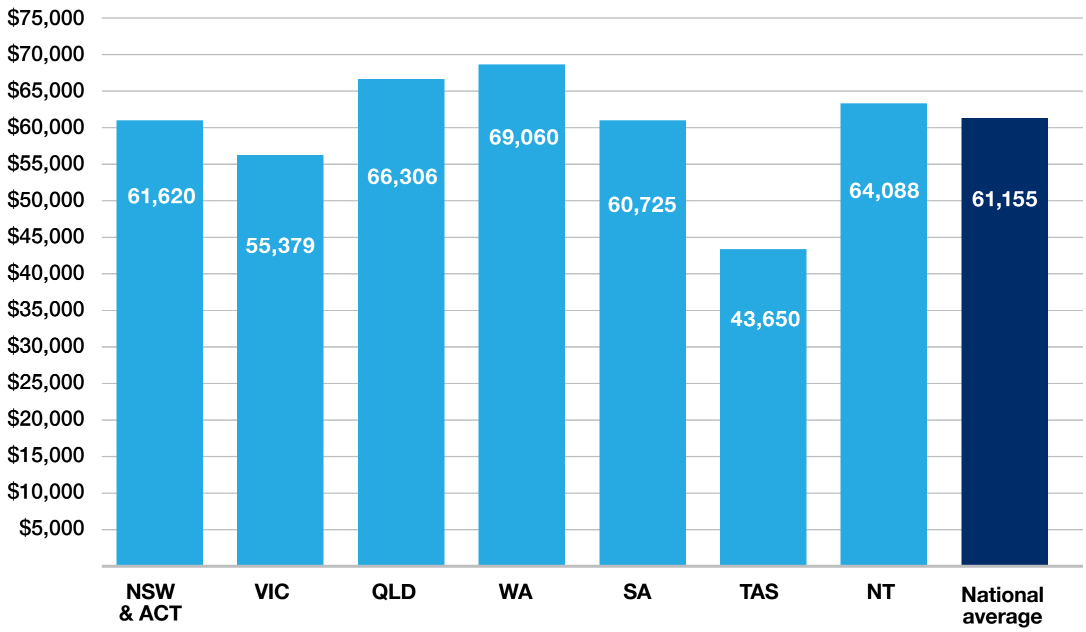
Gross remuneration generated in this analysis means the total amount that lenders paid for the origination services provided by brokers. Out of these gross commission figures, brokers have to pay their own salaries, the fixed costs of doing business, such as premises costs, wages and marketing, and service provision fees paid to aggregators.

Year-on-year, the national average annual gross up-front remuneration per broker has seen a notable decline, falling by $8,050 from $75,604 to $67,554 this period - a decrease of 10.65%. Most of this decline occurred period-on-period, with national average up-front down $7,152 or 9.57% since April-to-September 2018.

Not surprisingly, New South Wales and ACT and Victoria were both key drivers of this decline. Both states saw a large reduction in up-front period-on-period, with Victoria's average annual up-front commission decreasing by $8,982 or 10.92% from $82,252, and New South Wales and ACT's decreasing by $8,948 or 10.99%. Victoria retained its narrow lead over New South Wales and ACT as the state with the highest average up-front commissions paid per broker.

Across the other states, there were large period-on-period reductions in Queensland's average annual up-front commission which reduced by $3,634 or 5.46% and Western Australia's fell by $4,835 or 9.08% period-on-period.

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




**Note:** Brokers' average measured 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, the fixed costs of doing business, such as premises costs, wages and marketing, and service provision fees paid to aggregators.

The average annual national trail commission for this period was $61,155, compared to $57,189 for the same period last year – an increase of $3,966 or 6.93%. Period-on-period, it also grew from $58,659, an increase of $2,496 or 4.26%.

Year-on-year, at the state level, gross annual trail commission estimates have increased across all states with Victoria (up $5,435 or 10.88%), Queensland (up $5,551 or 9.14%) and the Northern Territory (up $7,282 or 12.82%) showing the largest gains.

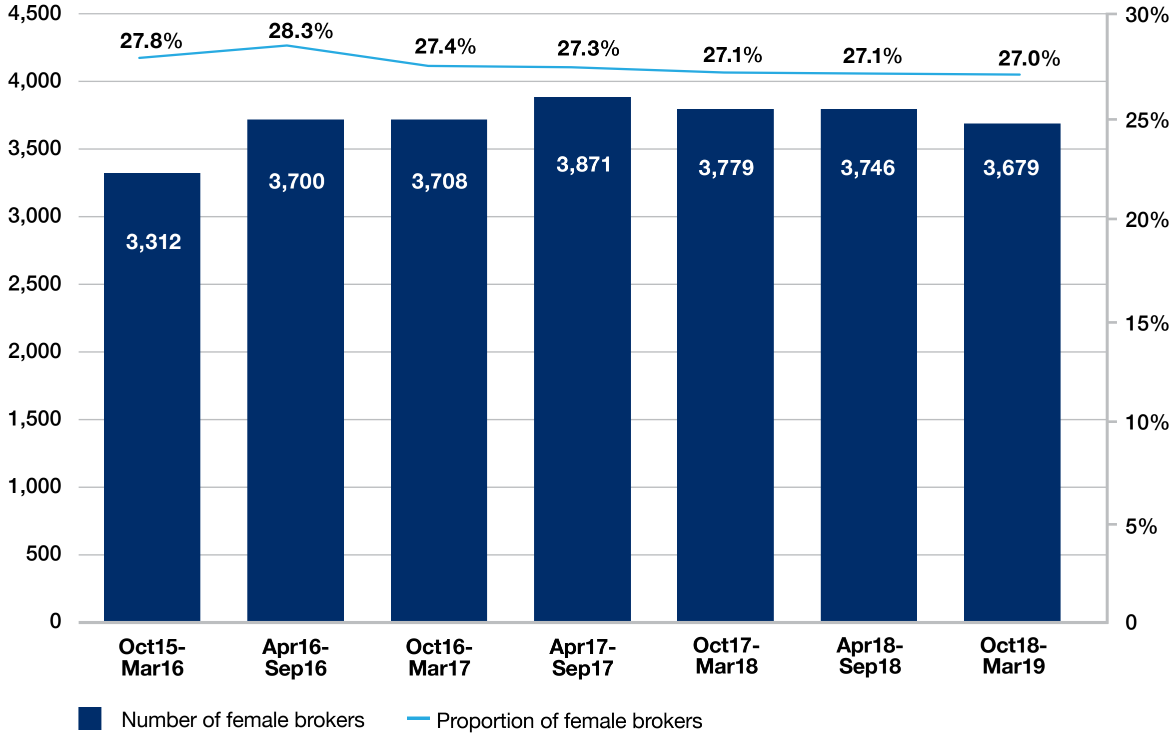
New South Wales and ACT had more modest year-on-year growth, with a $3,411 or 5.86% increase. Western Australia remains the highest trail-earning state at $69,060.

## 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 | 72.443 | 61,620 | 134,063 |
| Victoria | 73,270 | 55,379 | 128,649 |
| Queensland | 62,907 | 66,306 | 129,213 |
| Western Australia | 48,394 | 69,060 | 117,454 |
| South Australia | 59,933 | 60,725 | 120,657 |
| Tasmania | 68,811 | 43,650 | 112,461 |
| Northern Territory | 45,878 | 64,088 | 109,966 |
| **National Average** | **67,554** | **61,155** | **128,709** |

*Female broker representation is failing to improve.*

**Number and proportion of female brokers in the industry**




Whilst overall broker numbers saw a mild increase year-on-year, based on the aggregators supplying gender information, the number of female brokers in the industry has seen a gradual decline with 100 fewer female brokers in the industry compared to a year ago – a reduction of 2.65%. The majority of this reduction, 67 brokers, occurred since last period.

After the female population peaked in April-to-September 2017 at 3,871 brokers, this is the third consecutive period of population decline recorded for the gender since.

Despite the decreasing number of female brokers, the proportion of female brokers in the industry has remained relatively stable.

### Number of brokers recruited per period, by gender

| | Apr15 – Sep15 | Oct15 – Mar16 | Apr16 – Sep16 | Oct16 – Mar17 | Apr17 – Sep17 | Oct17 – Mar18 | Apr18 – Sep18 | Oct18 – Mar19 |
|---|---|---|---|---|---|---|---|---|
| Number of men recruited during period | 931 | 972 | 947 | 938 | 1168 | 892 | 854 | 625 |
| Number of women recruited during period | 475 | 454 | 439 | 360 | 523 | 406 | 371 | 313 |

### Proportion of men and women recruited per period

| | Apr15 – Sep15 | Oct15 – Mar16 | Apr16 – Sep16 | Oct16 – Mar17 | Apr17 – Sep17 | Oct17 – Mar18 | Apr18 – Sep18 | Oct18 – Mar19 |
|---|---|---|---|---|---|---|---|---|
| % of men recruited during period | 66% | 68% | 68% | 72% | 69% | 69% | 70% | 67% |
| % of women recruited during period | 34% | 32% | 32% | 28% | 31% | 31% | 30% | 33% |

Despite the number of new female recruits continuing to decline for a third consecutive period, the proportion of females recruited (compared to males) has risen by 10% or three percentage points to 33% share this period compared to last.

This relationship between measures could be accounted for by the larger decline in men recruited compared to the more muted decline in females recruited. Compared to the last six-month period, the number of male recruits has fallen by 229, or by 26.81%, whereas female recruits were down by 58 or 15.63%.

Whilst the share of female recruits increased, this didn't contribute to any improvement in the overall share of female brokers working in the industry. As observed on the previous page, the proportion of mortgage brokers that are female decreased again this period compared to last - continuing the overall trend. This further suggests that the retention of existing female brokers may be an issue of concern that the industry may need to investigate and invest in, and further validates the need for the MFAA's Opportunities for Women program.

## Broker turnover/churn by state and nationally

| | |
|---|---|
| New South Wales and ACT | 9.8% |
| Victoria | 9.3% |
| Queensland | 10.4% |
| Western Australia | 7.9% |
| South Australia | 9.4% |
| Tasmania | 6.8% |
| Northern Territory | 11.6% |
| **National average** | **9.8%** |

**Note:** 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.

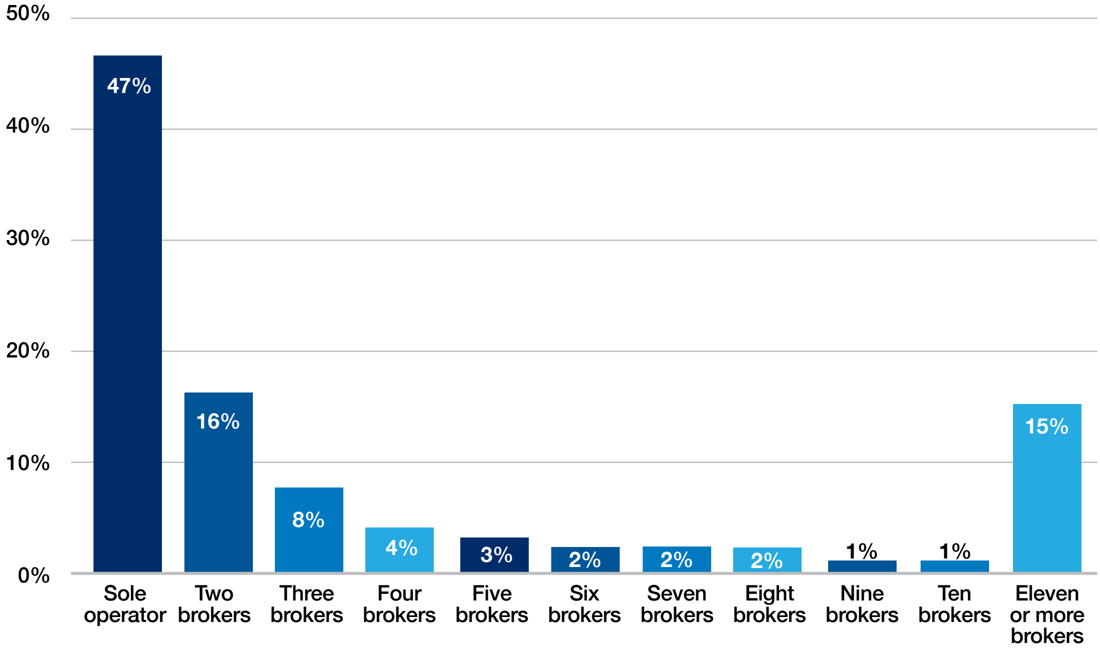
Nationally, compared to the last period, broker turnover decreased by 1.1 percentage point, from 10.9% to 9.8%. This decline brings it in-line with turnover rates experienced a year ago at 9.6%.

Year-on-year, New South Wales and ACT's churn increased from 8.3% to 9.8%, with Victoria increasing from 8.6% to 9.3%. Queensland reduced churn from 11.6% to 10.4%, while Western Australia saw a fall from 11.1% to 7.9%. South Australia increase turnover from 8.6% to 9.4%.

The Northern Territory saw the largest year-on-year increase in churn, from 4.2% to 11.6% – although this may be due to the small number of brokers in the territory. With an 18.92% decline in the Northern Territory broker population year-on-year, one reason for the increased churn could be due to this decline. In Tasmania, churn fell from 7.2% to 6.8%.

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

**Number of loan writers per broker business, October 2018 to March 2019**




**Note:** The data in this chart is based on a sample of 10,521 brokers.

The segment of broker offices made up of sole operators continues to dominate the broker landscape at 47% this period. This is down six percentage points or 11.32% from the 53% share reported last period. This followed a sharp increase from 41% share a year ago.

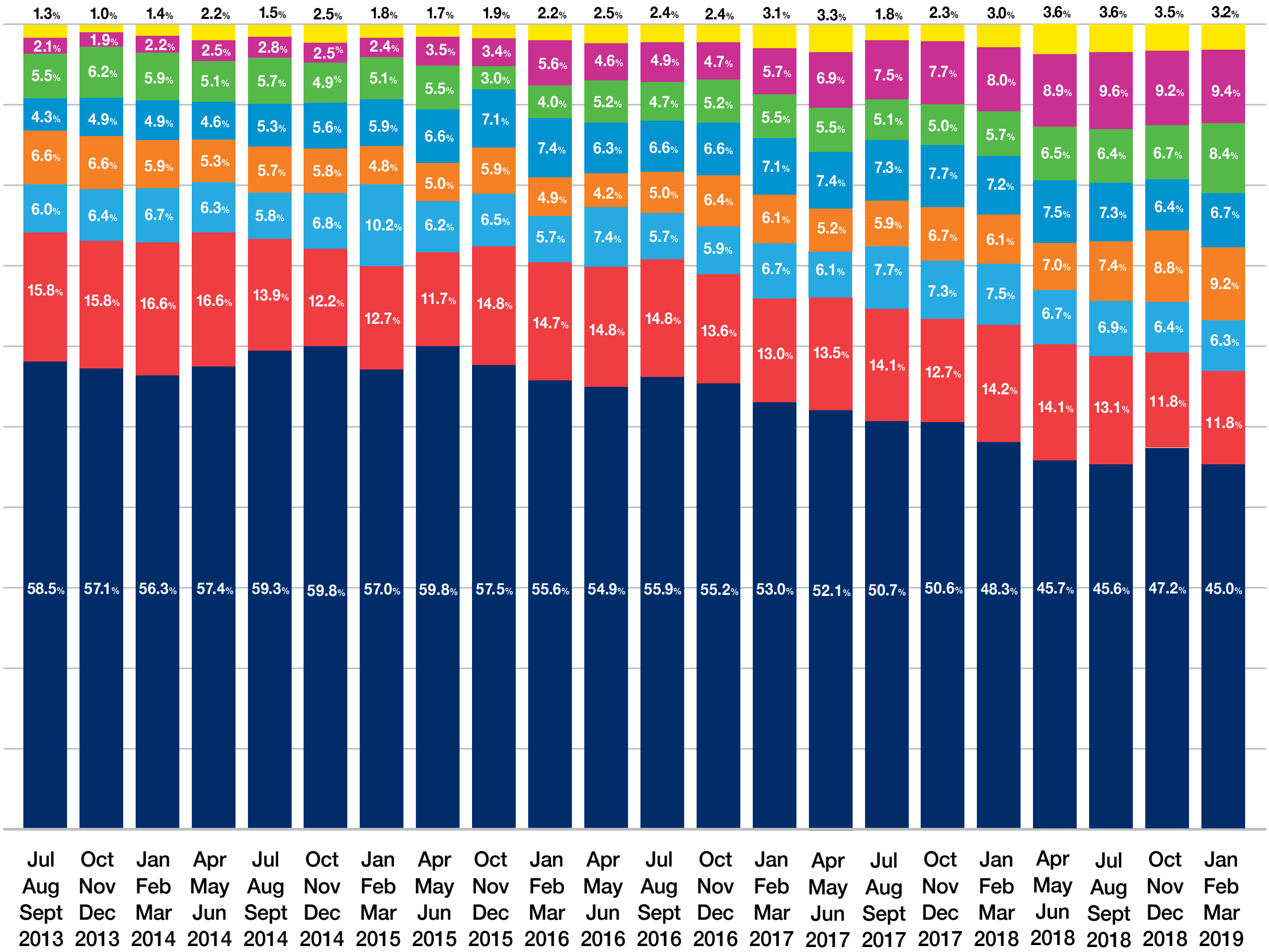
16% of brokers in this period are in two-broker offices, a decrease year-on-year from 18%, though this is an increase from 15% last period. Other bands remained fairly stable.

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

# Lender Segments

*Brokers continue to drive choice and competition through an increasingly diverse range of lenders.*

### Share of broker-originated lending settled with each lender segment




- Credit Unions, Building Societies and Mutuals
- Non-bank lenders
- Any other type of lender
- White label lenders
- International Banks (eg ING Direct, Citi etc)
- Independent Regional Banks (Suncorp, Bendigo)
- Regional Banks owned or aligned to Major Lenders (i.e. BankWest, St George etc)
- Major Banks (ANZ, CBA, NAB, Westpac)

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

The major four banks continue to see their market share erode, attracting 45% of the broker channel's business. The major banks have now seen their share of the broker-originated market reduce from the high of 59.8% recorded in April-to-June 2015 to the current 45% – a decline of 24.75%. It should be highlighted though that the segment did recover slightly during the October-to-December 2018 quarter, taking 47.2% share of the broker channel's business.

Over the last three years, international banks have increased their broker-originated market share from 4.2% (April-to-June 2016) to the current market-share high of 9.2% - an increase of 119%.

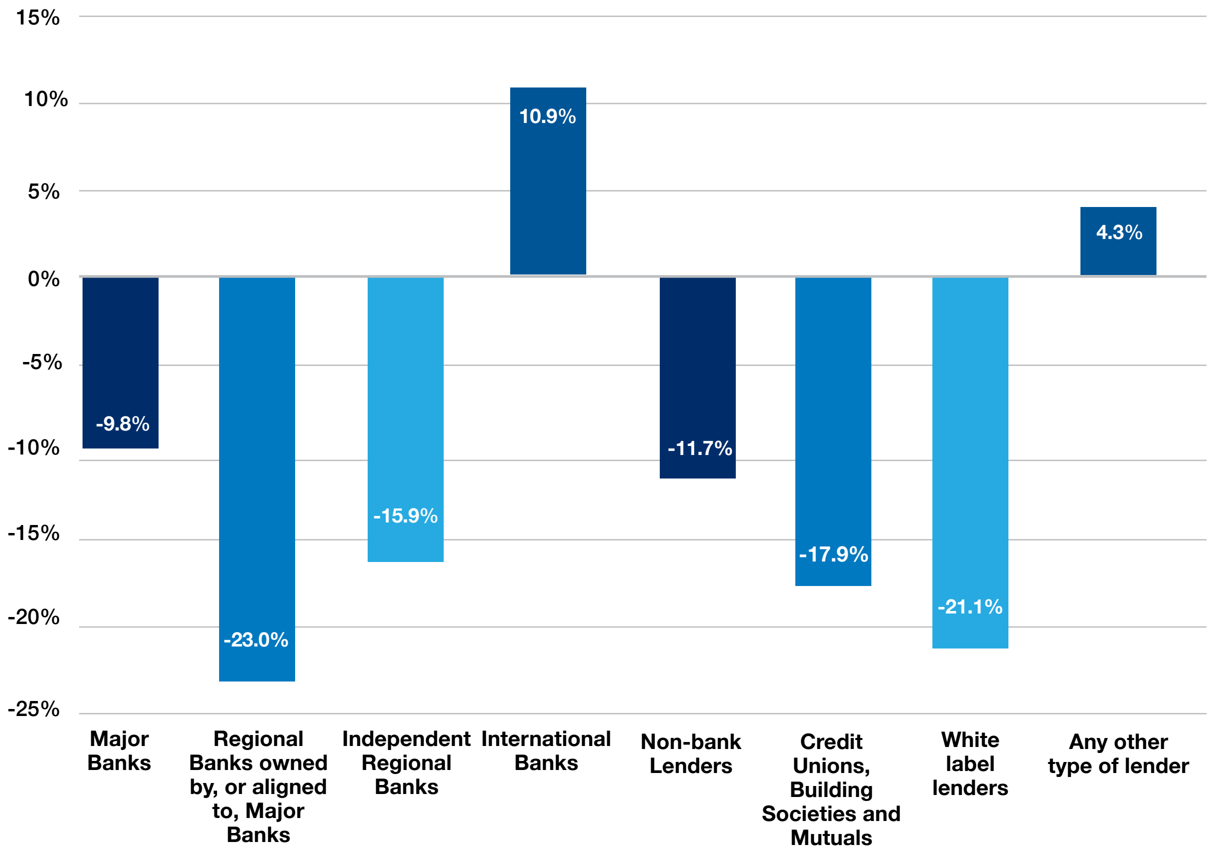
Similarly, since October-to-December 2013 the broker-originated market share of the non-bank lenders has grown from 1.9% to a high of 9.6% in July-to-September 2018 – an increase of 405%. Although the latest quarter has seen share down slightly to 9.4% from this high.

The 'Any other types of lender' category, including Macquarie Bank and AMP, has also reported a record market share, capturing 8.4% of the broker channel's business at the end of the latest quarter, up from a record low of 3% during October-to-December 2015. This is an increase of 180%.

The overall increasing mix of lenders used by brokers, including the fact that brokers will still direct business to the major banks as appropriate (as experienced during October-to-December 2018) clearly shows the broker channel's power to offer choice and drive competition in the interests of the consumer.

*International Banks and Any Other Type of Lender were the only growth categories.*

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




In line with the overall period-on-period decline of 10.59% in the value of loans settled through the broker channel, most of the lender categories experienced declines.

Comparing the current six-month period to the previous, only international banks and the 'Any other type of lender' category achieved value growth. These value increases roughly align with the larger share increases evident in the previous share of broker-originated lending settled with each lender segment chart.

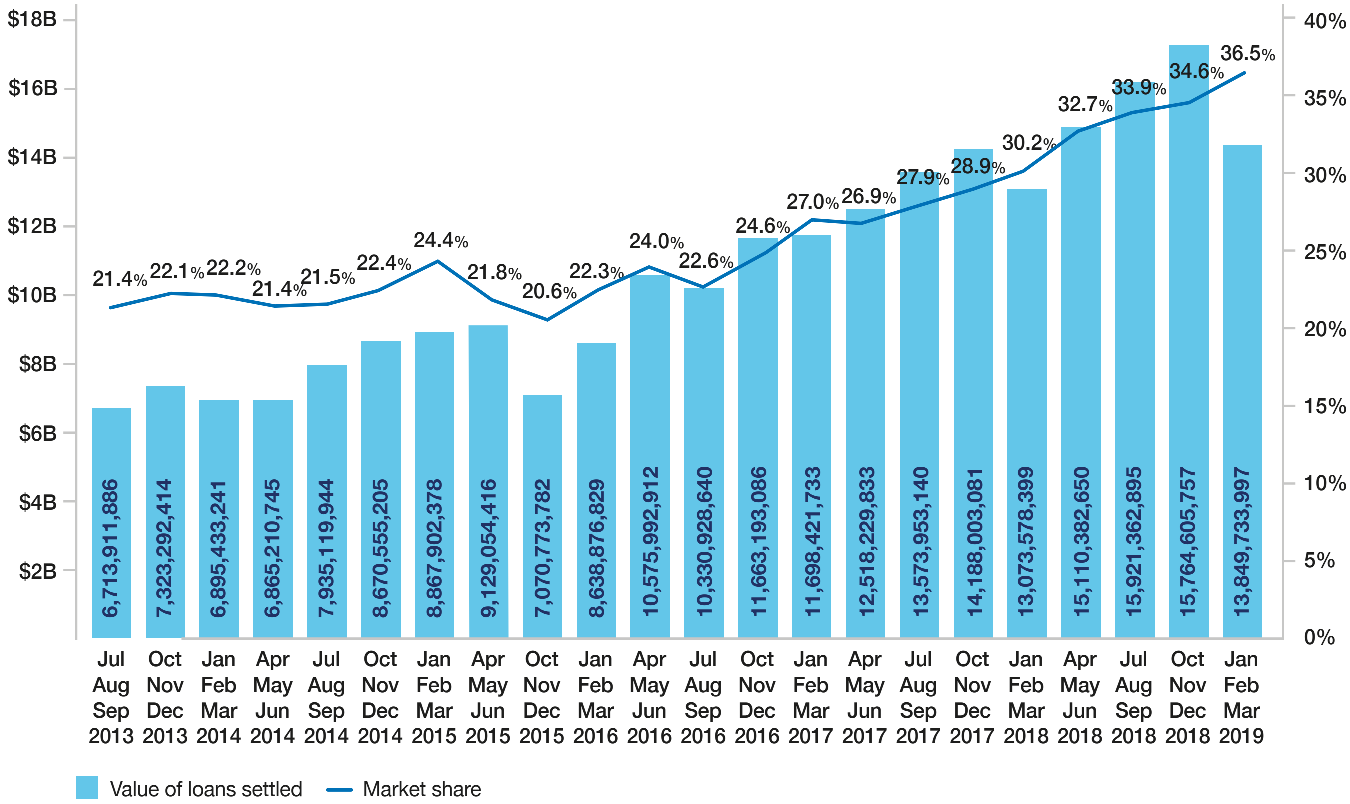
International banks have been a consistently strong performing segment with three consecutive six-month periods of double-digit value growth, and the only segment to achieve over 10% growth in the current period. The 'Any other type of lender' segment recorded a second consecutive period of growth, although this was at a more modest rate of 4.3%, down from 25.4% growth last period.

The major banks recorded a fall in settlements of 9.8%, the third straight period of decline, whilst the value settled through non-bank lenders fell by 11.7% following a 24% increase last period.

The remaining lender segments all recorded large declines with notable decreases in regional banks aligned to the major banks, white label lenders and the credit unions, building societies and mutuals segment.

*Another record high market share result for the combined channel.*

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



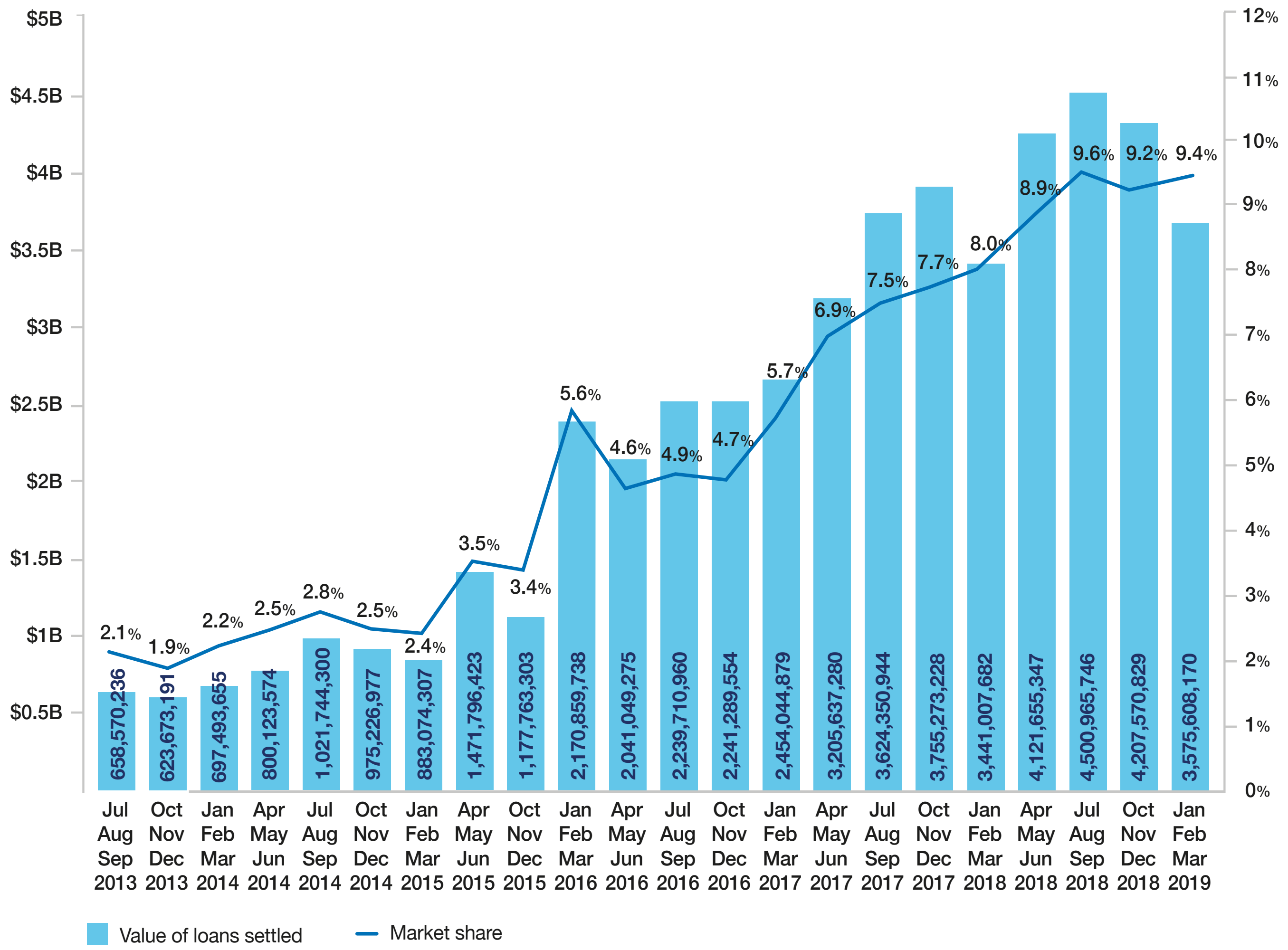

**Note:** No data was available for July-to-September 2015 Quarter. Due to decimal rounding, the sum of market share percentages presented in the ‘ Value ($) and market share of broker-originated business to lenders other than the Major Banks and their affiliates ‘ graph does not exactly add up to the 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, which includes 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 not in any way affiliated to the major banks – has recorded another record high market share.

The combined segment settled 36.5% of the broker channel’s business. This is up by 7.67% or 2.6 percentage points when compared to the end of the previous IIS Report period, July-to-September 2018. Year-on-year, the share has increased by 20.86% or by 6.3 percentage points.

Although at a record high market share, this combined segment wasn’t immune to the decline in value settled for the half-year period with the value down $2.07 billion or 13.01% for the last quarter compared to the July-to-September 2018 quarter (the last quarter of the April-to-September 2018 half).

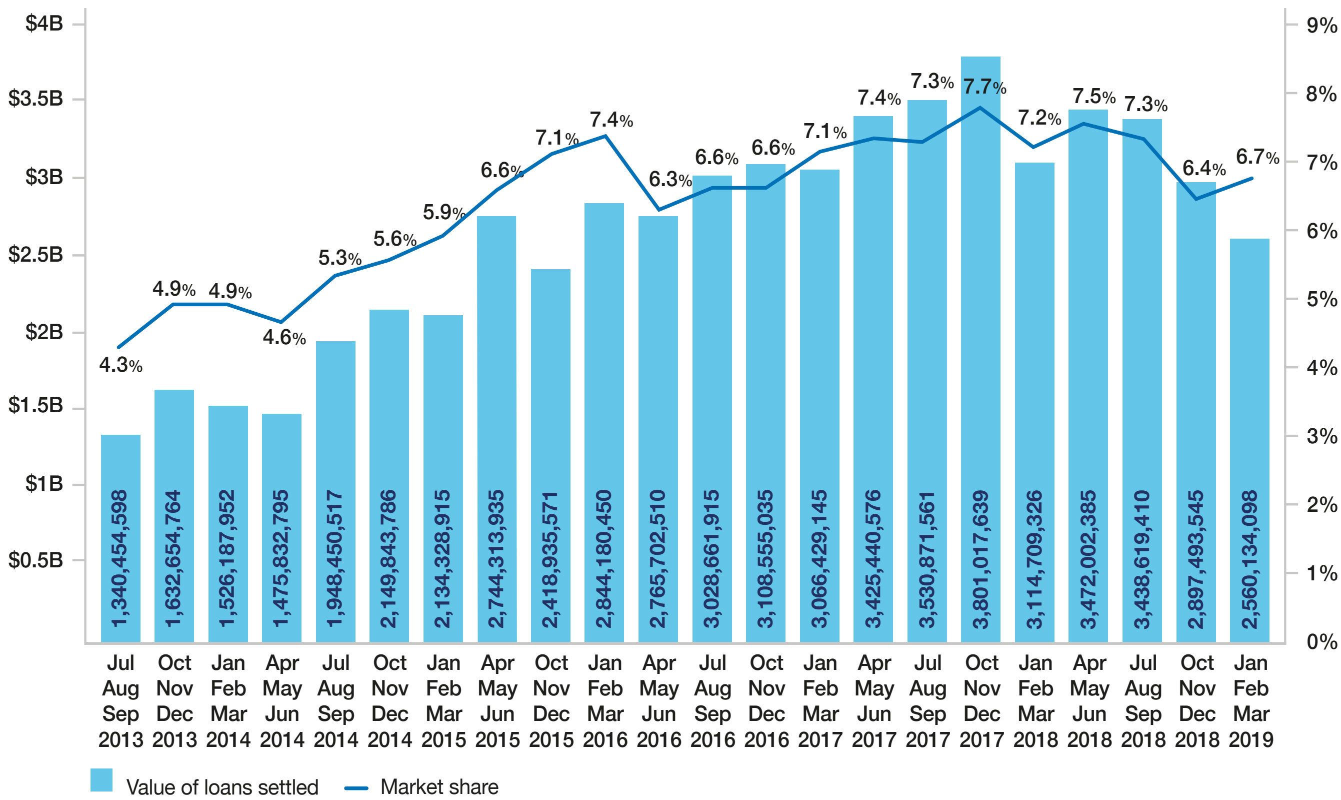
### Value ($) and market share of broker-originated business to Non-bank Lenders




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

The Non-bank Lender segment continues to attract a healthy share of the broker channel's business, with a share of 9.4% at the end of the quarter – just below the record market share of 9.6% experienced six months prior. These recent quarter results further solidify the segment's resilience and continued growth since early 2015, which has seen its market share double within two years, from 4.7% in October-to-December 2016.

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



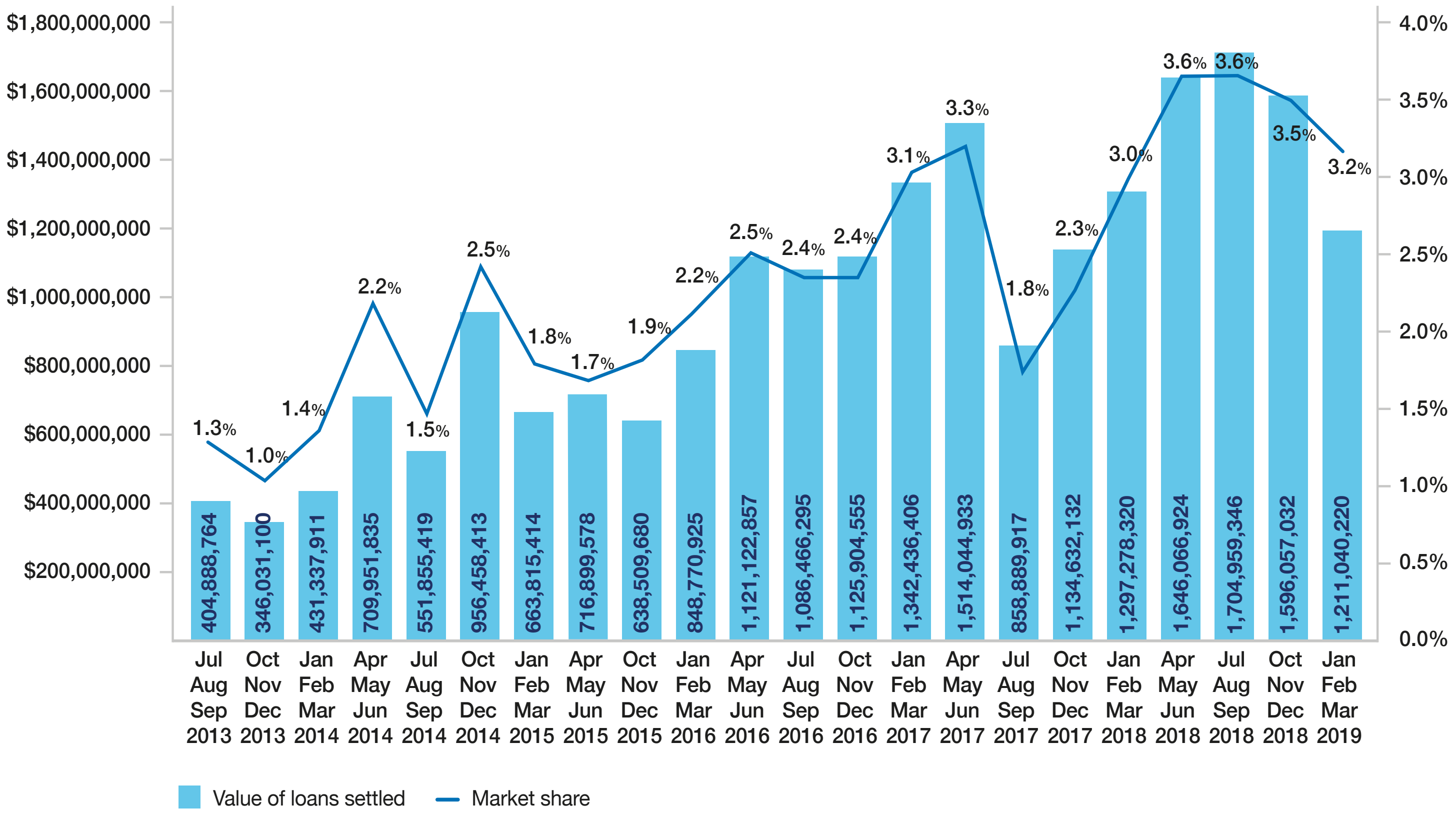

**Note:** No data was available for July-to-September 2015 quarter. The data embedded in this chart sums the white label lending for only those aggregators that have offered the product consistently over the past four years. As such, it reflects organic growth in the product category. As is commonly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

In the October-to-December 2018 quarter, the market share of broker-originated business directed to white label products fell to levels not seen since mid-2016, at 6.4%. The segment had since recovered slightly, to 6.7% this latest quarter – January-to-March 2019, though this is down 8.22% compared to the end of the IIS six-month period prior – July-to-September 2018.

To date, white label lending peaked in the October-to-December 2017 quarter at 7.7% market share and $3.8 billion, although, with recent volatility, it appears unclear whether the recovery will continue or how the segment will perform in the future.

*The Credit Unions, Building Societies and Mutuals segment recorded a second consecutive period of decline with value of settlements falling by 29% in the last six months.*

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




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

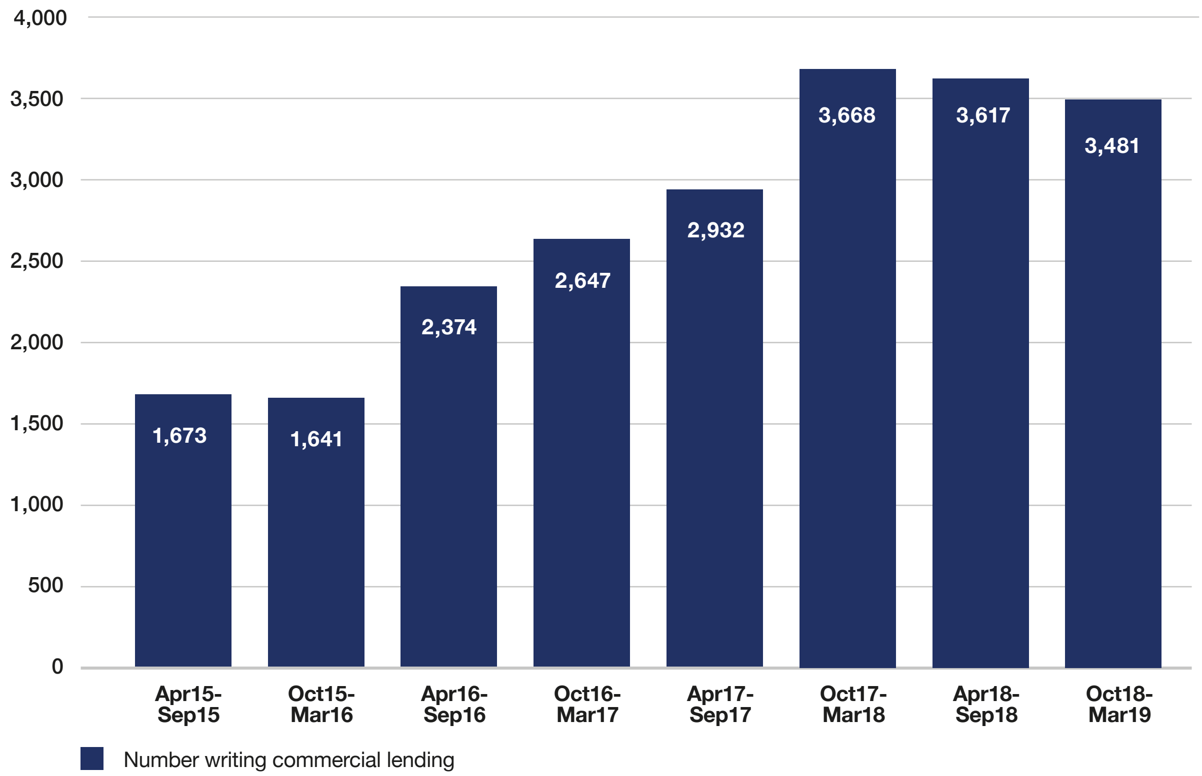
After a period of four consecutive quarters of growth from the low point of July-to-September 2017, and having reached the segment's highest market share and dollar value settled in July-to-September 2018, Credit Unions, Building Societies and Mutuals have seen a decline in both value and share over the last two quarters. The combined segment now receives around as much business as it did a year ago, during January-to-March 2018.

Since September 2018, value of settlements directed to the segment by the broker channel has fallen from an all-time high of $1.7 billion to $1.21 billion, down $493.92 million or 28.97%, whilst market share fell 11.11% or 0.4 percentage points from 3.6% to 3.2%.

As with the White Label Lender segment, the decline in value settled by the broker channel during the October 2018 to March 2019 period, combined with previous value and share fluctuations, has made it very difficult to predict the future performance of the Credit Union, Building Society and Mutual Lenders segment.

# Commercial Broking

### Number of mortgage brokers also writing commercial loans



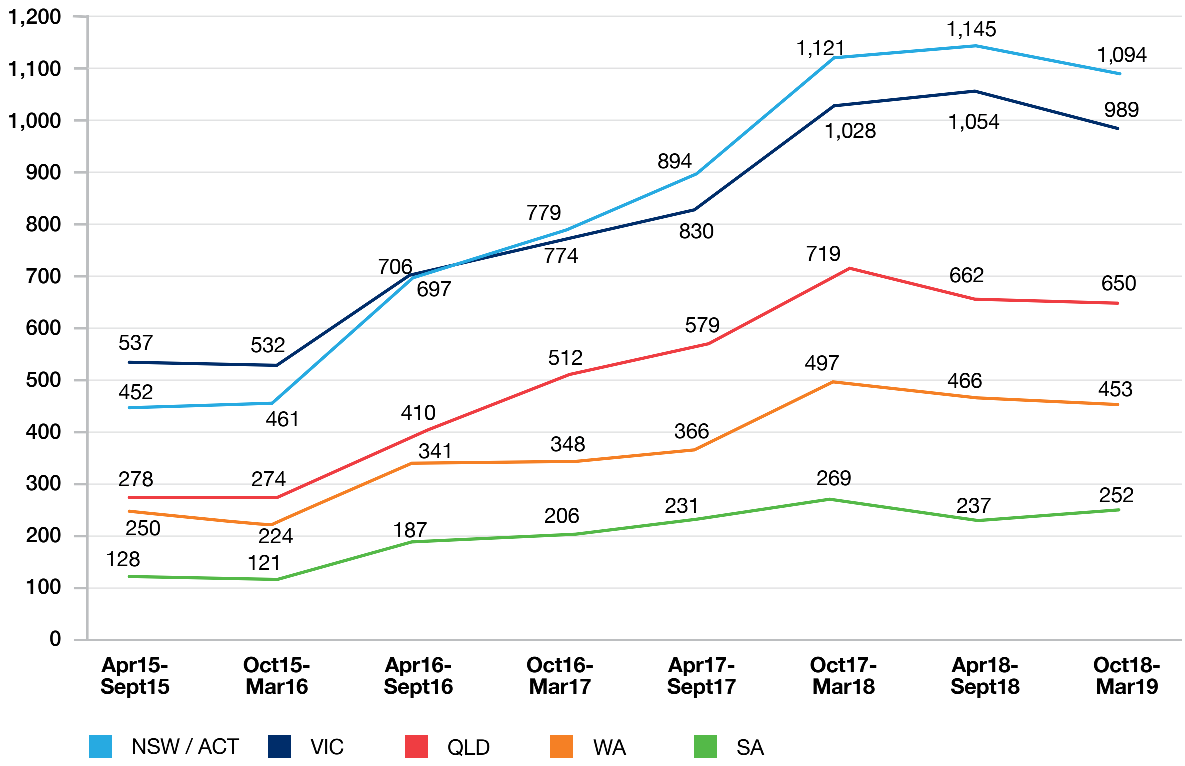

**Note:** Commercial brokers are those mortgage brokers who had written a commercial loan through their aggregator's panel for the period. Commercial loans originated by mortgage brokers direct with the lender are not included.

After reaching a record high participation level of 3,668 brokers a year ago in the October 2017 to March 2018 period, the number of mortgage brokers also writing commercial loans has fallen for the second consecutive six-month period to 3,481, a year-on-year fall of 187 brokers or 5.1%.

Most of this decline occurred compared to last period where 136 fewer mortgage brokers also wrote commercial loans – a decline of 3.76%.

These results are contrary to what one would have anticipated in the current environment where residential mortgage volumes are under pressure. One would have anticipated an increase in commercial diversification, not a decrease.

## Number of mortgage brokers writing commercial loans, by state




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

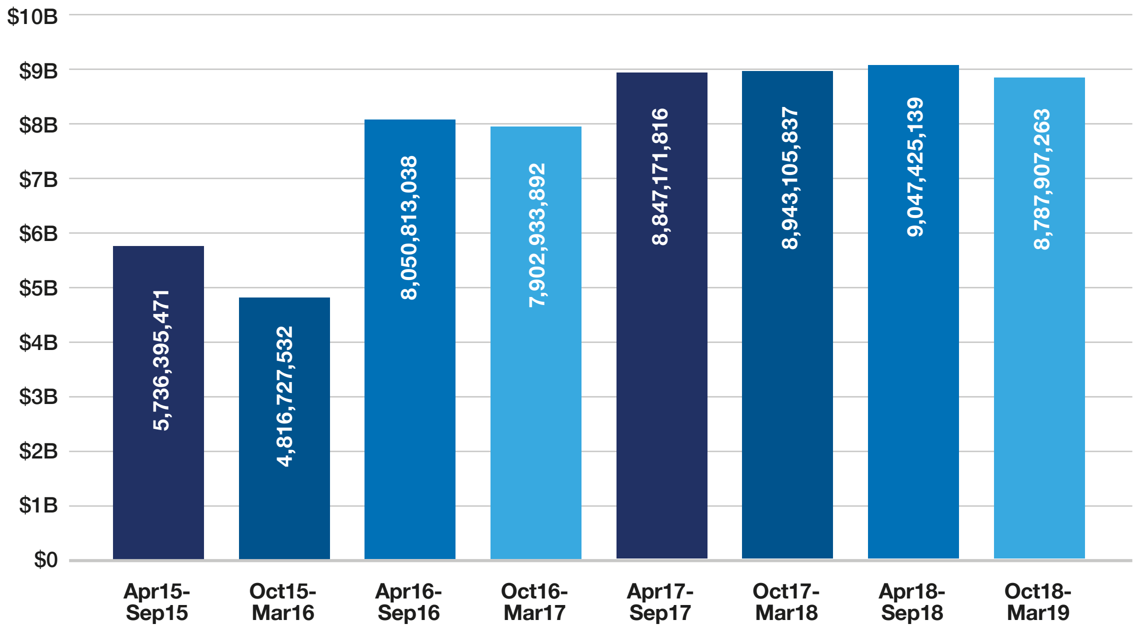
At the state level, the number of mortgage brokers also writing commercial loans during the October 2018 to March 2019 six-month period fell across all the major states except South Australia when compared to the previous period.

Period-on-period, the largest declines were in New South Wales and ACT (down by 51 brokers or 4.45%), and Victoria (by 65 brokers or 6.17%). This was also the first time both states experienced a decline in mortgage/commercial broker numbers.

Queensland and Western Australia saw reductions of only 12 and 13 brokers respectively.

South Australia, as the only state to record a period-on-period increase in residential/commercial broker numbers, gaining an additional 15 brokers, with the population growing by 6.33%.

### Value of commercial lending settled by mortgage brokers ($)

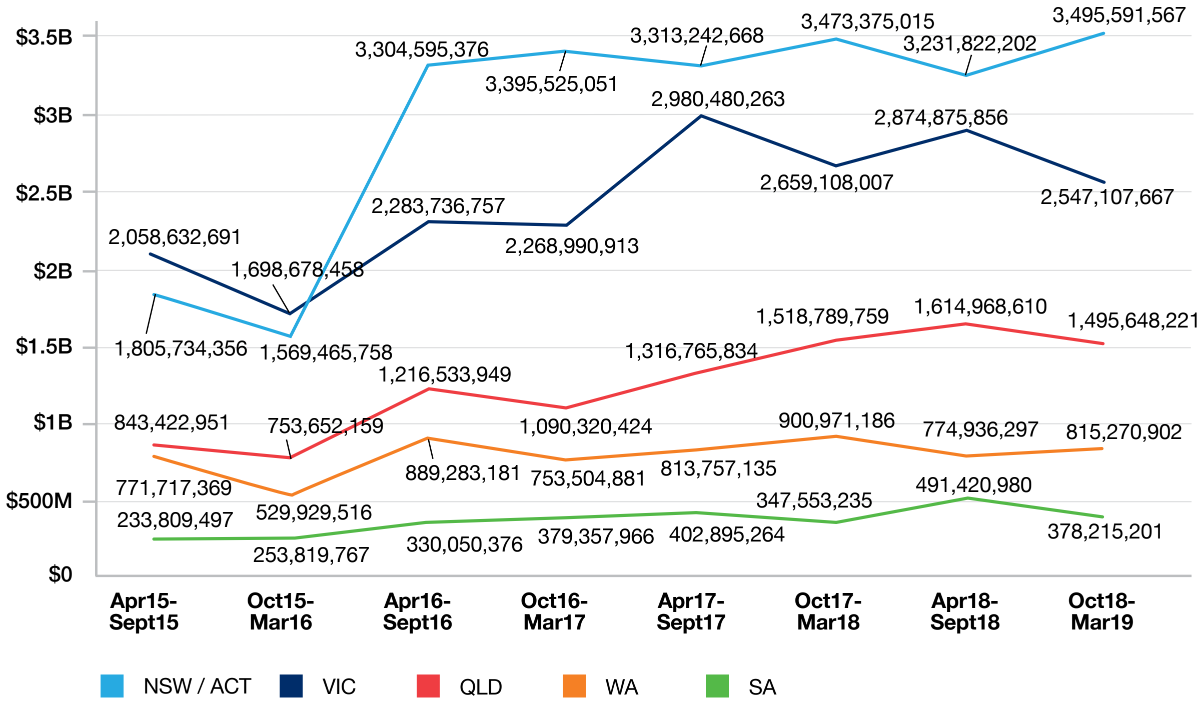



**Note:** Commercial brokers are those mortgage brokers who had written a commercial loan through their aggregator's panel for the period. Commercial loans originated by mortgage brokers direct with the lender are not included.

After reaching the highest settled value recorded, surpassing $9 billion for the first time during the previous six-month April-to-September 2018 reporting period, the value of commercial loans settled by mortgage brokers fell by $259.52 million or 2.87% to $8.79 billion this period. This was the lowest value observed since the April-to-September 2017 six-month period.

The value of commercial lending appears to have settled with the results from the last four six-monthly periods trending flat.

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




**Note:** Commercial brokers are 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..

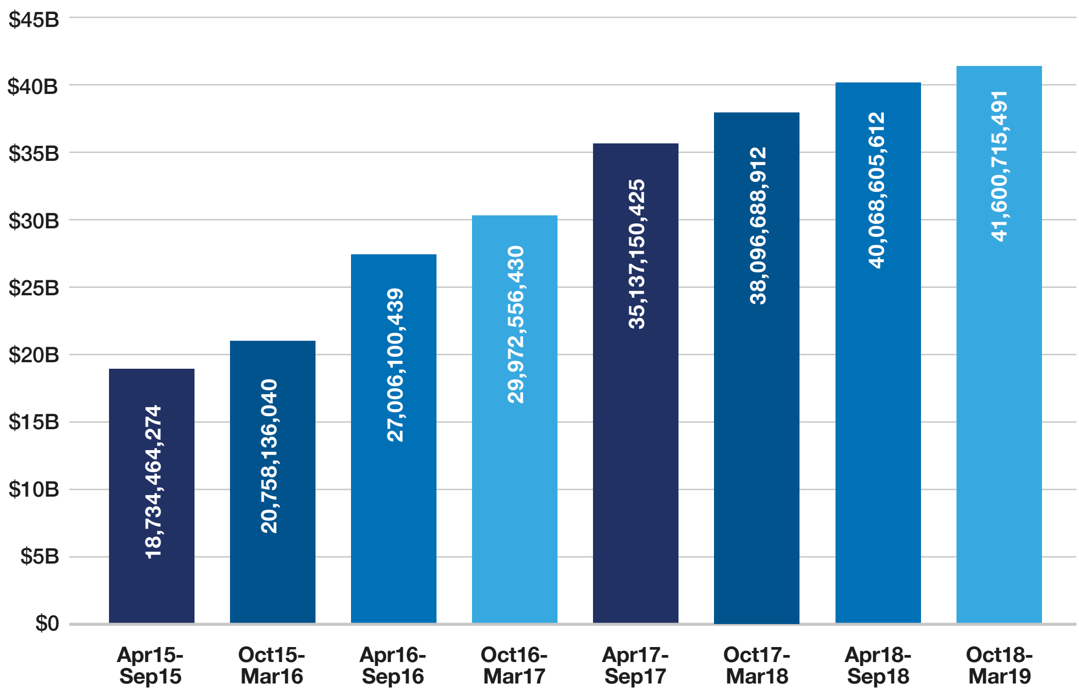
At the state level, despite a reduction in the number of commercial brokers, and an overall 2.87% decline in commercial settlements this period, New South Wales and ACT bounced back after a weaker previous period to reach the highest value of commercial settlements recorded at just under $3.5 billion – an increase of $263.77 million or 8.16% over the previous period.

Interestingly, as is the recent trend where the results of New South Wales and ACT and Victoria oppose each other, Victoria's current value of commercial lending settled had fallen period-on-period to $2.55 billion, down 11.4% or $327.77 million.

After three consecutive periods of growth, Queensland recorded a decline this period, down $119.32 million or 7.39% period-on-period.

Results from Western Australia and South Australia also indicate an emerging trend of volatility, much like that currently experienced by New South Wales and ACT and Victoria. All this volatility appears to have commenced since April-to-September 2017.

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

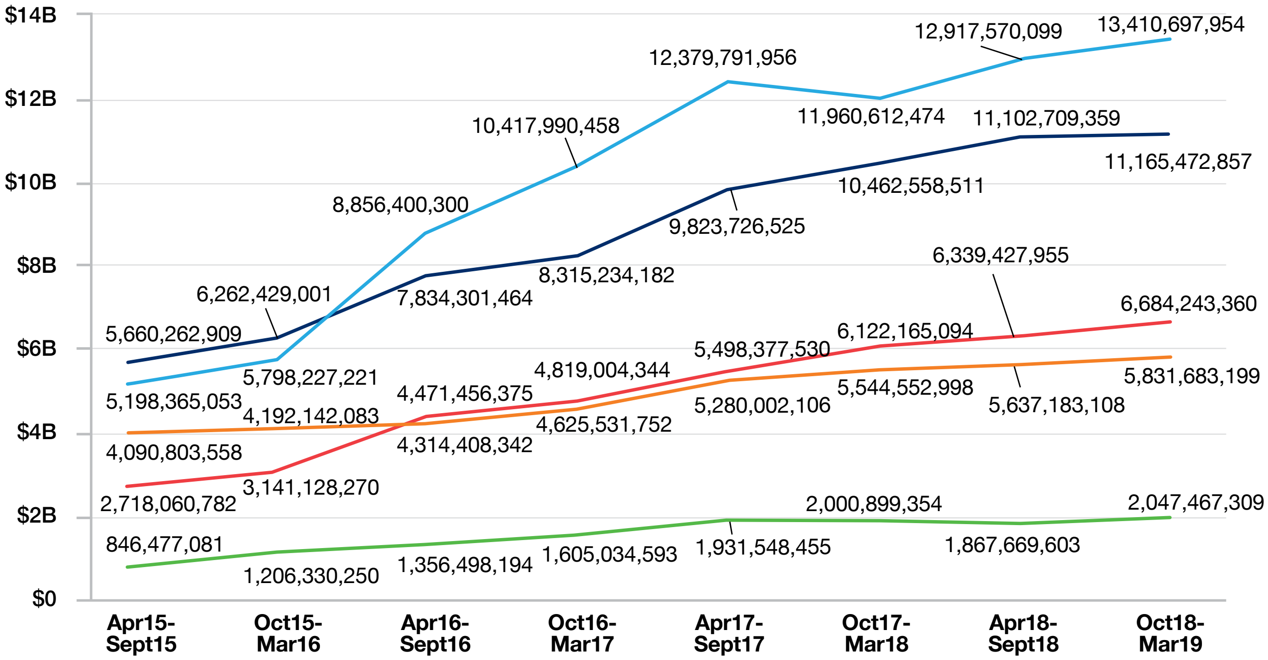



**Note:** Commercial brokers are those mortgage brokers who had written a commercial loan through their aggregator's panel for the period. Commercial loans originated by mortgage brokers direct with the lender are not included.

The total book value of commercial lending for mortgage brokers continues to grow, reaching a record value of $41.6 billion, up 3.82% period-on-period, although the rate of growth appears to be slowing.

Period-on-period, the commercial book value increased by $1.53 billion or 3.82%, whilst year-on-year the value had increased by $3.5 billion or 9.2%. Previous period-on-period growth rates include 10.8%, 30.1%, 10.98% and 17.23%, to put the most recent two growth rates of 5.18%, and 3.82% in context.

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




**Note:** Commercial brokers are those mortgage brokers who had written a commercial loan through their aggregator's panel for the period. Commercial loans originated by mortgage brokers direct with the lender are not included.

For the six months to the end of March 2019, the total commercial loan book increased across all states.

New South Wales and ACT's book value grew to a new high of $13.41 billion following a period of decline in October 2017 to March 2018, ensuring the state continues its overall growth trajectory. This was an increase of $493.13 million or 3.82% since the last period and an increase of $1.45 billion or 12.12% compared to the equivalent period the previous year.

Victoria's rate of growth shows signs of slowing, with a slight increase of $62.76 million or 0.57% over the last period to a current total book value of $11.17 billion – a record result. Comparatively, since October 2016 to March 2017, period-on-period, the state's loan book value grew by 18.14%, 6.5% and 6.12% respectively.

Queensland continues its solid and consistent growth, up $344.82 million or 5.44% to $6.68 billion over the previous period, and Western Australia had milder growth with an increase of 3.45% or $194.5 million to a current book value of $5.83 billion.

Although from a small base, South Australia recorded an increase of $179.8 million, up 9.63% to reach the state's highest ever commercial book value of $2.05 billion. Period-on-period, the state bounced back following a decline of $133.23 million or 6.66% experienced between the October 2017 to March 2018 and April-to-September 2018 periods.

# State-by-state analysis

### NSW and ACT

During the October 2018 to March 2019 period, New South Wales and ACT brokers settled $33.92 billion in home loans compared to $38.7 billion during the equivalent 2017-18 period, a decline of 12.35%.

This result, although down, contributed to a growth in the value of the state's overall home loan book, up by 6.03%, from $235.83 billion last year to $250.05 billion.

On an individual basis, the average New South Wales and ACT broker settled $5.57 million in home loans for the period per broker, down 12.49% year-on-year, from $6.37 million. Although down, this result contributed to the increase in value of the average loan book to $41.08 million per broker, from $38.81 million a year ago, up 5.86%.

The state's population of 6,087 brokers – up marginally compared to 6,077 a year ago, lodged on average 11.9 loans each. This equates to a total of 72,253 loans lodged for the state, for the period, down 13.87% compared to a year ago at 83,886.

Home to 36.1% of the national population of brokers, New South Wales and ACT brokers settled 38.7% of the national value of home loans settled, at $33.92 billion.

New South Wales and ACT brokers earned $72,443 gross up-front commission for the period compared to $82,787 the previous year; and $61,620 gross trail commission for the period compared to $58,209 last year – for a combined gross commission of $134,063 which was down by 4.9% year-on-year.

### VIC

During the October 2018 to March 2019 period, Victorian brokers settled $28.29 billion in home loans compared to $31.29 billion during the equivalent 2017-18 period, a decline of 9.58%.

This result, although down, contributed to a growth in the value of the state's overall home loan book, up by 13.02%, from $163.98 billion last year to $185.33 billion.

On an individual basis, the average Victorian broker settled $5.64 million in home loans for the period per broker, down 11.3% year-on-year, from $6.35 million. Although down, this result contributed to the increase in value of the average loan book of $36.92 million per broker, from $33.3 million a year ago – up by 10.88%.

The state's population of 5,020 brokers – up compared to 4,925 a year ago, lodged on average 14.8 loans each. This equates to a total of 74,489 loans lodged for the state, for the period, down 14.22% compared to a year ago at 86,836.

Home to 29.8% of the national population of brokers, Victorian brokers settled 32.3% of the national value of home loans settled, at $28.29 billion.

Victorian brokers earned $73,270 gross up-front commission for the period compared to $82,601 the previous year; and $49,944 gross trail commission for the period compared to $55,379 last year – for a combined gross commission of $128,649. In total, this was down by 2.94% year-on-year.

### QLD

During the October 2018 to March 2019 period, Queensland brokers settled $12.4 billion in home loans compared to $13.73 billion during the equivalent 2017-18 period, a decline of 9.67%.

This result, although down, contributed to a growth in the value of the state's overall home loan book, up by 7.79%, from $105.11 billion last year to $113.29 billion currently.

On an individual basis, the average Queensland broker settled $4.84 million in home loans for the period, down 8.54% year-on-year, from $5.29 million. Although down, this result contributed to the increase in value of the average loan book of $44.2 million per broker, from $40.5 million a year ago, up 9.14%.

The state's population of 2,563 brokers for the period – down compared to 2,595 a year ago, lodged on average 16.5 loans each. This equates to a total of 42,412 loans lodged for the state, for the period, down 10.5% compared to a year ago at 47,386.

Home to 15.2% of Australia's broker population, Queensland brokers settled 14.2% of the national value of home loans settled, at $12.4 billion.

Queensland brokers earned $62,907 gross up-front commission for the period compared to $68,780 the previous year; and $60,755 gross trail commission for the period compared to $66,306 last year – for a combined gross commission of $129,213. In total, this was down slightly, by 0.25% year-on-year.

**WA**

During the October 2018 to March 2019 period, Western Australian brokers settled $7.31 billion in home loans compared to $8.16 billion during the equivalent 2017-18 period, a decline of 10.43%.

This result, although down, contributed to a growth in value of the state's overall home loan book, up by 1.31%, from $89.25 billion last year to $90.42 billion currently.

On an individual basis, the average Western Australian broker settled $3.72 million in home loans for the period per broker, down 10.43% year-on-year, from $4.16 million. Although down, this result contributed to the increase in value of the average loan book of $46.04 million per broker, from $45.44 million a year ago, up 1.31%.

The state's population of 1,964 brokers remains unchanged from a year ago, and each broker lodged, on average, 12.4 loans. This equates to a total of 24,426 loans lodged for the state, for the period, down 10.31% compared to a year ago at 27,234.

Home to 11.7% of the national population of brokers, Western Australian brokers settled 8.4% of the national value of home loans settled, at $7.31 billion.

Western Australian brokers earned $48,394 gross up-front commission for the period compared to $54,030 the previous year; and $69,060 gross trail commission for the period compared to $68,165 last year, for a combined gross commission of $117,454. In total, this was down by 3.88% year-on-year.

**SA**

During the October 2018 to March 2019 period, South Australian brokers settled $4.73 billion in home loans compared to $4.88 billion during the equivalent 2017-18 period, a decline of 3.09%.

This result, although down, contributed to a growth in value of the state's overall home loan book, up by 5.46%, from $39.39 billion last year to $41.54 billion.

On an individual basis, the average South Australian broker settled $4.61 million in home loans for the period per broker, down 3.18% year-on-year, from $4.76 million. Although down, this result contributed to the increase in value of the average loan book of $40.48 million per broker, from $38.43 million a year ago, up 5.35%.

The state's population of 1,026 brokers is flat compared to 1,025 a year ago. Each broker lodged, on average, 19.8 loans which equates to a total of 20,328 loans lodged for the state, for the period – down 5.49% compared to a year ago at 21,508.

Home to 6.1% of Australia's broker population, South Australian brokers settled 5.4% of the national value of home loans settled, at $4.73 billion.

South Australian brokers earned $59,933 gross up-front commission for the period compared to $61,904 the previous year; and $60,725 gross trail commission for the period compared to $57,639 last year, for a combined gross commission of $120,657. In total, this was up slightly, year-on-year by 0.93%.

## TAS

During the October 2018 to March 2019 period, Tasmanian brokers settled $693.41 million in home loans compared to $640.06 million during the equivalent 2017-18 period – a healthy increase of 8.33%.

This result contributed to a growth in value of the state's overall home loan book, up by 3.85%, from $3.67 billion last year to $3.81 billion currently.

On an individual basis, the average Tasmanian broker settled $5.29 million in home loans for the period per broker, up 5.03% year-on-year, from $5.04 million. This result contributed to the increase in value of the average loan book of $29.1 million per broker, from $28.9 million a year ago, up 0.68%.

The state's population of 131 brokers – up marginally compared to 127 a year ago, lodged on average 18.5 loans each. This equates to a total of 2,425 loans lodged for the state, for the period, up 8.99% compared to a year ago at 2,225.

Home to 0.8% of the national population of brokers, Tasmanian brokers settled 0.8% of the national value of home loans settled, at $693.41 million.

Tasmanian brokers earned $68,811 gross up-front commission for the period compared to $65,518 the previous year; and $43,650 gross trail commission for the period compared to $43,354 last year – for a combined gross commission of $112,461. In total, this was up by 3.3% year-on-year.

## NT

During the October 2018 to March 2019 period, Northern Territory brokers settled $204.69 million in home loans compared to $222.35 million during the equivalent 2017-18 period, a decline of 7.94%.

This result contributed to a decline in value of the state's overall home loan book, down by 11.57%, from $2.8 billion last year to $2.48 billion.

On an individual basis, the average Northern Territory broker settled $3.53 million in home loans for the period, up a substantial 17.45% year-on-year, from $3 million. This result contributed to the increase in value of the average loan book of $42.73 million per broker, from $37.87 million a year ago, up a healthy 12.82%.

The territory's population of 58 brokers for the period – down compared to 74 a year ago, lodged on average 10.8 loans each. This equates to a total of 648 loans lodged for the state, for the period, down 24.21% compared to a year ago at 855.

Home to just 0.3% of the national population of brokers, Northern Territory brokers settled 0.2% of the national value of home loans settled, at $204.69 million.

Northern Territory brokers earned $45,878 gross up-front commission for the period compared to $39,061 the previous year; and $64,088 gross trail commission for the period compared to $56,806 last year, for a combined gross commission of $109,966. In total, this was up by a healthy 14.71% year-on-year.

# 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

MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA

# MFAA
# INDUSTRY INTELLIGENCE SERVICE

**8TH EDITION**

## Benchmark your business

For the six month period
1 October 2018 – 31 March 2019

# 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 | $5.2 million | $5.6 million | | |
| Average number of new home loan applications lodged per active broker in each state and in total during the 6 month period | 16 loans | 13 loans | | |
| Average value of the home loan book per broker in each state and in total, at the end of the period | $40.8 million | $41.1 million | | |
| Average gross up-front remuneration generated per broker, prior to costs per annum | $67,554 | $72,443 | | |
| Average gross trail remuneration generated per broker, prior to costs per annum | $61,155 | $61,620 | | |
| Average gross remuneration generated per mortgage broker, prior to costs per annum | $128,709 | $134,063 | | |

## 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 | $5.2 million | $5.6 million | | |
| Average number of new home loan applications lodged per active broker in each state and in total during the 6 month period | 16 loans | 16 loans | | |
| Average value of the home loan book per broker in each state and in total, at the end of the period | $40.8 million | $36.9 million | | |
| Average gross up-front remuneration generated per broker, prior to costs per annum | $67,554 | $73,270 | | |
| Average gross trail remuneration generated per broker, prior to costs per annum | $61,155 | $55,379 | | |
| Average gross remuneration generated per mortgage broker, prior to costs per annum | $128,709 | $128,649 | | |

## 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 | $5.2 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 | 16 loans | 17 loans | | |
| Average value of the home loan book per broker in each state and in total, at the end of the period | $40.8 million | $44.2 million | | |
| Average gross up-front remuneration generated per broker, prior to costs per annum | $67,554 | $62,907 | | |
| Average gross trail remuneration generated per broker, prior to costs per annum | $61,155 | $66,306 | | |
| Average gross remuneration generated per mortgage broker, prior to costs per annum | $128,709 | $129,213 | | |

## 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 | $5.2 million | $3.7 million | | |
| Average number of new home loan applications lodged per active broker in each state and in total during the 6 month period | 16 loans | 13 loans | | |
| Average value of the home loan book per broker in each state and in total, at the end of the period | $40.8 million | $46 million | | |
| Average gross up-front remuneration generated per broker, prior to costs per annum | $67,554 | $48,394 | | |
| Average gross trail remuneration generated per broker, prior to costs per annum | $61,155 | $69,060 | | |
| Average gross remuneration generated per mortgage broker, prior to costs per annum | $128,709 | $117,454 | | |

## 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 | $5.2 million | $4.6 million | | |
| Average number of new home loan applications lodged per active broker in each state and in total during the 6 month period | 16 loans | 20 loans | | |
| Average value of the home loan book per broker in each state and in total, at the end of the period | $40.8 million | $40.5 million | | |
| Average gross up-front remuneration generated per broker, prior to costs per annum | $67,554 | $59,933 | | |
| Average gross trail remuneration generated per broker, prior to costs per annum | $61,155 | $60,725 | | |
| Average gross remuneration generated per mortgage broker, prior to costs per annum | $128,709 | $120,657 | | |

## 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 | $5.2 million | $5.3 million | | |
| Average number of new home loan applications lodged per active broker in each state and in total during the 6 month period | 16 loans | 19 loans | | |
| Average value of the home loan book per broker in each state and in total, at the end of the period | $40.8 million | $29.1 million | | |
| Average gross up-front remuneration generated per broker, prior to costs per annum | $67,554 | $68,811 | | |
| Average gross trail remuneration generated per broker, prior to costs per annum | $61,155 | $43,650 | | |
| Average gross remuneration generated per mortgage broker, prior to costs per annum | $128,709 | $112,461 | | |

## 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 | $5.2 million | $3.5 million | | |
| Average number of new home loan applications lodged per active broker in each state and in total during the 6 month period | 16 loans | 12 loans | | |
| Average value of the home loan book per broker in each state and in total, at the end of the period | $40.8 million | $42.7 million | | |
| Average gross up-front remuneration generated per broker, prior to costs per annum | $67,554 | $45,878 | | |
| Average gross trail remuneration generated per broker, prior to costs per annum | $61,155 | $64,088 | | |
| Average gross remuneration generated per mortgage broker, prior to costs per annum | $128,709 | $109,966 | | |

## My key actions

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