MFAA
MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA

MFAA
INDUSTRY INTELLIGENCE SERVICE

9th Edition

For the six month period
1 April 2019 – 30 September 2019

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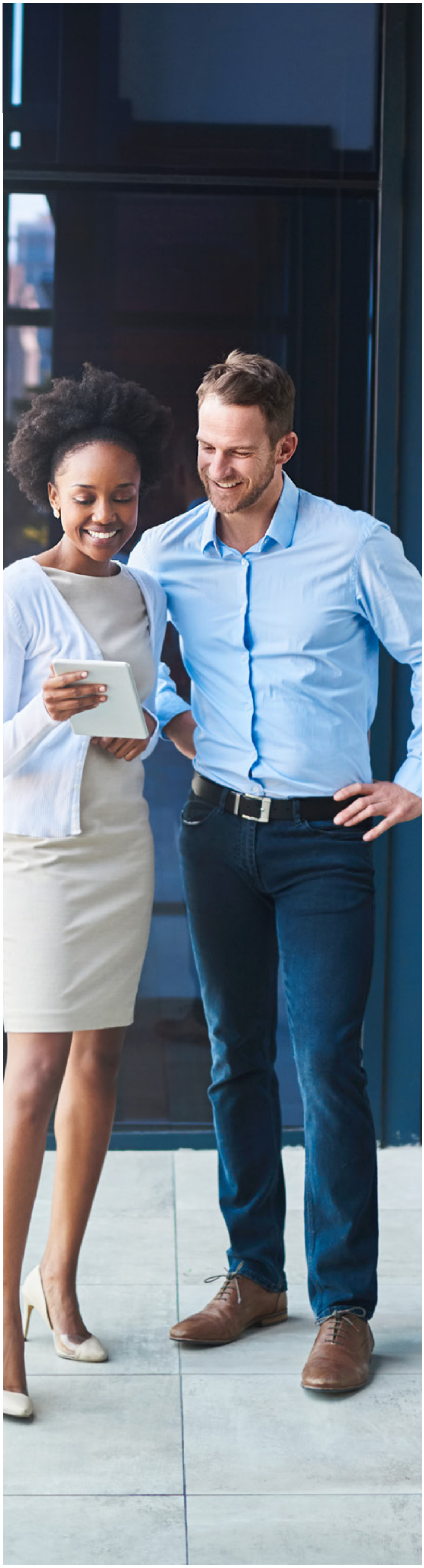

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CEO's Report

It is with pleasure that we present the ninth edition of the MFAA's Industry Intelligence Service (IIS) Report. This report covers the six-month period of April 2019 through September 2019.

This IIS Report covered a period of significant change within the lending landscape and the housing market more broadly. The April to September 2019 period began still clearly feeling the effects of severe credit tightening, and the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. However, as a result of easing lending conditions and record low interest rates, the second half of the period showed a definite improvement in buyer sentiment and market conditions, indicating the beginnings of a market recovery.

During the July to September 2019 quarter mortgage brokers continued to facilitate more than half of all new residential mortgages at 54.9%. While this figure represented a decline of 4.2 percentage points year-on-year, it partly reflected a correction in broker market share from the 2018 September quarter, when unusually tight credit corresponded with a higher-than-normal increase in broker market share.

The share of broker-originated lending settled by the major banks dropped to a record low figure of 42.8% during the September 2019 quarter and the segment of lenders other than the major banks and their affiliates recorded a record-high market share of 38.5%. 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.

Having reached a peak of 17,040 brokers in the September 2018 period, the broker population has contracted for the second consecutive period to 16,598 brokers. This reduction coincides with a period of increased industry scrutiny, which has resulted in an apparent trimming down of inactive and less productive brokers.

The national broker residential loan book grew by a further 5.9% compared to the same period a year ago. Australia's total loan book value now sits at a new record of $705.39 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 year on year to $131,402 – driven by reductions in up-front payments.

Overall, compared to previous periods, it has been a challenging time for the mortgage broking industry which has seen another decline in average up-front commissions per mortgage broker of $8,050, partially due to lower overall mortgage lending activity. But with the housing market in a recovery phase and industry reforms likely to increase market share, our industry is in a strong position to capitalise on future periods of growth.

Regards,

Mike Felton
MFAA CEO

Executive summary

This latest Industry Intelligence Service (IIS) Report, 9th edn., provides broker and industry performance and demographic data for the six-month period of April 2019 to September 2019, as well as data from recent quarterly periods.

This report draws on data supplied by 13 of the industry's leading aggregators.

During this period, the broker channel again facilitated more than half of all new residential mortgages at 54.9% during the September quarter, further cementing the broker channel as the channel of choice for consumers. However, year-on-year, this share declined from 59.1%.

The broker channel settled $86.37 billion in residential home loans for the six-month period, the lowest six-month value recorded since the MFAA commenced reporting in 2015, down 11.8% year-on-year.

The aggregate value of brokers' home loan books grew again, by 5.9% year-on-year, to $705.39 billion. At a state level, all states grew their total loan books led by the Northern Territory which grew 14.3% year-on-year, albeit from a lower base, while Victoria grew 8.9%.

Whilst year-on-year, the average value of new home loans settled per broker represents a decline of $543,039 or 9.45%, the last six-month period has seen a positive increase for the first time period-on-period, a mild uplift of $7,699. For the first time in three years the number of loan applications lodged increased period-on-period by 14,537 or 5.58% from the October 2018 to March 2019 period. Year-on-year, applications declined by 3.42% overall. Also, year-on-year, at an individual mortgage broker level, the average number of applications lodged per broker (including inactive brokers) grew from 16.7 to 17.1.

The conversion rate of applications to settlement declined by 4.4 percentage points year-on-year, while falling 4.6 percentage points period-on-period. This marked the first period-on-period decline in three years.

Year-on-year, the number of brokers decreased by 442 from the record high of 17,040 mortgage brokers, while period-on-period there was a reduction of 253 brokers. When comparing population changes to settled value changes, year-on-year broker numbers at a national level decreased by 2.6%, whilst overall new loan settlements contracted by a significantly higher proportion at 11.8%.

The disproportionate fall between broker numbers and settled value has contributed to a year-on-year reduction in the calculated average total broker remuneration, of 1.5% year-on-year. However, strong trail commission figures have resulted in a period-on-period increase of 2.1%.

Mortgage brokers again continued to play a significant role in changing the lender landscape 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, up 13.57% year-on-year. At the same time the major banks recorded their lowest level of market share since the survey commenced in 2013 falling to 42.8%, down from a high of 59.8%. Contrasting with the major banks share was the 'Other type of lender' segment, notably Macquarie, which has seen the biggest gain to record its highest market share of 12.7% in July to September 2019, an increase of 51.2% in one quarter alone.

Following two consecutive periods of decline, the number of mortgage brokers also writing commercial loans has increased in the April to September 2019 period to a new high of 3,670 brokers. The value of settled commercial lending also rebounded to reach its second highest value at just under $9 billion in the April to September 2019 reporting period.

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

LoanKit MORTGAGE TOOLS AND SERVICES

Loan Market

Mortgage Choice

nMB National Mortgage Brokers

PLAN AUSTRALIA

smartline personal mortgage advisers

vow FINANCIAL

Industry snapshot

Industry Intelligence Service (IIS) Report – 9th edition, April 2019 – September 2019

Population of mortgage brokers

16,598

down from

16,851

Oct18–Mar19

Total value of loans settled

Total Loans

$86.4B

11.8% ▼

Compared to the April-to-September 2018 period

Average value of home loans settled per broker

$5.2 Million

Oct18–Mar19

$5.2 Million

Apr–Sep19

Share of lenders other than the Majors and their affiliates

33.9%

Jul–Sep18

$

▲

38.5%

Jul–Sep19

Proportion of mortgage brokers also writing commercial loans

20.7%

Oct18–Mar19

▲ **5.4%**

22.1%

Apr19–Sep19

Ratio of mortgage brokers

1 **to** **1,528**

Brokers per head of the Australian population

Compared to 1 broker per 1,494 Australians in Oct18–Mar19

Average gross annual earnings

Apr 2019 – Sept 2019 **$131,402**

Oct 2018 – Mar 2019 **$128,709**

▲ **Up 2.09%**

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

Average number of home loan applications lodged per broker

Including inactive brokers

15

Oct18–Mar19

17

Apr-Sep19

Total number of home loans lodged

284,830 April-to-September 2018. Down from 300,828 October 2017 to March 2018

284,830

Apr–Sep18

3.4% ▼

275,081 ▼

Apr–Sep19

Average value of the home loan portfolio per broker

$40.8 Million

Oct18–Mar19

0.8% ▼

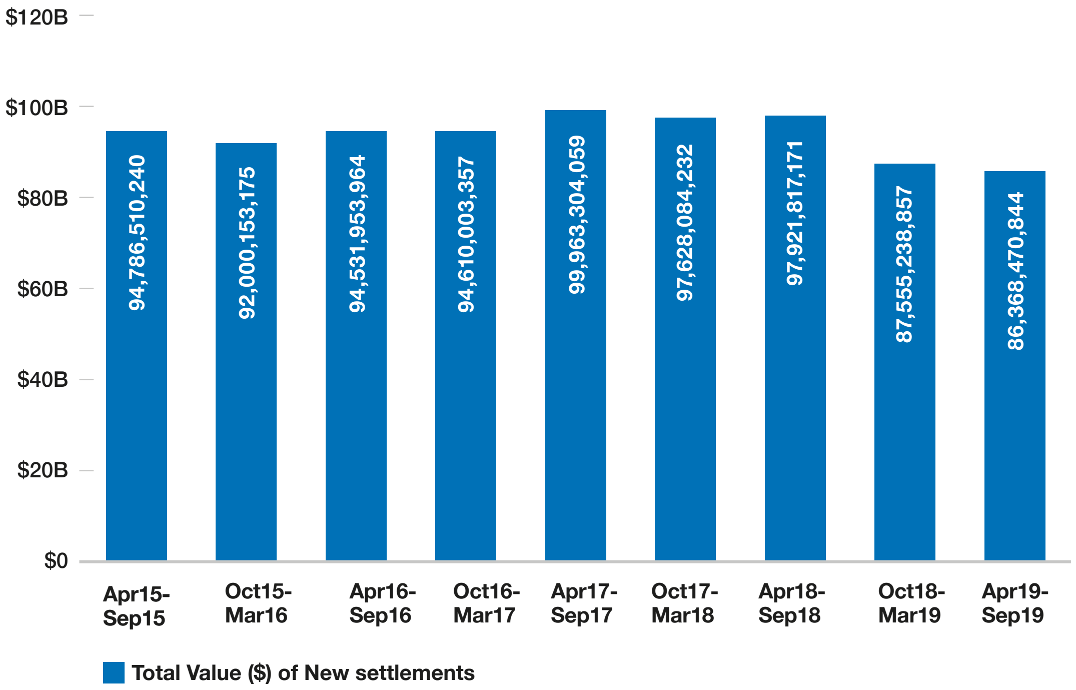
$40.4 Million

Apr19 –Sep19

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

The last twelve-month period has seen an 11.8% decline in home loan settlements for the mortgage broking sector.

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



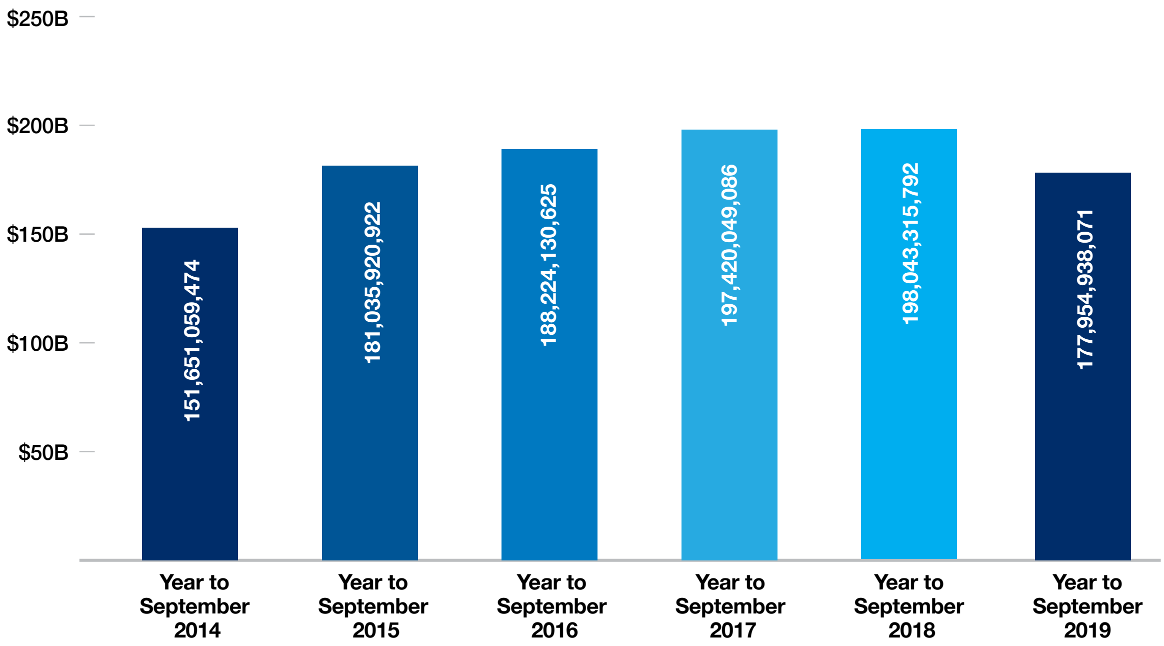
Note: There is data from one less aggregator in the four most recent six-month periods from October 2017 to October 2019 period compared to previous periods. It is estimated that this impact is only marginal though, and not material.

Mortgage brokers settled $86.37 billion in residential home loans for the six-month period from April – September 2019. This represents a decline of $11.5 billion or 11.8% in new loan settlements compared to the same period last year, and is the lowest six-month value recorded since the report has been issued.

Historically, the value of home loan settlements between the April – September period tends to be higher than the October - March period. However, the last six-months has seen a larger decline than has been observed previously.

The effects of the downturn in the housing market during this period combined with more aggressive competition from the proprietary channel were likely key contributing factors in the decline of broker originated new lending observed over the six months covered in this report.

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



Source: MFAA Quarterly Survey

Note: IIS 8th edn. compares the value of home loans settled by brokers for the year-ending periods up to March; whereas this 9th edn compares year-ending periods up to September.

In the twelve months to September 2019, brokers settled just under $178 billion in home loans – a reduction of $20.1 billion or a 10.1% decrease, the largest decline observed year-on-year to levels last seen four years ago in September 2015.

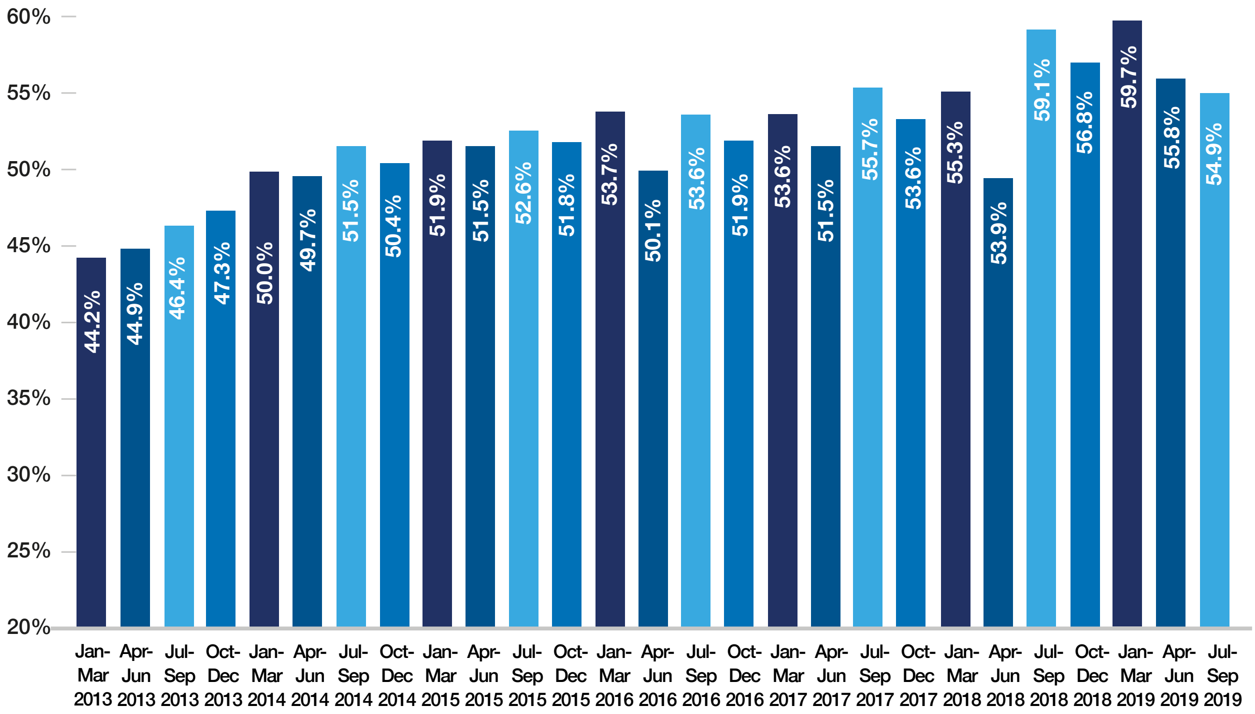
After continuous year-on-year growth for the previous four years, from September 2014 to September 2018, September 2019 has seen the first yearly decline in settlements observed in the broker industry since the report has been tracking this measure. This decline is largely attributed to the decline in the property market that was experienced for much of this twelve month period.

MFAA's Quarterly Survey of brokers and aggregators

The September 2019 quarter saw brokers' market share of all new residential home loan settlements fall to its lowest share in three years at 54.9%.

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

MFAA Quarterly Survey of leading mortgage brokers and aggregators
Market share of new residential home loans originated by all mortgage brokers and aggregators
as % of ABS Housing Finance Commitments



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

The September 2019 quarter saw brokers' market share of all new residential home loan settlements fall to its lowest September quarter share in three years at 54.9%.

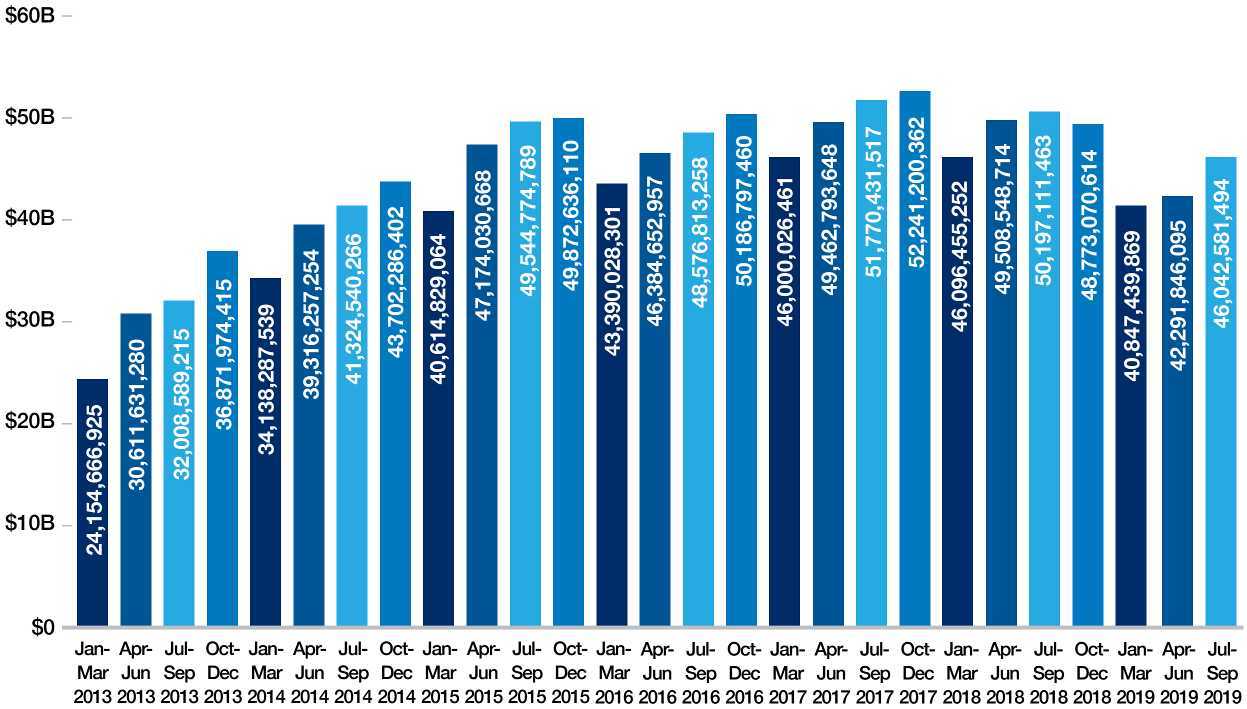
Quarter-on-quarter broker market share has decreased by 0.9 per cent.

Year-on-year, comparing to the previous September 2018 quarter, broker market share fell by 4.2 percentage points, the largest year-on-year decline observed. There was a milder decline of 0.8 percentage points when compared to the September 2017 quarter.

This was the first decline observed in market share for broker originated lending in the penultimate quarter of the calendar year, reflecting a correction in broker market share from the 2018 September quarter, when unusually tight credit corresponded with a higher-than-normal increase in broker market share.

Since the December quarter in 2012 when the MFAA's Quarterly Survey of Brokers and Aggregators began measuring market share, the percentage of all home loans settled by mortgage brokers has increased from 44%, to 54.9%, growth of 24.8%.

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



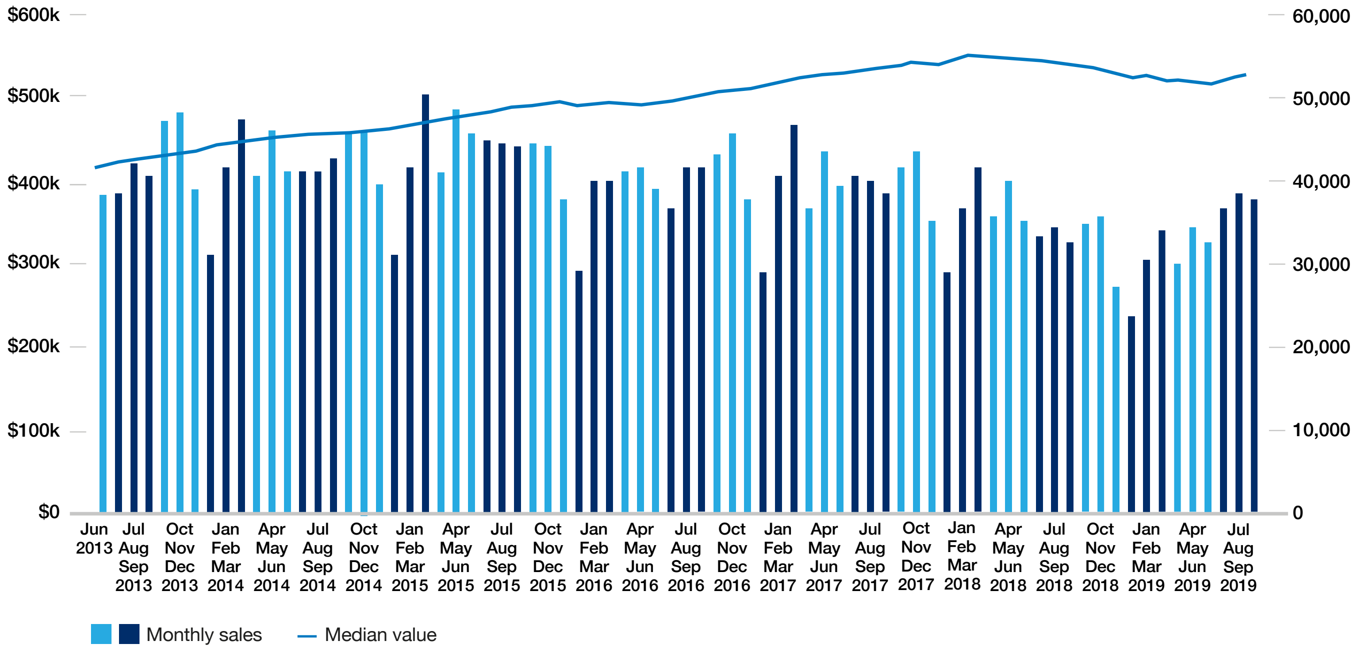
Note: The Quarterly Survey draws on data from 14 aggregators, whilst the IIS draws on data from 13 aggregators.

Comparing year-on-year, the $46 billion in settlements recorded in the September 2019 quarter represents a decline of $4.2bn or 8.3% to the $50.2 billion in September 2018, the largest decline between September quarters.

Historically, the September quarters in previous years have experienced more modest increases when compared quarter-on-quarter with preceding June quarters. However, 2019 has seen the highest quarter-on-quarter increase in $ value ($3.75bn or 8.9%) for a September quarter. Whilst 2019 so far has seen a clear downturn with weaker settlements in each quarter when compared to previous years, the September 2019 quarter's uplift is an early sign of a recovery and optimism as we approach the last quarter of 2019.

Comparator insights: The above charts indicate that the value of new home loan settlements by Brokers in 2019 have grown and increased quarter-on-quarter to September 2019 quarter, whilst market share for the broker industry has declined in comparison quarter-on-quarter. This inverse relationship suggests that lender's proprietary/direct channels have settled more in the value of new home loans than the broker channel, in comparison and have taken a larger proportion of the home loan pie. This differs to the trend that was observed in the last IIS report. With credit policy and lending criteria less stringent and interest rates at an all-time low, access to lending has been made easier to aid stimulus to catalyse a recovery in the housing market.

Residential Property: Median Values and Total Sales – National

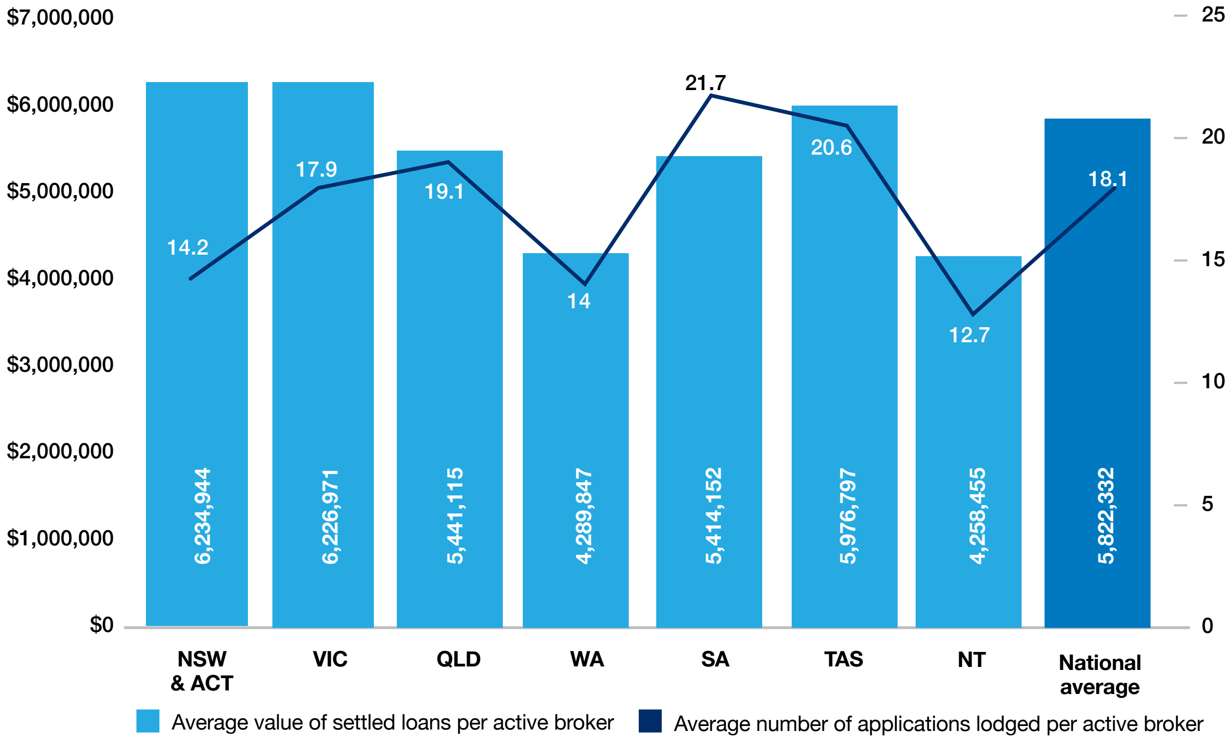


Comparator insights: After declining since June 2018 – June 2019, national median dwelling values have shown signs of a recovery with a gradual increase over the last three months to September 2019.

Historically, sales volumes have tended to decline or moderate between June and August, however unlike previous years, volumes have strengthened and increased in 2019, showing signs that the market is picking up and highlighting a recovery in the home lending industry.

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

From 1 April 2019 to 30 September 2019



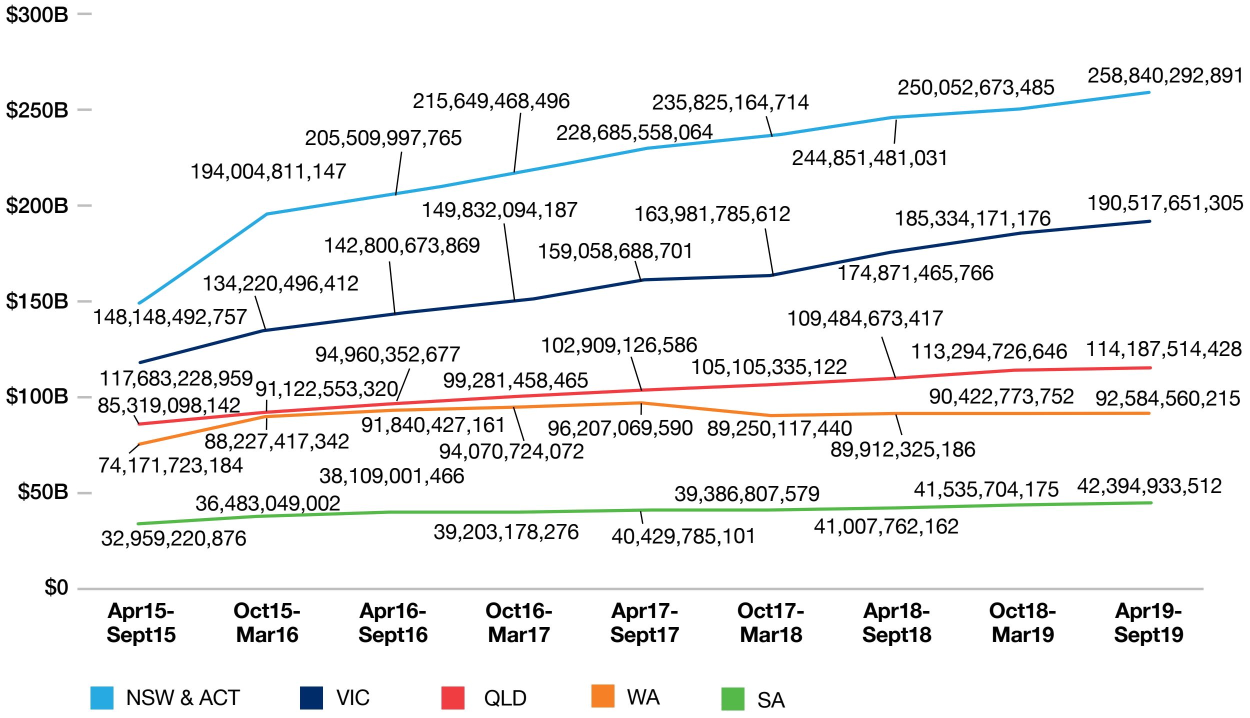
Nationally, the results show the number of applications lodged per broker remained consistent with last year at 18, whilst the value of settled loans reduced from $6.66 million down to $5.82 million, year-on-year.

At the state and territory level year-on-year all states, except for Victoria which fell slightly from 18 to 17.9, either remained steady or recorded a modest increase in the number of applications lodged per active broker, with New South Wales and ACT increasing modestly from 14 to 14.2, Western Australia from 12 to 14, Queensland from 18 to 19.1, Northern Territory from 12 to 12.7 and South Australia from 20 to 21.7.

Tasmania increased the average number of loan applications mildly from 20 to 20.6.

For average value of settlements, all major states recorded declines. Victoria's average value of settlements recorded the largest declines of $1.24m or 16.6%, from $7.47 million to $6.23 million.

Total value ($) of broker loan books, per state



New South Wales and ACT continues to have the largest broker loan book at just under $259 billion in value or 36.7% share of the overall national home loan portfolio, as at the end of September 2019. Historically, the loan book value has grown consistently period-on-period. The last six months has seen its book growth at 3.51% or $8.8 billion increase.

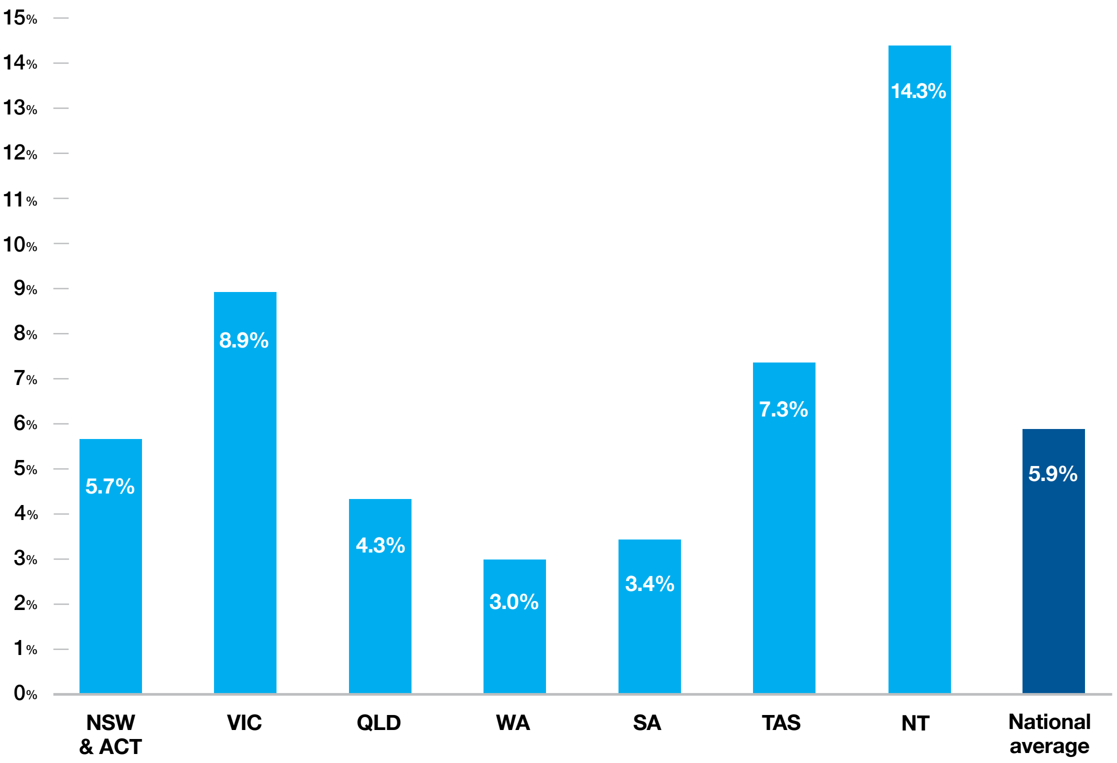
Victoria has the second largest loan book at $190.5 billion or 27% share of the national total. Historically, it has seen consistent period-on-period growth mirroring New South Wales and ACT.

Queensland and Western Australia have consistently seen their loan book values trending closely, almost reaching parity in March and September 2016. Since April – September 2017 there has been a divergence in their loan book values with Queensland continuing its gradual growth to the current book value of $114 billion. Previously Western Australia has recorded negative growth although has seen gradual increases since March 2018 with its book value currently at $92.6 billion. South Australia's loan book value has seen a mild increase period-on-period.

At a national level, the aggregate value of broker home loan books grew by 5.9% year-on-year to September 2019. All states recorded growth over 3%

Change in the value of broker loan books, from September 2018 – September 2019

Growth rates in the value of broker loan books from Sept 2018 to Sept 2019



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

At a national level, brokers total loan books grew year-on-year to September 2019, with an increase of 5.9% to $705.39 billion, increasing from last year's growth rate of 5.2%.

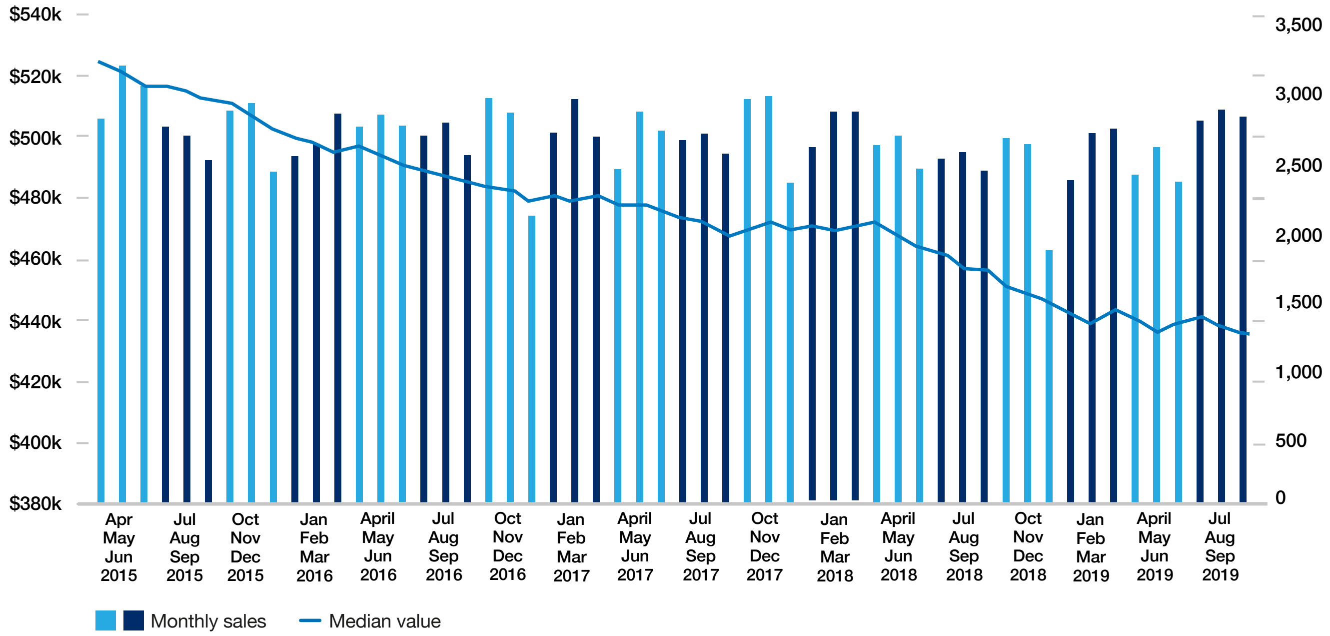
At the state level, all loan books grew at 3% or above.

New South Wales and ACT recorded a 5.7% increase (currently valued at $258.84 billion) mildly down on the 6% growth year-on-year. Victoria achieved the second highest growth rate at 8.9% (at $190.52 billion), although this was down from the 13% growth compared to the last period.

Queensland achieved a more modest growth rate in comparison at 4.3% (currently valued at $114.19 billion), this has fallen from 7.8% growth in the last period. Western Australia and South Australia both recorded growth rates 3% and 3.4% respectively. For WA, this was a notable increase from 1.3% growth in the last period and shows signs of recovery.

Northern Territory recorded the standout growth of 14.3%, marking a significant turn-around from and correction to last year's reduction of -11.4% over the same period. Tasmania also showed strong growth of 7.3%, up from 3.9% from the previous period, albeit from a lower base.

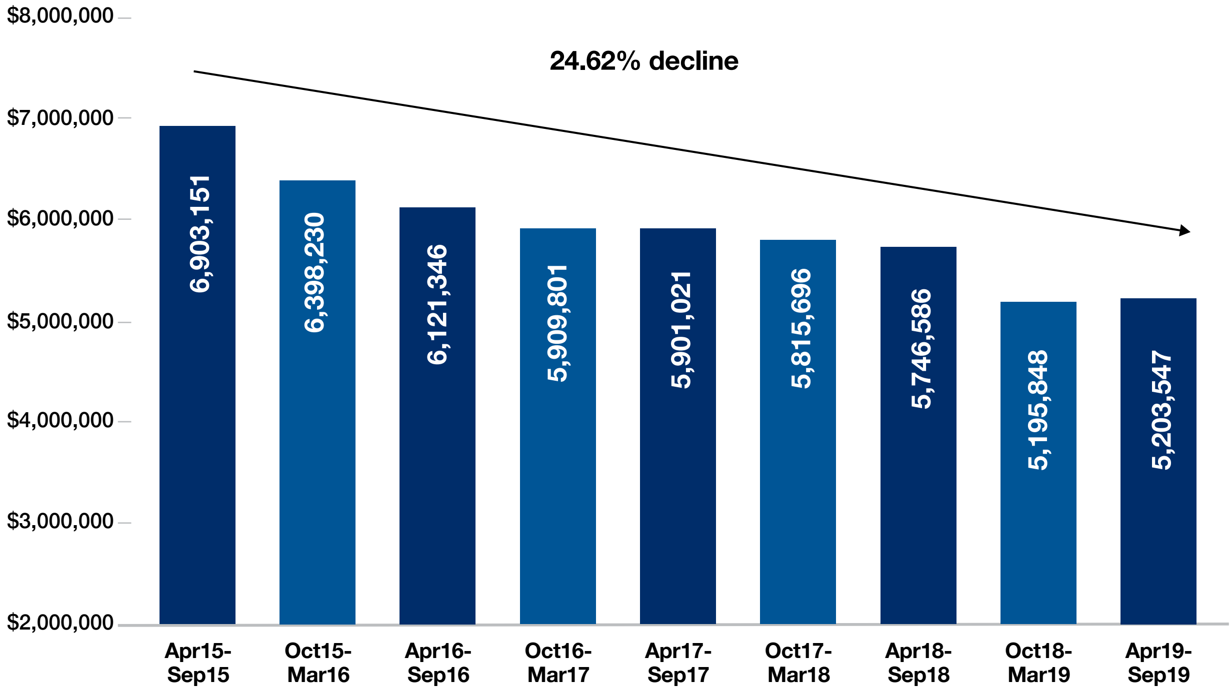
Capital Cities Median Property Values – Greater Perth Area



Comparator insights: The median property values across Greater Perth continue to show a trend of decline overall, although the rate of decline has significantly slowed. Year-to-date 2019 has shown the trend to be relatively flat with volatility in Q1 and Q2. In contrast over the same period, the volume of sales across the Greater Perth area has grown when compared with 2018 and is showing signs of increasing and recovery as we approach the final quarter of 2019.

The average value of loans settled per broker has shown a slight period-on-period uptick, marking the first such increase in the history of this report.

National average value of new home loans settled per broker



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

Whilst year-on-year, the average value of new home loans settled per broker represents a decline of $543,039 or 9.45%, the graph shows the last six-month period has seen a positive increase for the first time period-on-period, a mild uplift of $7,699 or 0.15% growth compared to the previous six month period. This has halted a continuous downward decline trend spanning back to the first IIS report in April-September 2015 since this measure was first tracked and appears to represent an early indication of the market recovering. The $543k reduction year-on-year is less than $620k reduction when comparing previous March year-on-year periods, a further sign of the market bounce-back.

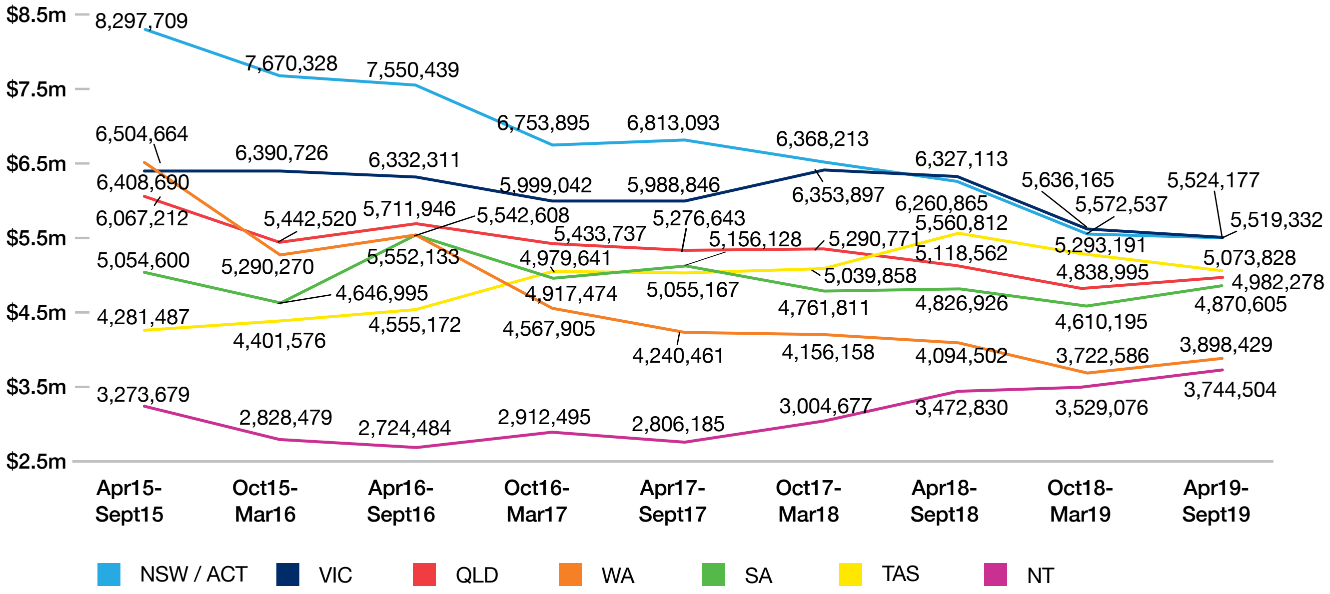
The decline since the April-September 2015 half has been $1.7 million or 24.62%, from $6.9 million to $5.2 million per broker.

With the average value and volume of new home loans settled showing early signs of recovery with mild increases, coupled with the overall increase in the value of loan books, it is important for mortgage brokers to consider diversification into commercial lending finance to ensure the long term sustainability of their businesses, as well as focusing on managing and servicing their existing client base.

For a state-by-state indicator, refer to the corresponding IIS Report, 9th edn.‘Benchmark Your Business section’ beginning on page 59.

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

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



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

The continuing convergence in the average value of home loans settled per mortgage broker across all states is observed in the above chart, with New South Wales & ACT, and Victoria both continuing to track closer to parity, with their lowest value recorded over the last six months.

Year-on-year, the average value of new loans settled per broker in New South Wales and ACT has fallen by ~$737,000 or 11.77%, from $6.26 million to $5.52 million. Over the same period, Victoria has seen the average value fall by ~$808,000 or 12.77%.

The downward trend year-on-year in Western Australia's average value settled continues, down 4.79% compared year-on-year. However, it has increased by ~$176,000 or 4.72% when compared with the last six months, halting a continuous period-on-period decline since April-September 2016.

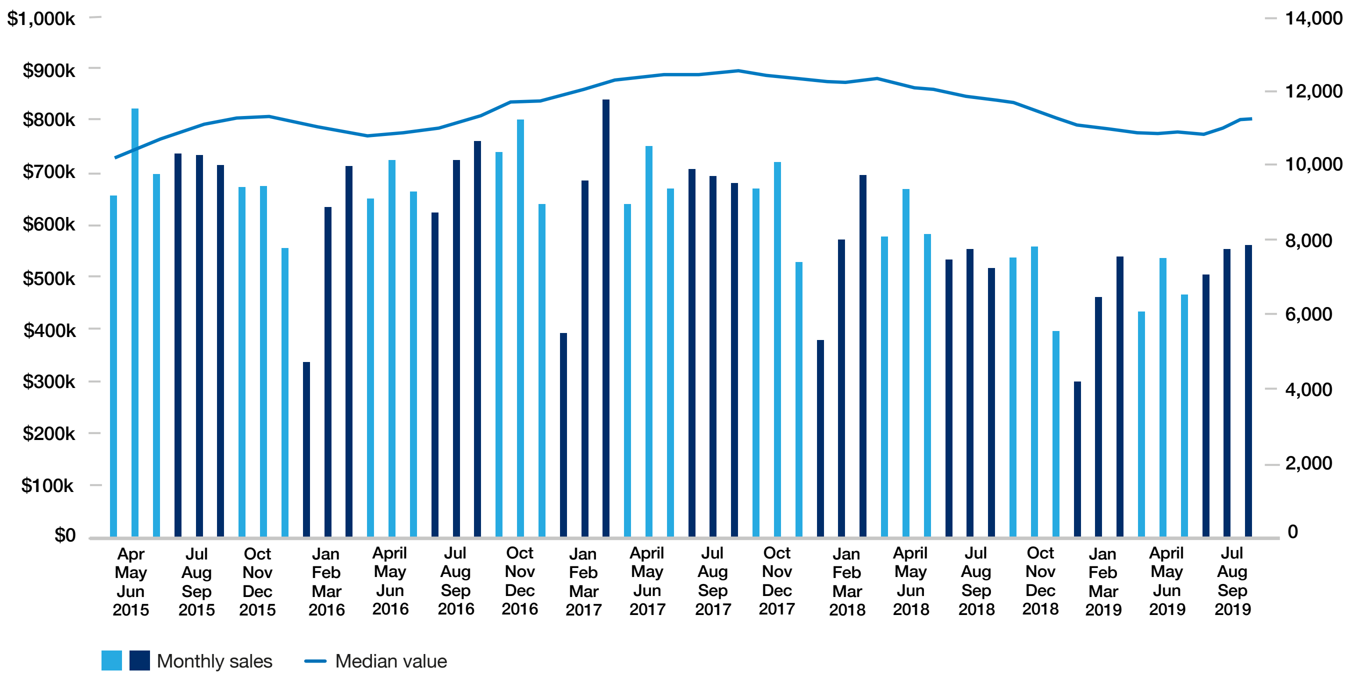
Queensland has seen more gradual decline and mirrored the trend in Western Australia, with year-on-year decline but period-on-period growth. South Australia (and Northern Territory) were the only two states to record positive year-on-year increases and period-on-period growth with the average value of new home loans per broker growing by 5.65% compared to the last period and almost the same value as Queensland.

Tasmania recorded its second consecutive period of decline with a 4.14% period-on-period reduction. Year-on-year, Tasmania's average value of home loans fell significantly by 8.76%. Tasmania maintains its position as the third best performing state by a small margin, despite the increases in both Queensland and South Australia over the last six months. We may see a shift if the trend continues over the next reporting period, as results for all three states converge.

Dating back over the last two years to April-September 2017, the Northern Territory was the only state to record four consecutive periods of growth. Off a smaller base, it continues its growth trajectory with a 7.83% year-on-year increase in the average value of settled loans closing the gap on Western Australia. If Northern Territory maintains its growth trend, it may exceed Western Australia by the next report.

Comparator insights: After a weak first quarter in 2019, the last six months have seen values and volume of sales on the increase in some states as reflected in brokers' new home loans settled data, indicating early signs of the housing market recovery and bounce back.

Capital Cities Median Property Values – Greater Sydney Area



Comparator insights: The average value of home loans settled per mortgage broker in New South Wales and ACT continues to record consecutive decline since April–September 2015. Whilst sales volumes and median dwelling values have seen a mild uplift and increase in the last three to four months of the latest period since June 2019, for the greater Sydney area.

The total number of applications lodged has increased for the first time in three years, since the April-September 2016 period.

Number of loan applications lodged by state and nationally

Number of new home loan applications	Oct15-Mar16	Apr16-Sep16	Oct16-Mar17	Apr17-Sep17	Oct17-Mar18	Apr18-Sep18	Oct18-Mar19	Apr19-Sep19
NSW & ACT	86,541	83,782	89,000	86,415	83,886	79,578	72,253	78,991
VIC	76,758	79,584	82,548	86,679	86,836	84,587	74,489	81,276
QLD	47,800	48,648	52,227	47,308	47,386	45,700	42,412	44,569
WA	34,128	30,613	38,366	27,428	27,234	23,395	24,426	22,672
SA	22,296	21,874	22,917	21,683	21,508	20,111	20,328	20,131
TAS	1,640	1,769	1,680	1,935	2,225	2,554	2,425	2,775
NT	1,125	818	998	818	855	705	648	659
Total number of applications	**290,879**	**317,651**	**303,303**	**303,058**	**300,828**	**284,830**	**260,544**	**275,081**

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

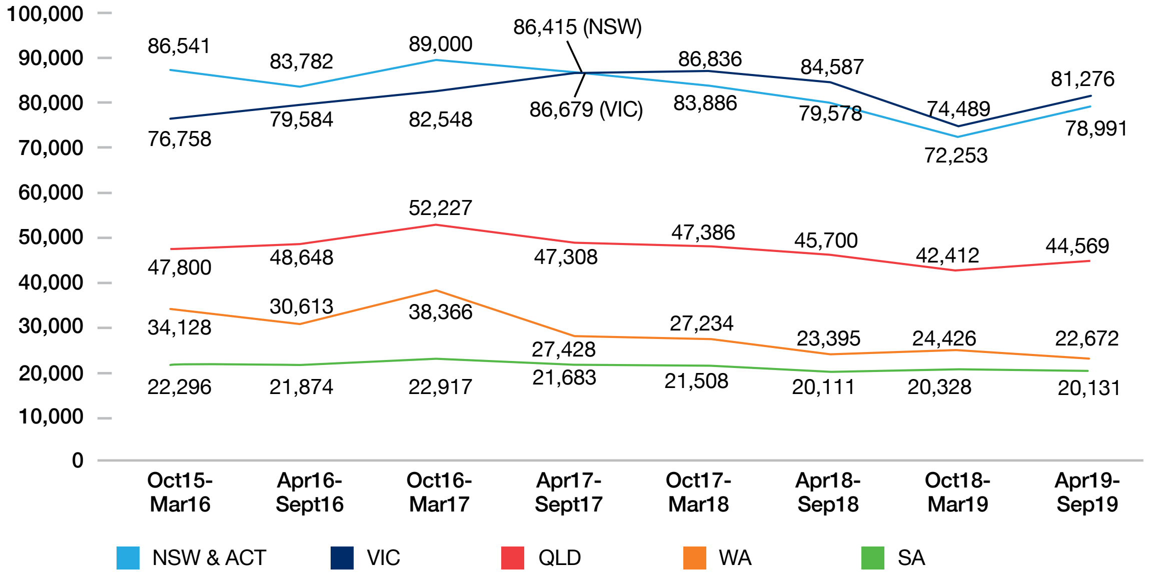
One less aggregator contributed to this data over the most recent three periods, compared to previous periods. It is estimated though, that if they had, there would still be a decline in loan applications lodged compared to the October 2017 – March 2018 period. The data shows that the total number of loan applications across Australia has continued to decline over the last four six-month periods.

For the first time in three years, since April-September 2016, the number of home loan applications lodged has increased period-on-period, with an uplift of 14,537 or 5.58% increase on the previous six-month period, providing further indication of a market recovery. Year-on-year, this represented a decline of 9,749 applications or 3.42%. Growth in applications provides a leading indicator for settlement figures for the next reporting period.

The period-on-period growth was driven by the three larger states with Victoria recording the biggest increase in application volumes, up 6,787 or 9.11% compared to the last six months.

New South Wales and ACT recorded an increase of 6,738 or 9.33%. Queensland recorded growth of 2,157 or 5.09%. Western Australia was down 1,754 or 7.18% period-on-period, whilst South Australia was relatively flat.

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 the above chart period-on-period, the three major states of New South Wales and ACT, Victoria and Queensland all recorded an increase in the number of home loan applications. Western Australia applications fell, whilst South Australia was relatively flat.

At the state level, Victoria and New South Wales and ACT, contributed most to the national growth in number of applications when comparing period-on-period totals from October 2018-March 2019 to April-September 2019. Victoria wrote 6,787 additional applications (up 9.11%), whilst New South Wales & ACT brokers wrote a further 6,738 applications (up 9.33%).

New South Wales and ACT has halted four successive periods of decline since April-September 2017. After similar increases with New South Wales and ACT, Victoria continues to maintain its lead over New South Wales and ACT.

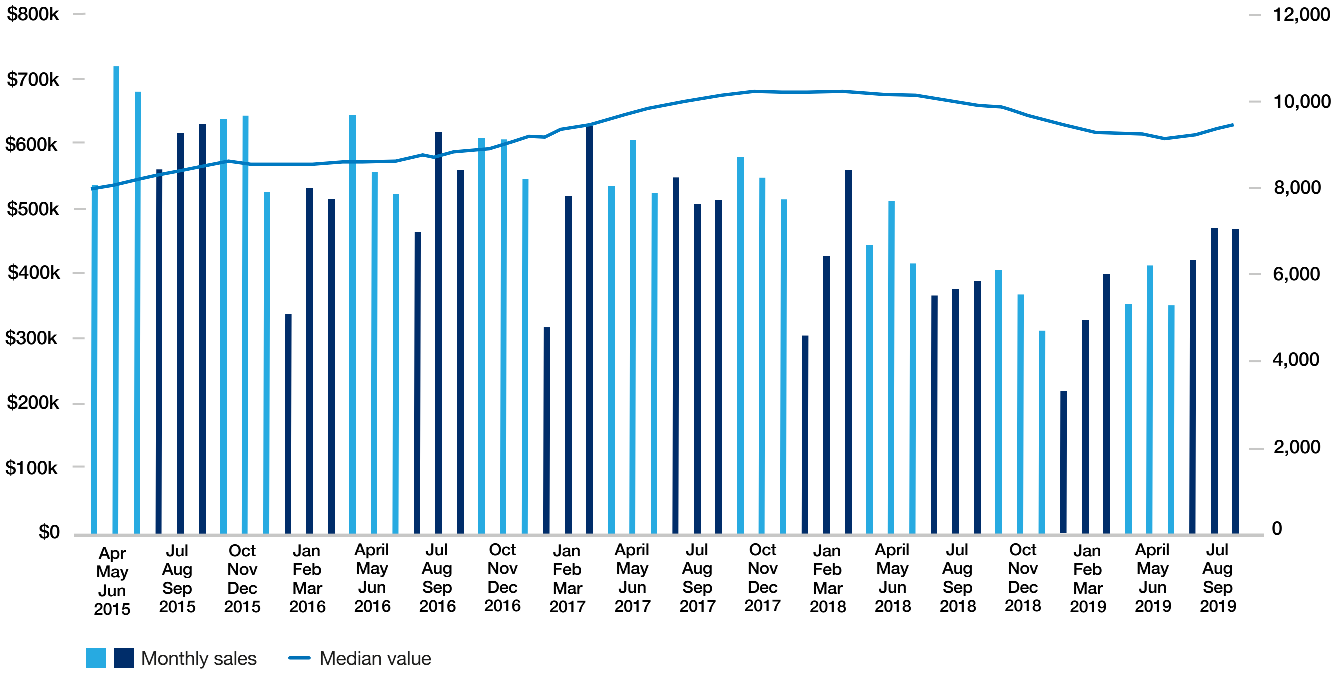
Queensland also contributed to the national growth with an increase of 2,157 home loan applications, up 5.09%.

Western Australia recorded a decrease of 1,754 (down 7.18%) home loan applications period-on-period compared to the last six months.

South Australia recorded a very mild decrease of 197 (down 0.97%) home loan applications period-on-period compared to the last six months.

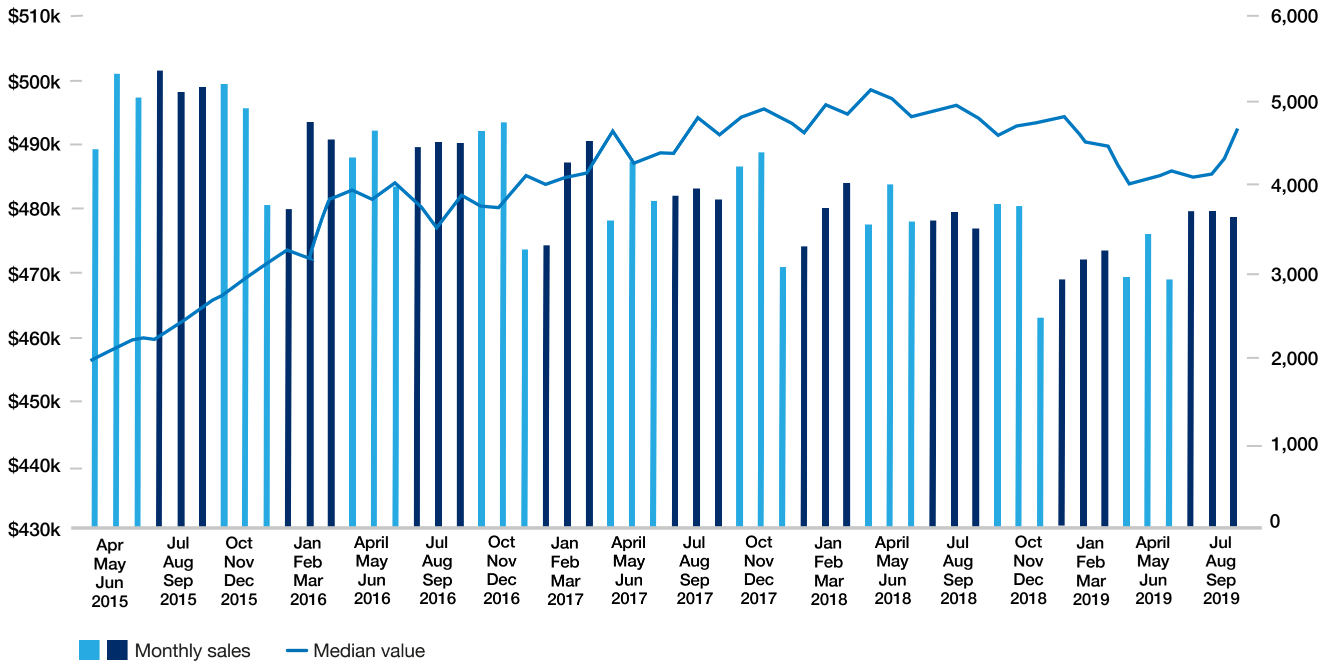
Tasmania, not included in the graph, also recorded an increase in applications, up 350 or 14.44% period-on-period.

Capital Cities Median Property Values – Greater Melbourne Area



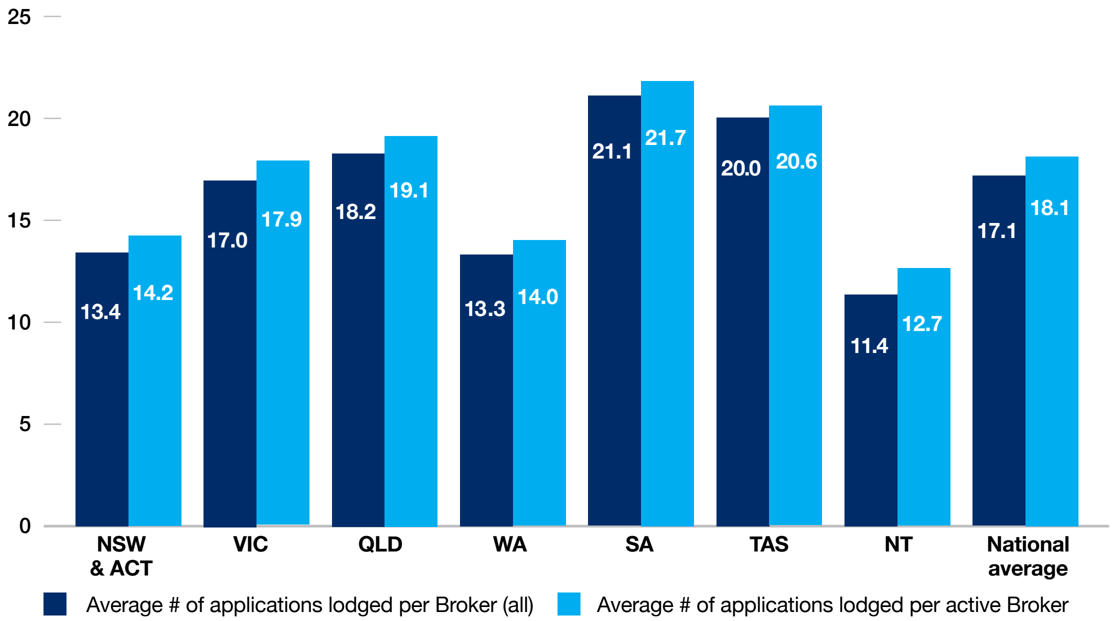
Comparator insights: Monthly sales for the Greater Melbourne area initially declined at the start of 2019 but have picked up and continued into Q3 – July-September quarter, where we observe the median house price has experienced a mild increase for the first time since the end of 2017. Monthly sales volumes are bucking the trend we've seen in previous years, as sales activity in July-September 2019 exceeded March-May, whereby it had declined in previous years, indicating the market is recovering. The number of home loan applications originated through the broker channel for Victoria have also increased in the last six months, providing further evidence of market activity recovering.

Capital Cities Median Property Values – Greater Brisbane Area



Comparator insights: After a decline in the total number of sales for the greater Brisbane area at the start of 2019, sales activity has increased and continued into Q3 – July-September quarter. The median house price has seen a marked uplift, consistent with July-September period of high monthly sales volumes, again bucking the trend seen in previous years where the 3rd quarter has now outperformed the 2nd quarter. Furthermore, the number of home loan applications originating through the broker channel for Queensland has increased in the last six months providing further evidence of a market recovery.

Average number of home loan applications lodged per broker vs. average number of home loan applications lodged per active broker, April – September 2019



Number of Applications	Oct15-Mar16	Apr16-Sep16	Oct16-Mar17	Apr17-Sep17	Oct17-Mar18	Apr18-Sep18	Oct18-Mar19	Apr19-Sep19
Average number of applications lodged per broker	20.2	20.6	18.9	17.9	17.9	16.7	15.5	17.1

Note: Inactive brokers - Those who had not settled a loan for the six-month period – represent 12% of the total broker population. Therefore, it was important to account for inactive brokers to better illustrate the average rates of productivity for the majority of brokers.

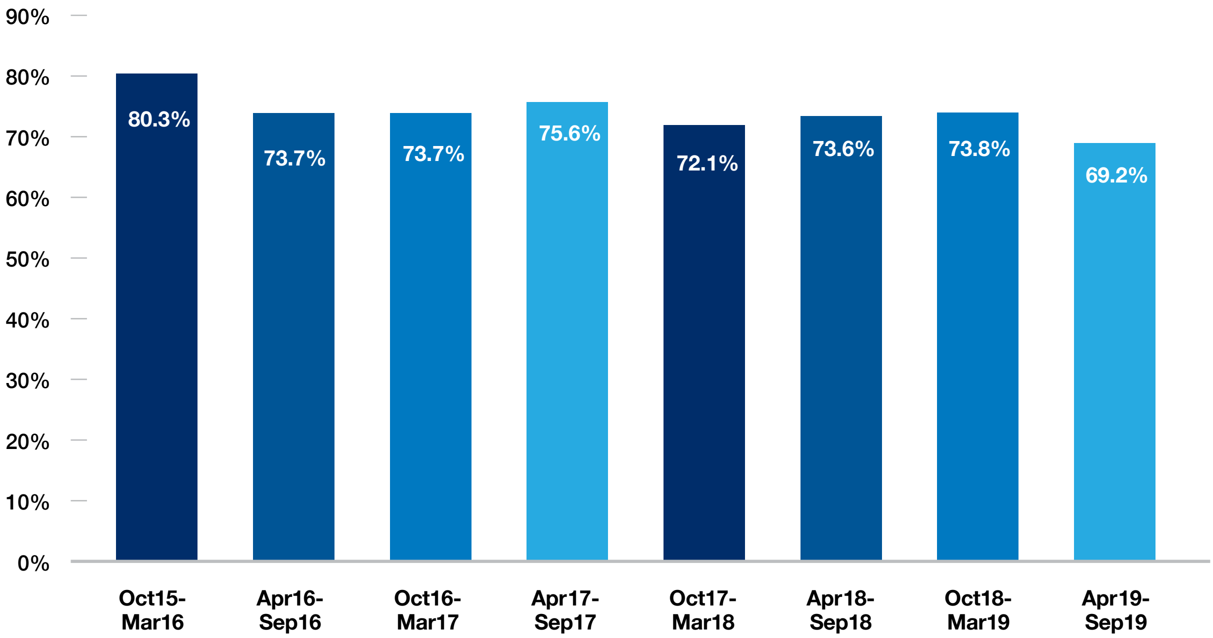
Nationally, comparing April-September 2019 to the previous 12 months, the average number of applications lodged per active broker increased from 17.5 to 18.1, whilst the average number of applications lodged for all brokers grew from 16.7 to 17.1.

Period-on-period, from October-March 2019 compared to April-September 2019, the average number of applications lodged by all brokers increased from 15.5 to 17.1, whilst the average number of applications lodged by active brokers grew from 16.2 to 18.1.

Notably, all states recorded increases in applications lodged per active broker and lodged for all brokers compared to a year ago, further indicators of uplift in home loan market activity. Per active broker New South Wales and ACT recorded an increase of 0.5 applications, Victoria rose modestly by 0.4 applications, Queensland recorded growth of 0.9 applications, South Australia grew by 1.3 applications, Western Australia recorded the largest increase of 1.9 applications, Tasmania grew slightly by 0.3 and Northern Territory rose by 1.0 applications.

The conversion rate of home loan applications to settlements declined to 69.2%.

Conversion rates by brokers



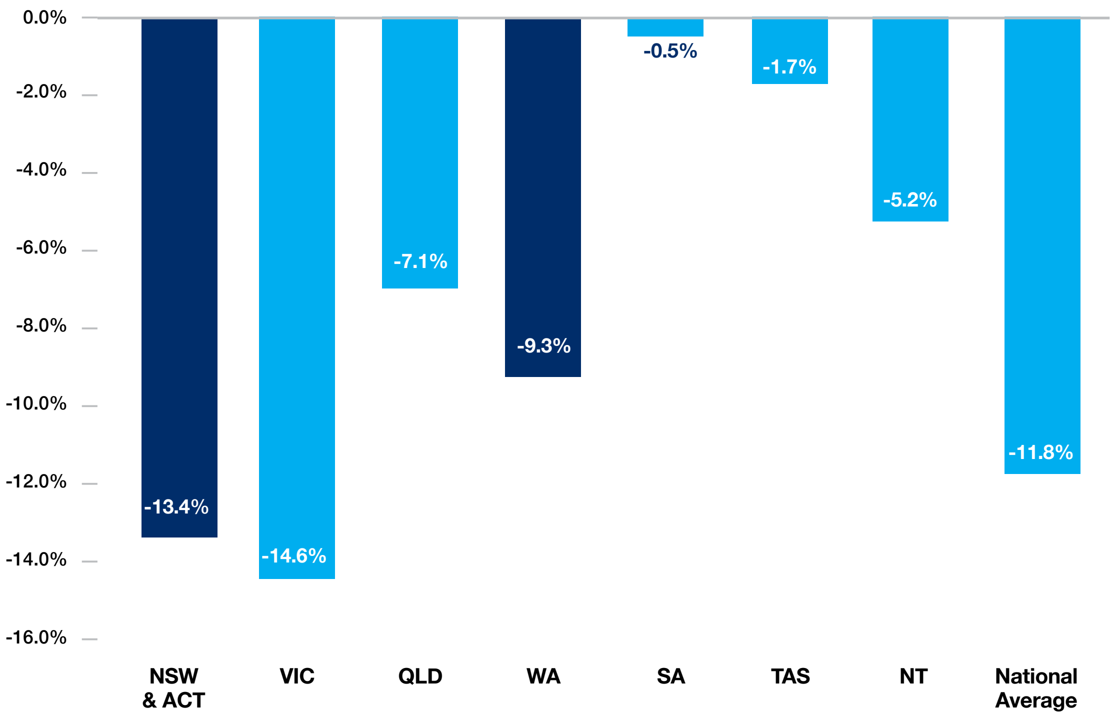
Note: Conversion rates were calculated based on data from a consistent 10 aggregators.

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 seen a decline compared to last year, from 73.6% to 69.2%. This is the first period-on-period decline we've observed in two years, since April-September 2017, showing that settlements have declined more materially, potentially due to more stringent lending conditions.

The national growth rate of the value of loans settled has fallen by 11.8%

Change in the value of home loans settled, September 2018 – September 2019



The value of overall national growth in home loans settled declined by 11.8% between April- September 2018 and 2019, from $97.92 billion down to $86.37 billion. All states recorded declines in the value of new loans settled.

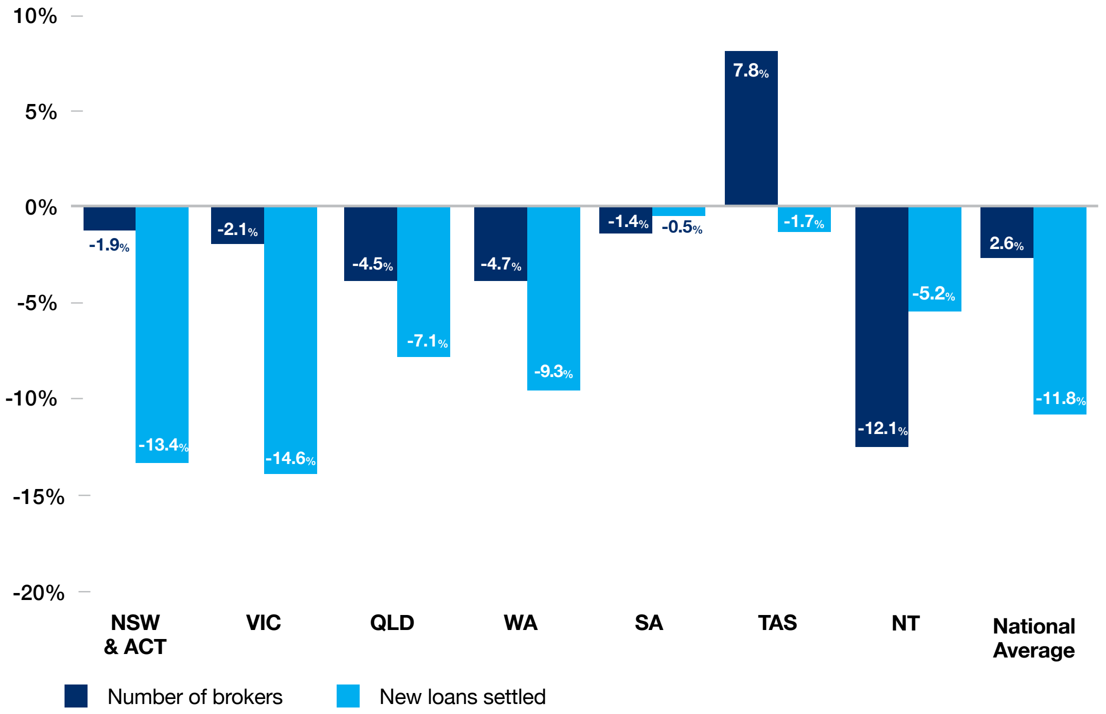
Victoria recorded the highest percentage decline of 14.6%, from $31.77 billion down to $27.15 billion, whilst New South Wales and ACT contracted by 13.4%, from $38.55 billion down to $33.39 billion.

Queensland recorded a decline of 7.1%, down from $13.48 billion to $12.53 billion, while WA fell by 9.3%, from $8.2 billion down to $7.43 billion.

South Australia and Tasmania both recorded very mild declines of 0.5% and 1.7% respectively.

Value of home loans settled in Northern Territory decreased 5.2%.

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



Overlaying the growth in broker numbers against the growth in new loan settlements, year-on-year, comparing the same periods of April-September 2018 to 2019, broker numbers at a national level have decreased by 2.6%, whilst overall new loan settlements contracted by a significantly higher proportion at 11.8%.

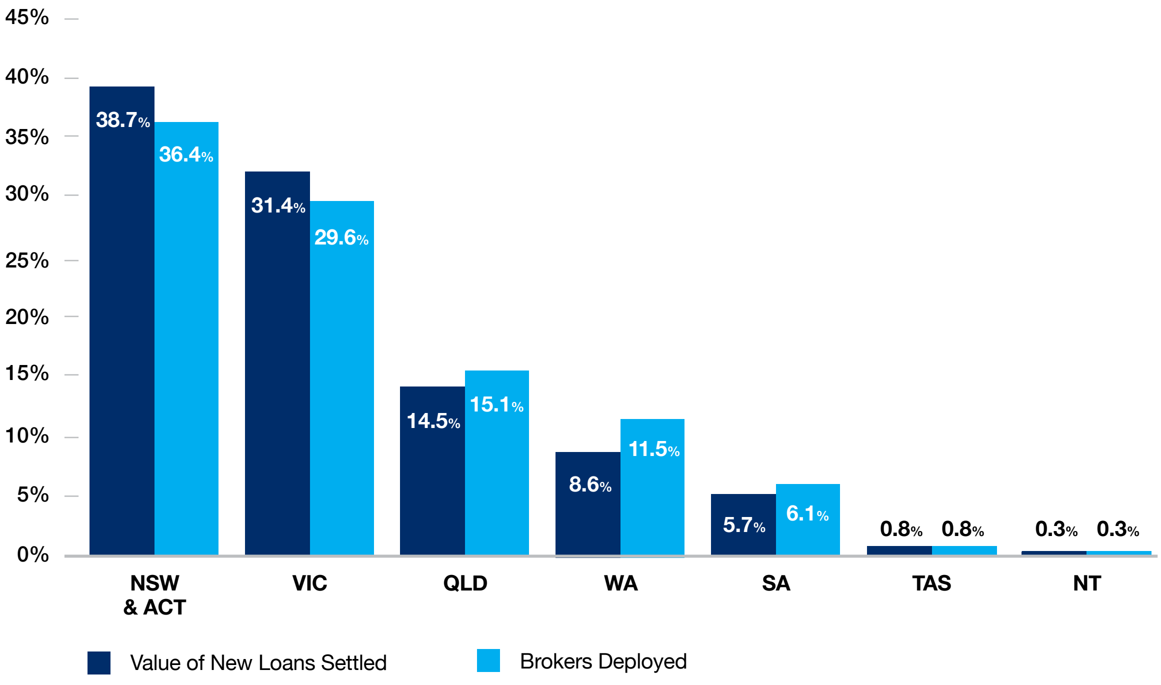
New South Wales and ACT and Victoria both recorded mild declines in broker numbers at ~2%, lower than the national level, however the impact on settlements is much greater, with declines in the value of new loans settled falling in excess of the national level at 13.4% and 14.6% respectively. This highlights the disproportionate impact of declines in new loan settlements and broker numbers in the two largest states.

In Queensland and Western Australia, the effects of the declines in both measures were less disproportionate, with the decrease in broker population and the negative growth in the value of home loans settled more closely matched when compared to Victoria and New South Wales. South Australia had very mild decreases in both measures.

Tasmania was the only state to record growth in broker numbers at 7.8%, although the value of new loans settled, declined mildly by 1.7%.

Northern Territory, from a small base, saw a large percentage fall in broker numbers of 12.1%, which was disproportionately greater than the negative growth in the value of home loans settled at 5.2%.

Share of national value of home loans settled (%) vs. share of total brokers deployed by state (%), April 2019 – September 2019



New South Wales and ACT, and Victoria have the largest shares of lending, with both showing a higher proportion of value of new loans settled compared to their proportion of broker population, which continues to indicate that there is still opportunity for growth in broker numbers in these states.

Queensland, Western Australia and South Australia share a different profile, all having a mildly higher share of broker numbers compared to their share of new loans settled, which continues to suggest these states may be mildly overweight in the broker population.

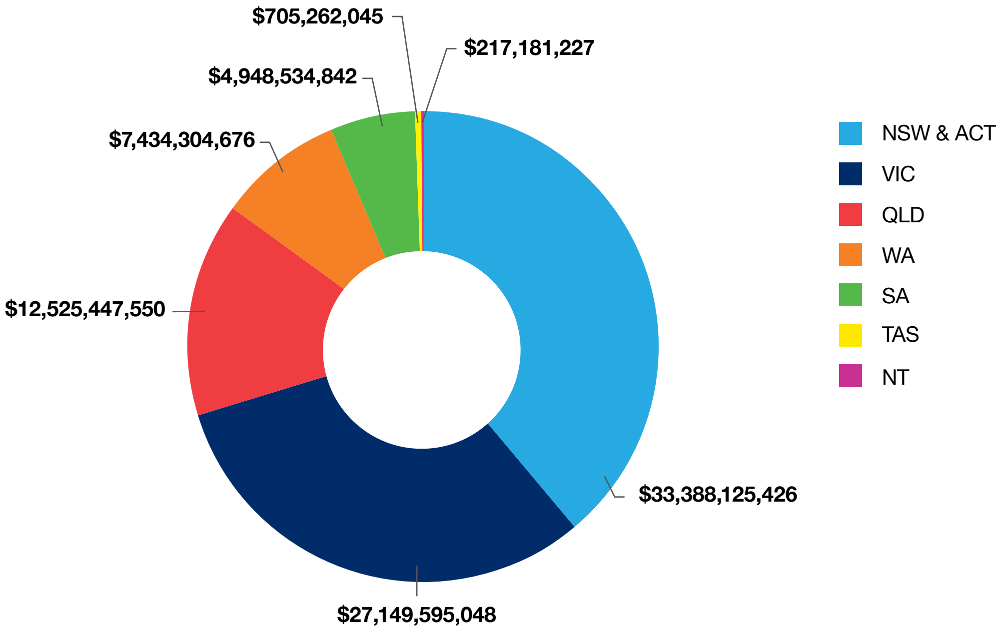
Tasmania and Northern Territory continue to be on par with equivalent shares in both broker numbers and settlements.

Compared to the same period last year, April-September 2018, the difference between the two measures has not shown much variation between the different states. New South Wales and ACT share of settlements declined by 0.7 percentage points from 39.4% to 38.7%, whilst the share of brokers increased mildly between periods, from 36.1% to 36.4%. Victoria's share of settlements declined by 1.0 percentage point from 32.4% to 31.4%.

The reduction in market share of home loans settled in New South Wales and ACT of 0.7 percentage points and Victoria of 1.0 percentage points was taken up mostly by Queensland and South Australia.

The other states showed little variation year-on-year.

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



Broker home loan settlements fell by $11.55 billion (11.8%) overall, year-on-year between April-September 2018 to 2019. New South Wales and ACT, and Victoria continue to dominate with the largest share of the home loan settlements ‘pie’, at a combined 70.1%, down 1.7 percentage points year-on-year. New South Wales and ACT accounted for the largest proportion of the decline, down $5.17 billion since last year, whilst Victoria’s value settled dropped by $4.63 billion.

Year-on-year, all states saw declines, with notable falls in Queensland and Western Australia of $952 million and $763 million 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 September 2019

The national average value of brokers' loan books has increased year-on-year from April-September 2018, from $39.11 million to $42.5 million, an increase of $3.39 million or 8.67%, indicative of effective customer retention by brokers. The book-per-broker growth rate of 8.67% was greater than the total book growth of 5.9% (see page 15). This was due to the number of brokers declining which was lower than the growth of the total book. This leaves a larger book to be divided amongst a smaller population of brokers.

The average value of residential loan books increased in all states since the last reporting period.

Year-on-year, this average value metric has also increased for all states too.

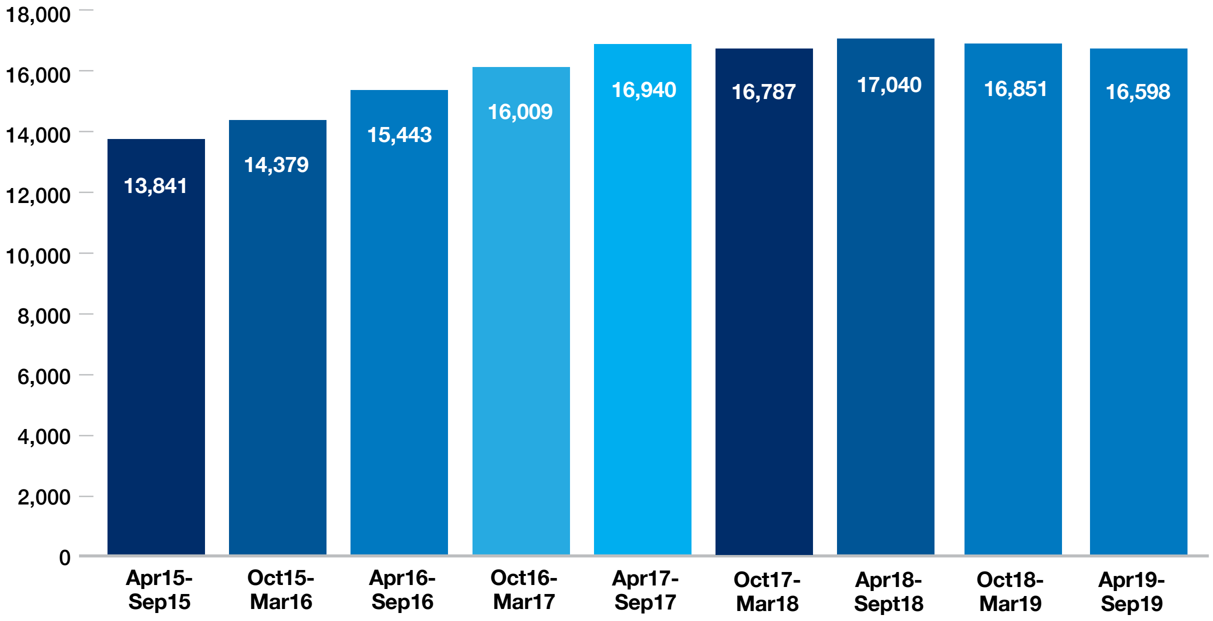
At the state level, when compared to the national average, Western Australia (up from $44.9 million year-on-year), NT (up from $36.26 million) and Queensland (up from $41.58 million year-on-year) have the highest average loan book values per broker, and notably higher than the national average.

The average loan book value of New South Wales and ACT (up from $39.76 million year-on-year), are on par with the national average.

Victoria and Tasmania are the only two states where the average loan book values remain significantly lower than the national average, Victoria (up from $34.82 million year-on-year), and Tasmania (up from $29.85 million year-on-year).

The broker population has continued to decline for the second consecutive six-month period.

Broker population, in total for the sampled aggregators



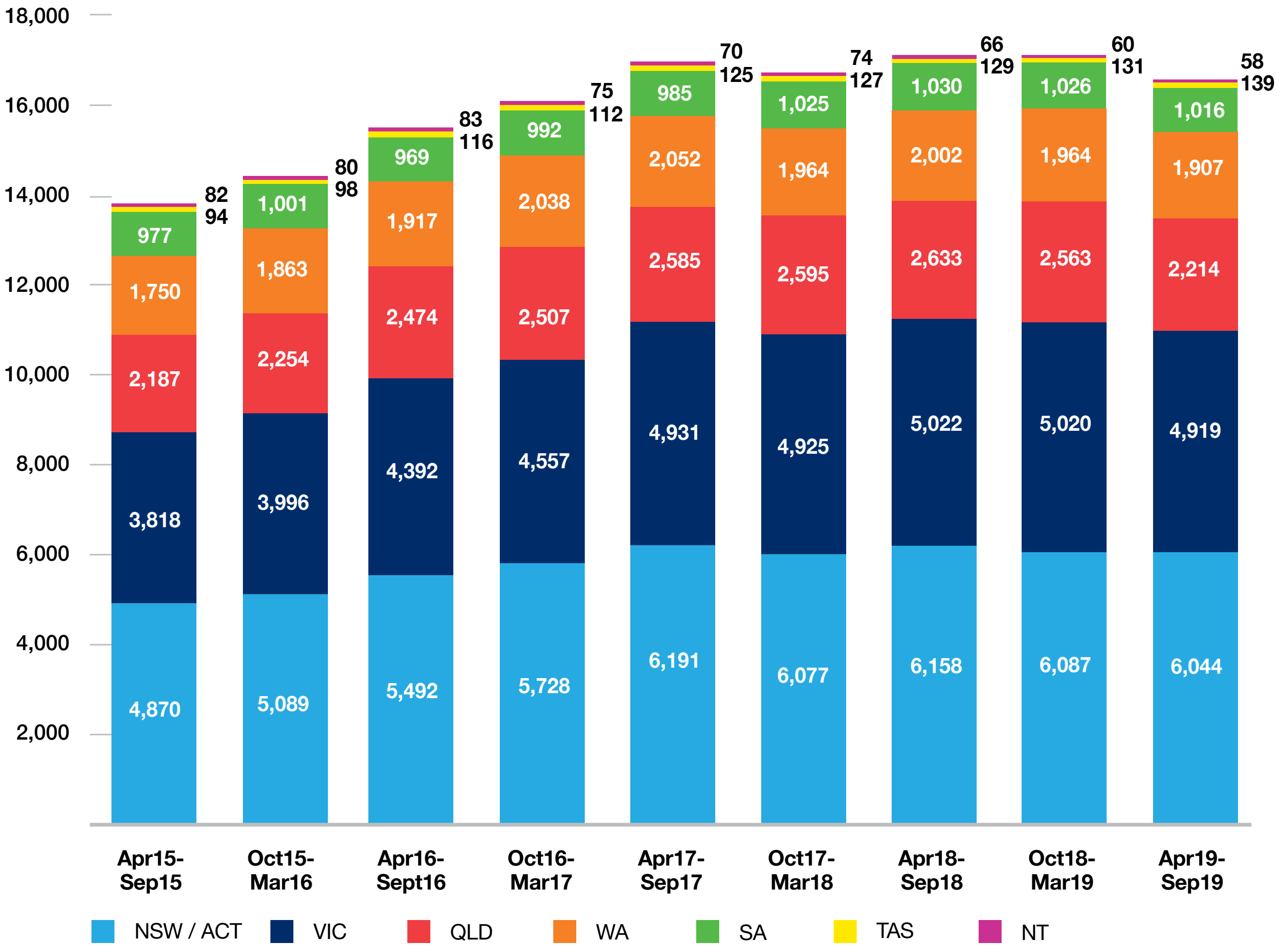
Note: There is data from one less aggregator included in the four most recent six-month periods, from October 2017 to March 2018 period, compared to previous periods.

After the broker population reached a high-point 12 months ago exceeding 17,000 brokers for the first time, the April-September 2019 period has seen a second consecutive period of decline in the broker population with a fall of 253 brokers or 1.5% compared with the previous six months.

Year-on-year, the decline in the broker population was 442 or 2.6% for all aggregators.

Within a tough housing market, the reduction in the total broker population is understandable. The reduction also coincides with the Royal Commission and increased industry scrutiny, which has resulted in an apparent trimming down of inactive, less productive brokers.

Broker population by state, and population change between reporting periods



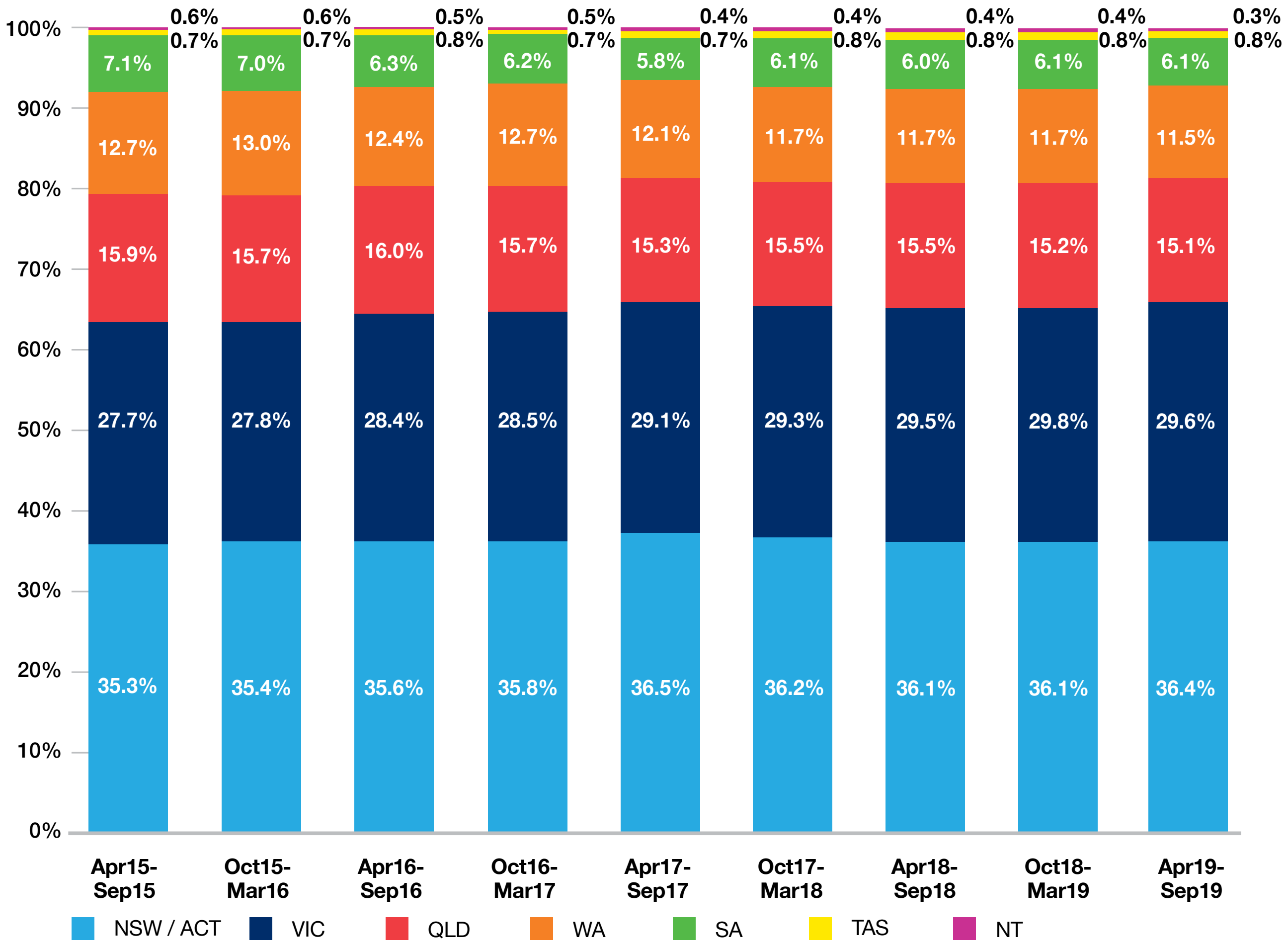
	Oct15-Mar16	Apr16-Sep16	Oct16-Mar17	Apr17-Sep17	Oct17-Mar18	Apr18-Sep18	Oct18-Mar19	Apr19-Sep19
NSW & ACT	4.5%	7.9%	4.3%	8.1%	-1.8%	1.3%	-1.2%	-0.7%
VIC	4.7%	9.9%	3.8%	8.2%	-0.1%	2.0%	0.0%	-2.0%
QLD	3.0%	9.8%	1.3%	3.1%	0.4%	1.5%	-2.7%	-1.9%
WA	6.4%	2.9%	6.3%	0.7%	-4.3%	1.9%	-1.9%	-2.9%
SA	2.5%	-3.2%	2.4%	-0.7%	4.1%	0.5%	-0.4%	-1.0%
TAS	3.9%	19.0%	-3.6%	11.6%	1.6%	1.6%	1.6%	6.1%
NT	-3.0%	4.5%	-9.8%	-6.7%	-10.8%	-10.8%	-9.1%	-3.3%
Total	**4.4%**	**7.4%**	**3.7%**	**5.8%**	**1.5%**	**1.5%**	**-1.1%**	**-1.5%**

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

The broker population continues to decline in all states with the exception of Tasmania which grew solidly at 6.1%, although from a small base. Trending in line with the overall broker population, there are signs that the broker population has stabilised with reductions in each state for a second consecutive period.

Observing the same six-monthly periods going back to April-September 2017, New South Wales and ACT has contracted by ~150 brokers to ~6,050 brokers, Victoria has been stable at ~4,900, Queensland has maintained similar levels with a mild decline of ~2,500, Western Australia recorded a reduction of ~150 at ~1,900, whilst South Australia was the only state to record growth over the two year period, up ~30 brokers at ~1,000 brokers.

Proportion of broker population by state



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

The proportion of brokers in each state continues to remain stable and consistent over time, with little movement. A notable change has been New South Wales and ACT's share of the broker population, which grew at the expense of Victoria.

After consistent period-on-period broker population share growth since 2015, this is the first time Victoria's market share has seen a decline, albeit mildly at 0.2% points.

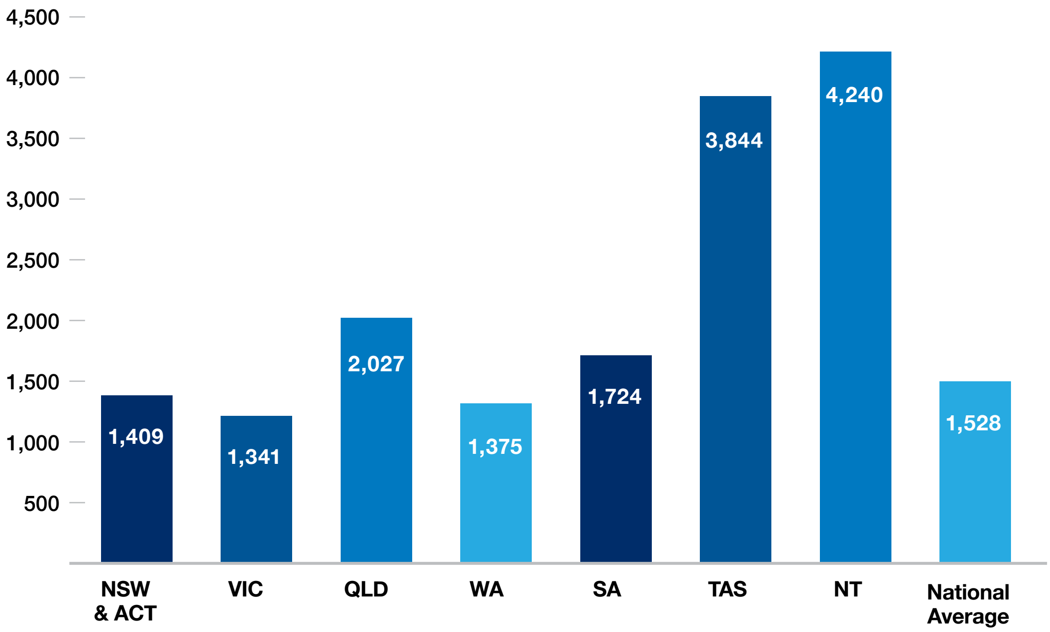
New South Wales and ACT has increased market share for the first time in two years, after relatively flat growth in the last three reporting periods, following a history of consistent population share growth.

Whilst broker population share in Western Australia and South Australia has been flat in the prior three reporting periods, they still remain the two states that have lost the highest market share since April-September 2015 with Western Australia down 1.2 percentage point or 9.45%, and South Australia down 1.0 percentage point or 14.08%.

There is now one mortgage broker per 1,528 people in Australia.

Number of Australians per mortgage broker

Based on ABS's Estimated Resident Population, June 2019

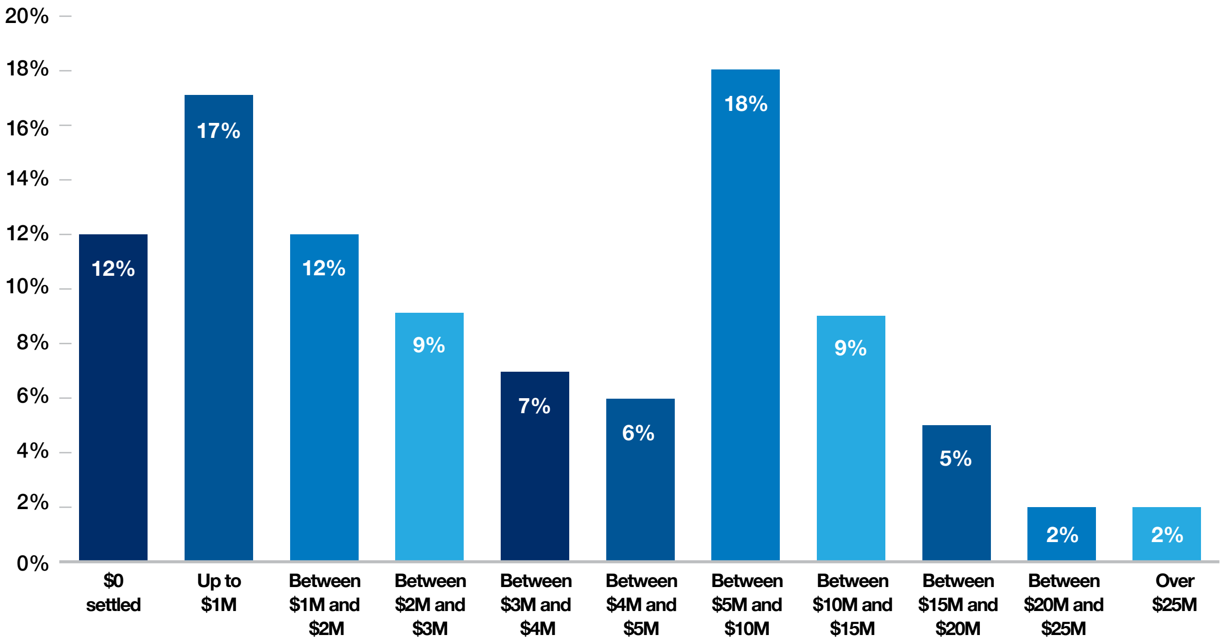


The national average number of Australian's per mortgage broker has increased slightly year on year from 1,466 to 1,528 – an increase of 62 people or 4.23%.

At the state level, Victoria continues to have the highest concentration of brokers per capita, followed closely by Western Australia and New South Wales and ACT, with all three states sitting below the national benchmark figure indicating higher competition. The Northern Territory has the lowest saturation of brokers, with 4,240 Australians per broker, followed by Tasmania at 3,844.

Inactive brokers have fallen to represent 12% of the broker population.

Share of brokers that settled home loans in aggregate in the following value bands, April – September 2019

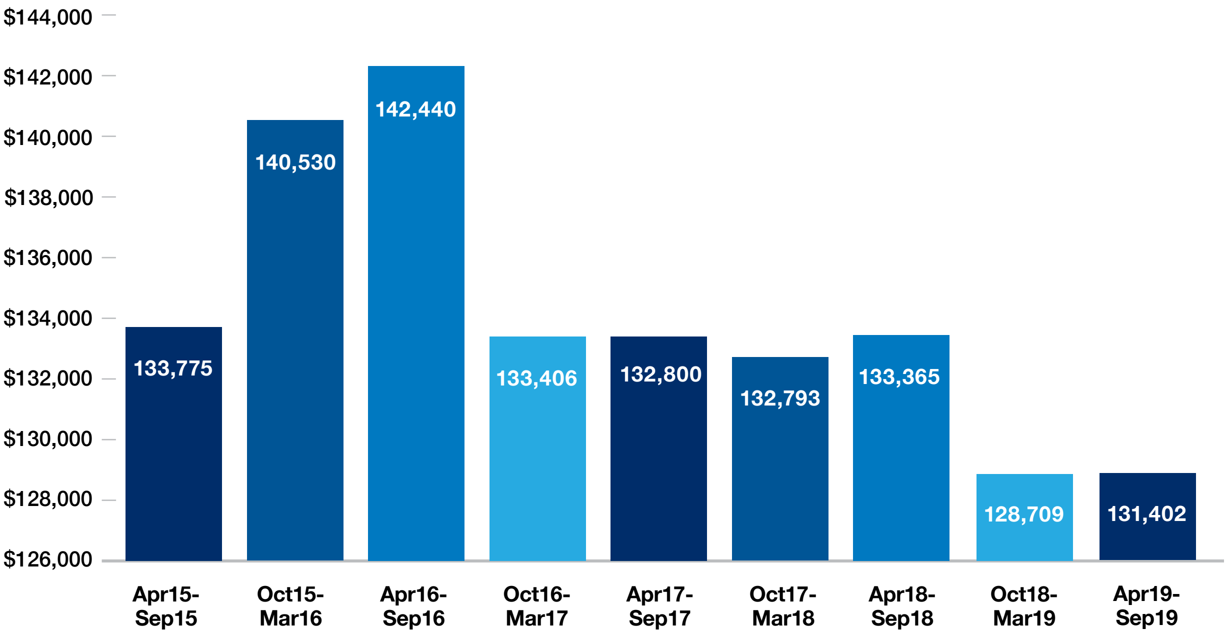


Note: The figures in this analysis are a representative sample of the industry.

During the April-September 2019 period, 1,764 brokers did not settle a home loan which equated to 12% of the broker population, a significant reduction of four percentage points period-on-period from last year when inactive brokers equated to 2,340 brokers or 16%. This cohort will impact broker productivity measures as seen in previous charts. Consistent with the reduction in the overall broker population, this chart provides evidence that in a challenging market, low performing and unproductive brokers are often the first to go. Unsurprisingly, there has been increased growth in the three cohorts of high-performing brokers, from $5-$10 million, $10-$15 million and $15-$20 million compared year-on-year.

If inactive brokers were excluded and recalculated for their exclusion, 43.9% of brokers wrote $3 million in home loans or less, 58.7% of brokers wrote $5 million in home loans or less, and 30.5% of brokers wrote $5–$15 million in the current six-month period.

National average total broker remuneration

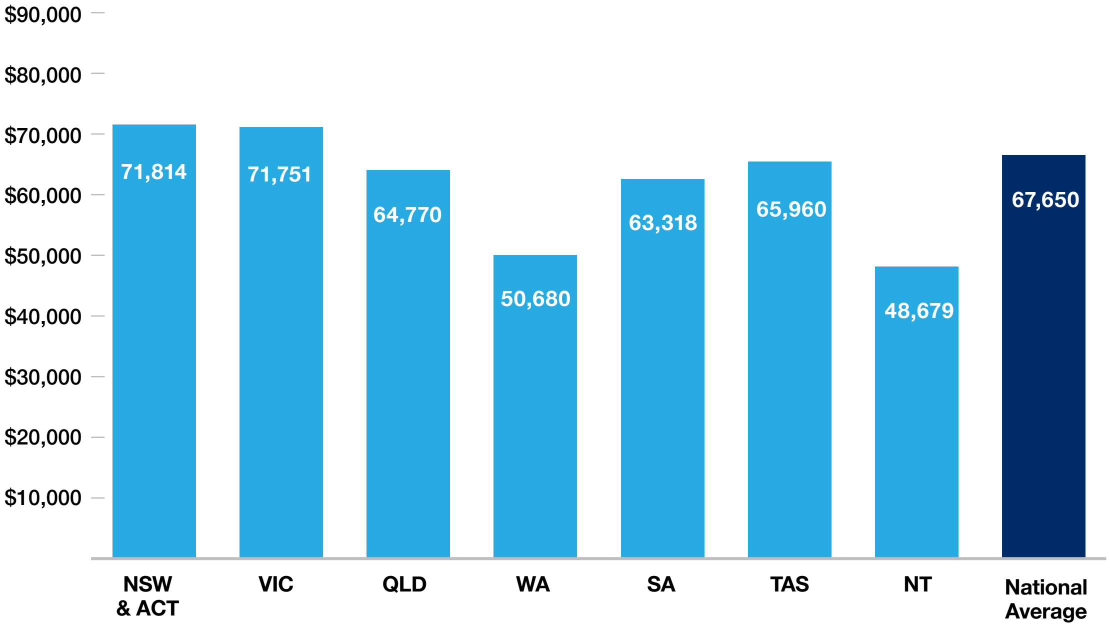


The estimated combined average up-front and trail remuneration that goes into the national average broker remuneration compared to the previous IIS Report. Year-on-year, it has declined to $131,402 in the current period from $133,365 in the April-September 2018, a decline of 1.5%.

However, there has been a period-on-period increase of 2% up from $128,709, which may be attributed primarily to strong trail commission results.

After peaking in April-September 2016 at $142,440, the last six reporting periods have seen relatively consistent lower levels of remuneration with little change, falling to levels last seen in April-September 2015 at ~$133,000.

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



Note: Brokers' average measured gross up-front remuneration and gross trail remuneration from residential lending, both prior to all costs and prior to meeting any commercial obligations with aggregators are estimates.
Gross remuneration generated in this analysis means the total amount that lenders paid for the origination services provided by brokers. Out of these gross commission figures, brokers have to pay their own salaries, all their fixed costs of doing business, premises, and service provision fees paid to aggregators, marketing and communications expenses, support staff salaries and wages, and other costs.

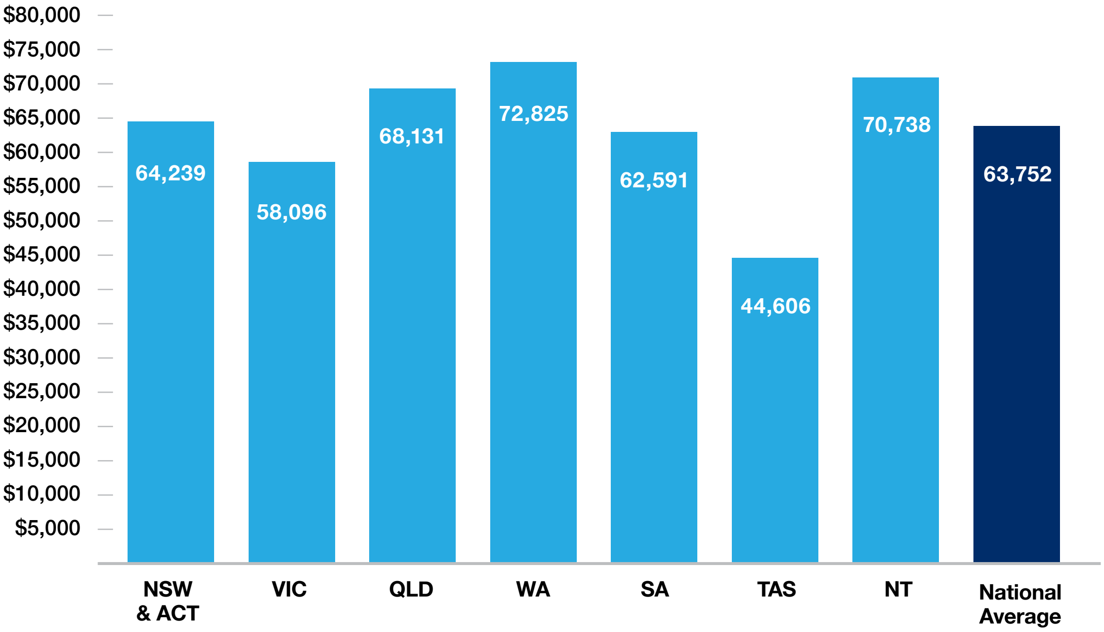
Year-on-year, the national average annual gross up-front remuneration per broker for the six-month period to September 2019 has seen a material decline, falling by $7,056 from $74,706 in the September 2018 period to $67,650 in the latest period - a decrease of 9.45%. This is clearly influenced by the decline in the value of home loans settled by brokers (see page 26) in the reporting period which was 11.8% lower year on year.

Not surprisingly, New South Wales and ACT, and Victoria were both key drivers of this decline, as both states have the highest average up-front commission per broker. Whilst both states saw a large reduction year-on-year, with Victoria's average annual upfront commission decreasing by $10,501 or 12.8% from $82,252, and New South Wales and ACT's declined by $9,577 or 11.8%. New South Wales and ACT has regained a narrow lead over Victoria with the highest average up-front commission per broker after two consecutive periods as runner-up.

In the other states, there was a mild reduction in Queensland's average annual upfront commission which reduced by $1,771 or 2.7%, and Western Australia's fell by $2,549 or 4.8%. South Australia showed a slight increase of $568 or 0.9%.

Northern Territory recorded an increase of $3,532 or 7.8%, from $45,147. Tasmania recorded a year-on-year fall of $6,331 or 8.8%

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



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

The average annual national trail commission for this period was $63,752, compared with $58,659 for the same period year-on-year, an increase of $5,093 or 8.7%. Period-on-period, it also grew from $61,155, an increase of $2,597 or 4.3%.

At the state level, gross annual trail commission estimates have increased across all states except for Tasmania, with Victoria (up $5,864 or 11.2%), Queensland (up $5,758 or 9.2%) and the Northern Territory (up $16,354 or 30%) showing the largest gains year-on-year.

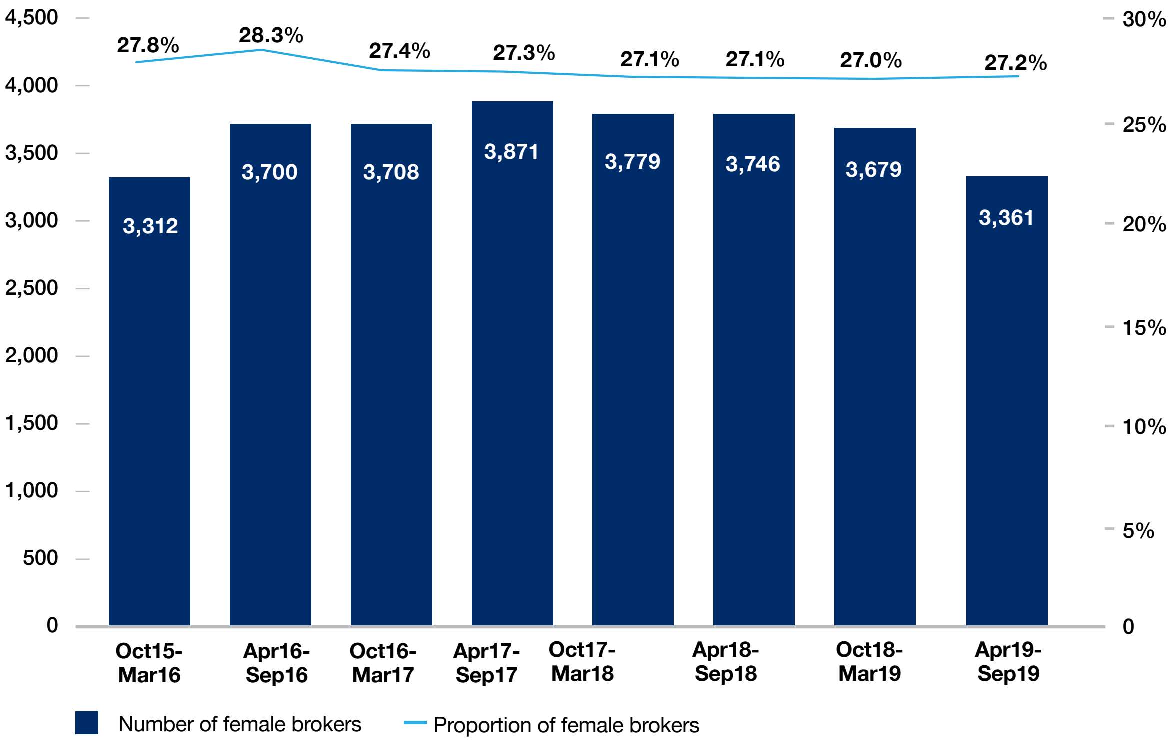
New South Wales and ACT showed more modest growth of $4,597 or 7.7%. Western Australia remains the highest trail-earning state at $72,825.

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 ($)
NSW & ACT	71,814	64,239	136,053
VIC	71,751	58,096	129,848
QLD	64,770	68,131	132,901
WA	50,680	72,825	123,504
SA	63,318	62,591	125,909
TAS	65,960	44,606	110,565
NT	48,679	70,738	119,417
Nationally	**67,650**	**63,752**	**131,402**

Female broker numbers fall in line with overall broker reduction

Number and proportion of female brokers in the industry



As total broker numbers decreased year-on-year, the number of female brokers in the industry also saw a similar declining trend, with 385 fewer female brokers in the industry down 10.3% year-on-year, and a reduction of 318 brokers down 8.6% period-on-period. These figures however must be taken in context as the number of aggregators providing gender specific data fell from nine aggregators for IIS 8 to eight aggregators for this IIS 9.

Despite the decreasing number of female brokers, the proportion of brokers in the industry that are female remained stable, showing only mild fluctuation since the data set was first captured in October 2015 – March 2016.

Number recruited per period, by gender

	Apr15 – Sep15	Oct15 – Mar16	Apr16 – Sep16	Oct16 – Mar17	Apr17 – Sep17	Oct17 – Mar18	Apr18 – Sep18	Oct18 – Mar19	Apr19 – Sep19
Number of men recruited during period	931	972	947	938	1168	892	854	625	630
Number of women recruited during period	475	454	439	360	523	406	371	313	281

Proportion of men and women recruited per period

	Apr15 – Sep15	Oct15 – Mar16	Apr16 – Sep16	Oct16 – Mar17	Apr17 – Sep17	Oct17 – Mar18	Apr18 – Sep18	Oct18 – Mar19	Apr19 – Sep19
% of men recruited during period	66%	68%	68%	72%	69%	69%	70%	67%	69%
% of women recruited during period	34%	32%	32%	28%	31%	31%	30%	33%	31%

The number of new female recruits continues to trend downward overall with a fourth consecutive period of decline. Compared to the last six-month period, the number of female recruits has fallen by 32 or 10.2%, whilst male recruits, increased mildly by five or 0.8%. This is reflected in the mix of gender recruitment, with female composition down two percentage points, whilst male recruits increased by 2%. The proportion of brokers who are female has remained steady for the last five reporting periods, fluctuating no more than three percentage points. Period-on-period, female representation is down slightly from 33% to 31%.

Broker turnover/churn by state and nationally

Broker turnover/churn by state and nationally	The industry average %
NSW & ACT	9.4%
VIC	9.9%
QLD	11.0%
WA	9.0%
SA	9.4%
TAS	7.6%
NT	3.4%
Total nationally	**10.4%**

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. For industry comparisons, it is important to note that this is for six months.

Overall, broker turnover has been relatively stable historically, tracking at levels ~10%.

Nationally, compared to the last period, broker turnover increased by 0.6 percentage points, from 9.8% to 10.4%.

Period-on-period, New South Wales and ACT's churn decreased from 9.8% to 9.4%, Victoria increased from 9.3% to 9.9%.

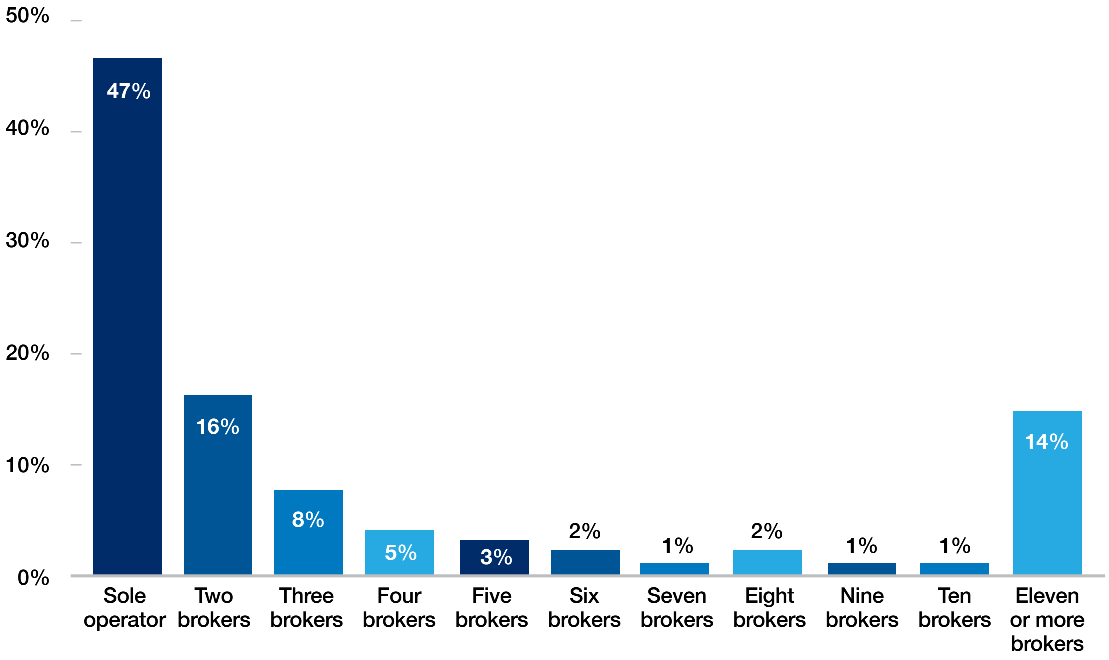
Queensland increased churn from 10.4% to 11%, while Western Australia saw a rise from 7.9% to 9%. South Australia remained steady at 9.4%.

The Northern Territory saw the largest fall from 11.6% to 3.4%, although due to the small number of brokers in NT, a small turnover change can result in a significant percentage change. In Tasmania, churn grew from 6.8% to 7.6%.

Year-on-year, the turnover has fallen mildly from 10.9% to 10.4%.

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

Number of loan writers per broker business, April to September 2019



Note: The data in this chart is based on a sample of 10,223 brokers.

Broker offices made up of sole operators continue to dominate the broker landscape, comprising 47% this period. Although this is down six percentage points from the 53% reported in the last 12 months year-on-year, whilst period-on-period it has been stable and unchanged.

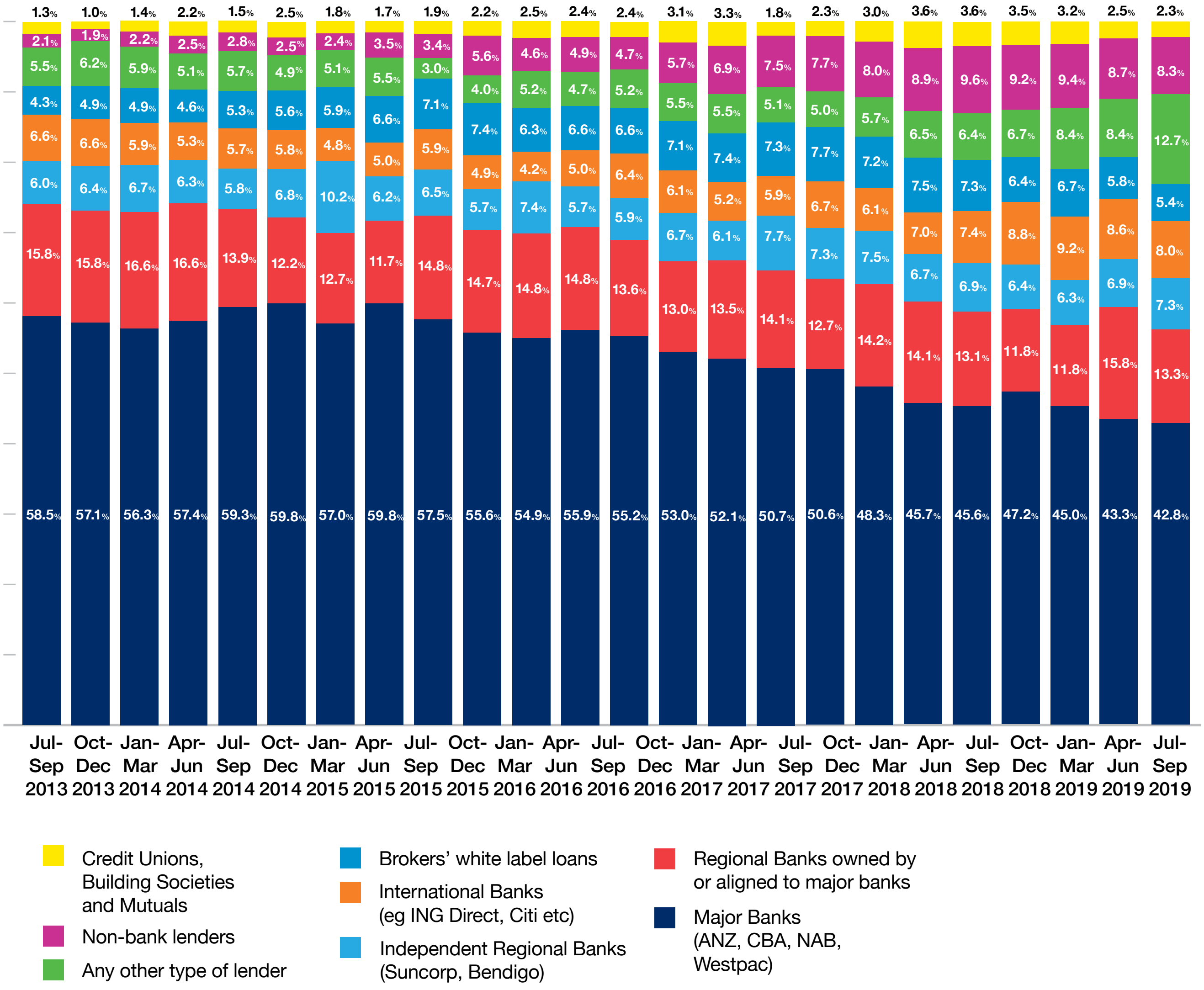
16% of brokers in this period are in two-broker offices, an increase year-on-year from 15%. Three/four/five and eleven or more broker offices have all seen year-on-year increases which indicates a shift away from single broker offices observed previously.

The shift away from single broker offices may suggest that multi-broker businesses are consolidating or merging their number of loan writers. In a challenging market in some instances, brokers may be joining/partnering up with multi-broker offices for cost-efficiencies and survival.

Lender Segments

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

Share of broker-originated lending settled with each lender segment



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

The market share of the major banks continues to decline, recording its lowest level since the survey commenced in 2013 falling to a new low of 42.8%. The major banks have now seen their market share reduce from the high of 59.8% recorded in April-June 2015 to 42.8% as at July-September 2019.

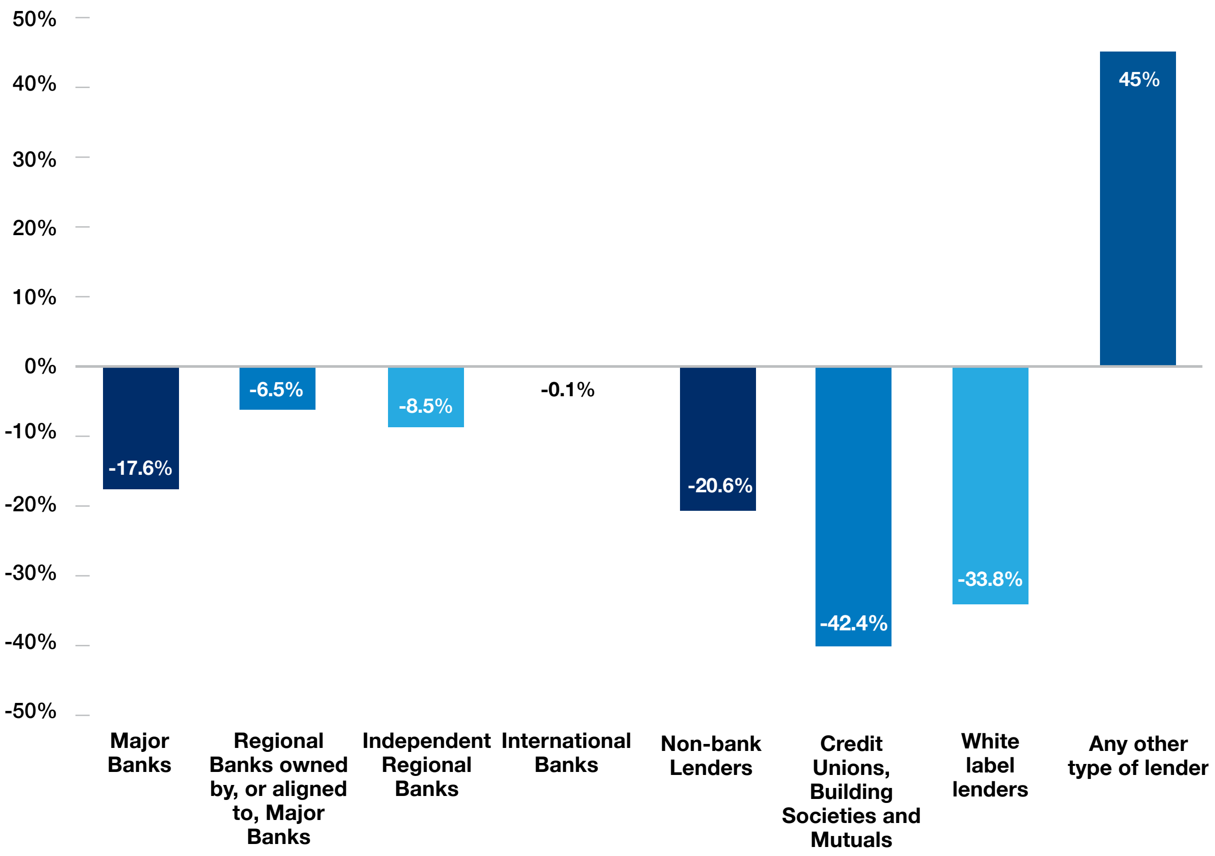
The Other types of lender segment, notably Macquarie, has seen the biggest gain with increased market share from 8.4% (April-June 2019) to its highest market share of 12.7% (July-September 2019), an increase of 51.2% in one quarter alone.

Non-bank lenders, International Banks, White Label lending and Credit Unions have seen two consecutive quarters of decline in market share, whilst the Regional Independents were the only segment to record two consecutive quarters of growth from January-March 2019.

The regionals aligned to the major banks have seen some volatility in the last six months, although the July-September 2019 quarter has seen market share increase by 1.5% compared to the March 2019 quarter, growing from 11.8% to 13.3%.

'Other type of lender' was the only segment to record growth whilst all other lender categories declined.

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

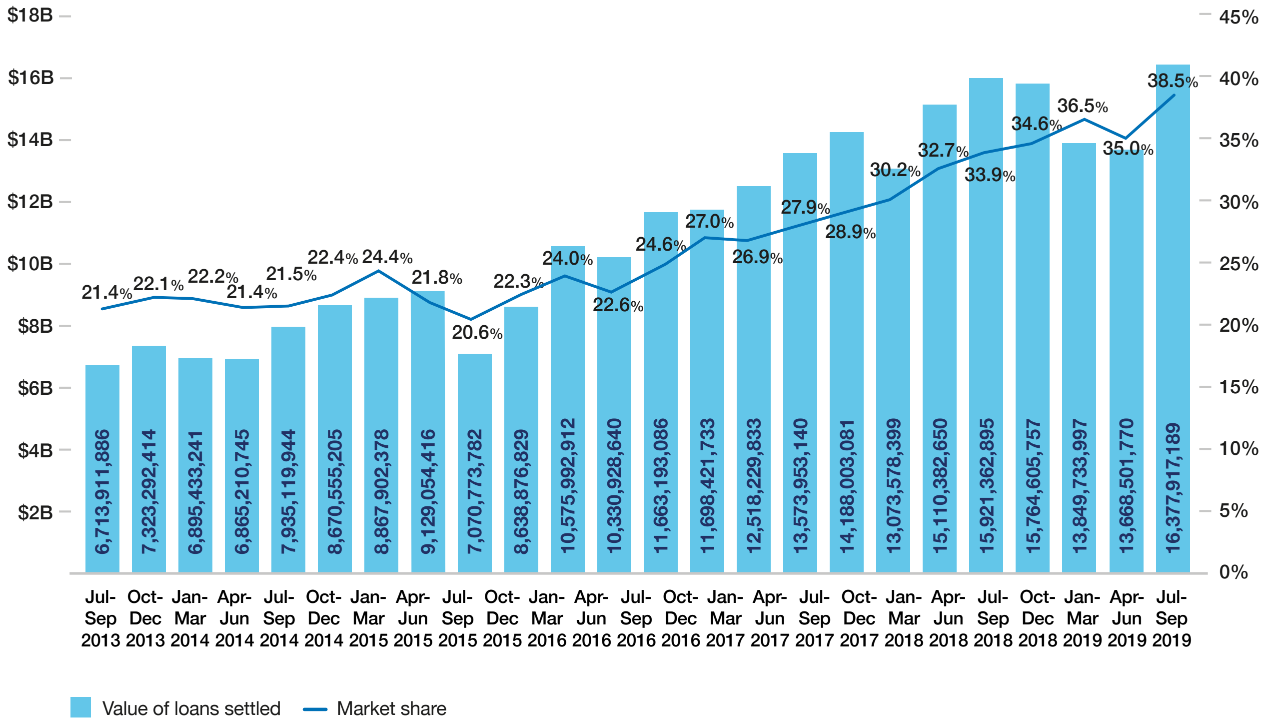


Comparing the six-month period to September 2019 to the previous six months, 'Other type of lender' was the only lender segment to achieve positive growth, with a significant increase of 45% period-on-period by value. This was driven by a large uplift in the value of broker originated lending from Macquarie in the July-September quarter as highlighted earlier.

The major banks recorded a fall in settlements just under 17.6%, International Banks was relatively flat whilst non-bank lenders fell by 20.6%.

The remaining lender segments all recorded declines with large decreases in white label lending, and credit unions, building societies and mutuals.

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-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.

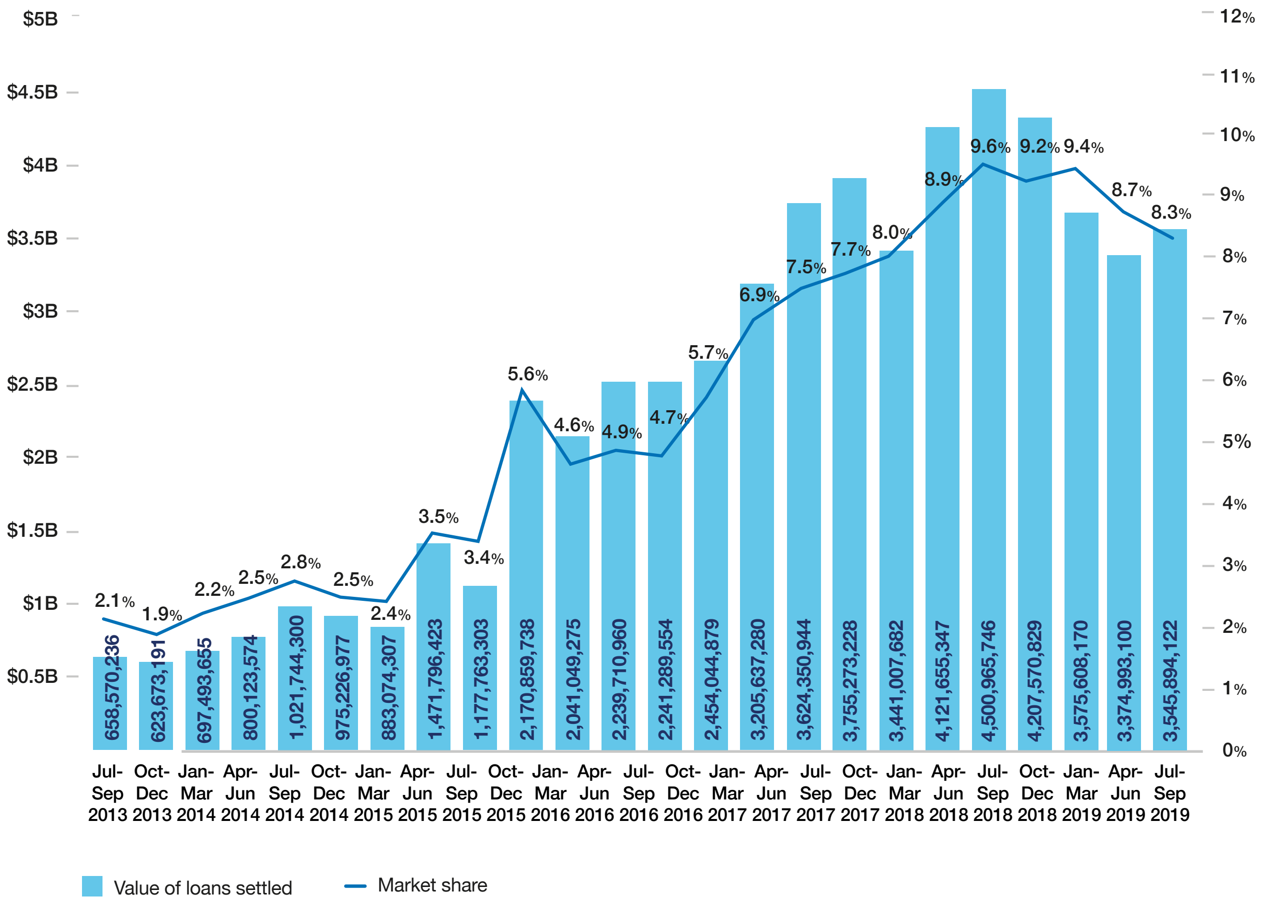
In the July-September 2019 quarter, this segment, including the credit unions, building societies and mutual banks, non-bank lenders, international banks, independent banks, and any other type of lender segments - those that are not in any way affiliated to the major banks – achieved a record high market share of 38.5%, with the value of new loans settled reaching a new record high of $16.38 billion.

The segment has increased its share of the broker-originated market by 5.48% or 2.0 percentage points when compared to the last six months at end of the previous IIS report. Year-on-year, the share has increased by 13.57% or 4.6% points.

This graph continues to demonstrate the competition and choice that mortgage brokers are driving.

The broker-originated business for Non-bank Lending continues to decline in market-share for the last two consecutive quarters.

Value ($) and market share of broker-originated business to non-bank lenders

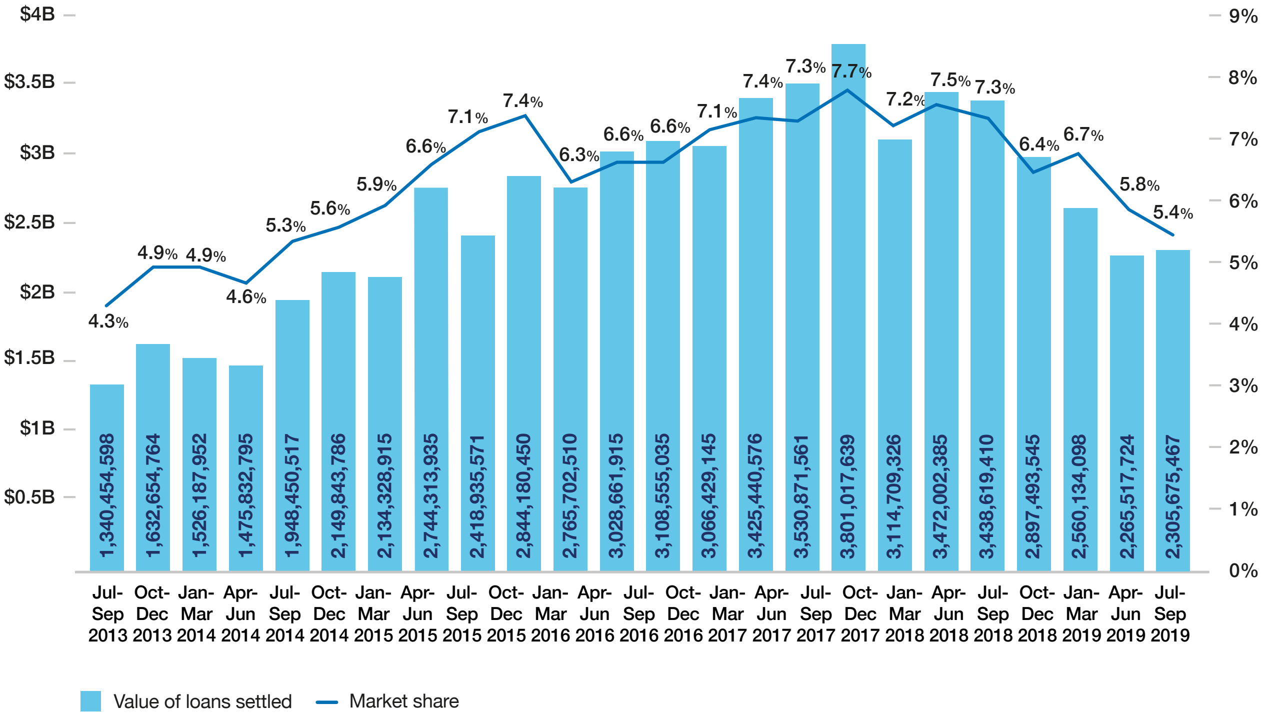


Note: No data was available for July-to-September 2015 Quarter

Although settlement values have increased for the non-bank lending segment in the July-September quarter, this still represented a decline in market-share over the last two consecutive quarters. After reaching its highest share of 9.6% of the market 12 months ago, the segment has seen a declining trend in share throughout 2019 to the current quarter's result of 8.3%, the segment's lowest market share since the January-March 2018 quarter.

Market share of the White Label Home Loan segment has continued to decline falling to levels last seen five years ago.

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



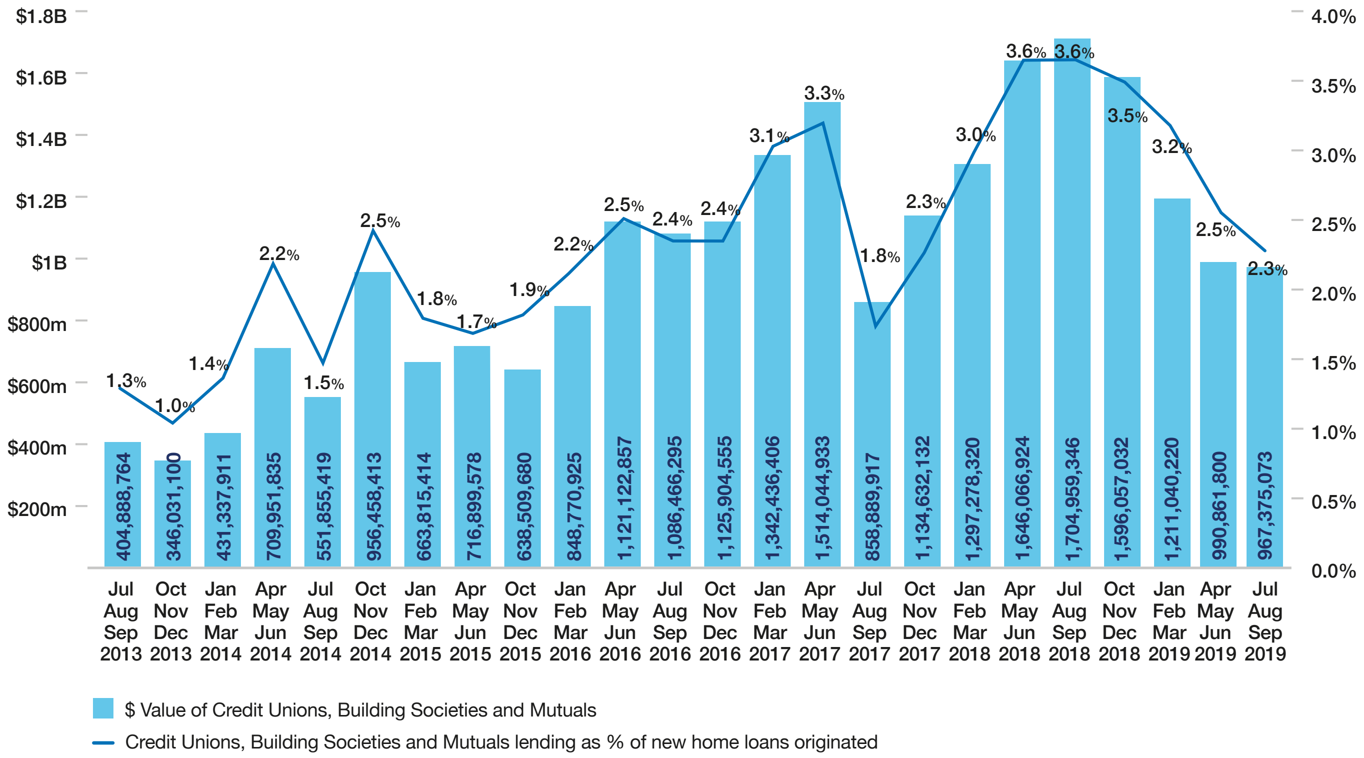
Note: No data was available for July-to-September 2015 quarter. The data embedded in this chart sums the white label lending for only those aggregators that have offered the product consistently over the past four years. As such, it reflects organic growth in the product category. As is commonly known,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

Market share of broker-originated business to white label lenders continues the trend of consecutive quarter-on-quarter decline to a low of 5.4%, levels last seen five years ago in July-September 2014.

Comparing year-on-year, white label lending at the July-September 2018 quarter had 7.3% market share and $3.44 billion in new loan settlements. Over the course of 12 months, share had fallen by 26% or 1.9 percentage points to 5.4%, or $1.13 billion to a low of $2.31 billion in value of new loans settled to levels last seen in early 2015.

The Credit Unions, Building Societies and Mutuals segment recorded a fourth consecutive period of decline with value of settlements falling by 43% in the last 12 months

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



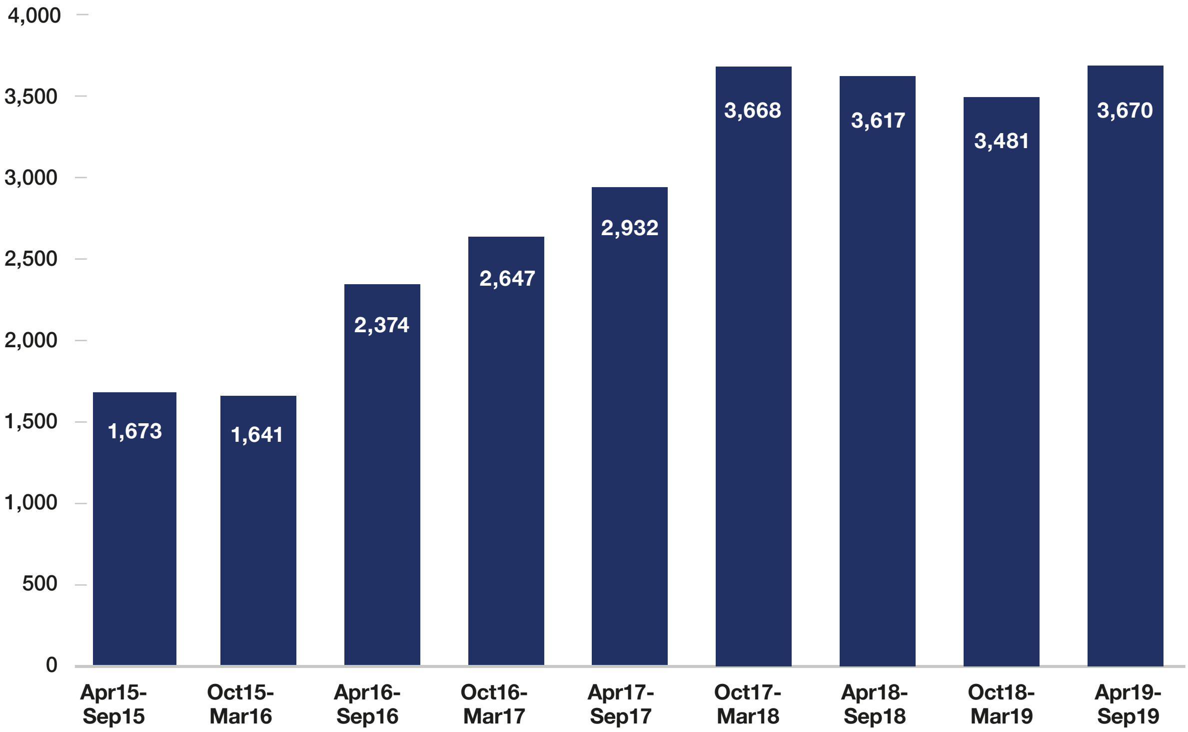
Note: No data was available for July – September 2015 quarter.

After a period of four consecutive quarters of growth and reaching the highest market share and value of new settlements in the September 2018 quarter, Credit Unions, Building Societies and Mutuals has recorded continuous decline over the last four consecutive quarters to September 2019.

Since September 2018, value of settlements has fallen from an all-time high of $1.7 billion to $967 million, down ~$733 million or 43.12% in September 2019, whilst market share fell 36.1% or 1.3 percentage points from 3.6% to 2.3%. Both market share and value of settlements fell to levels last seen two years ago.

Commercial Broking

Number of mortgage brokers also writing commercial loans



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

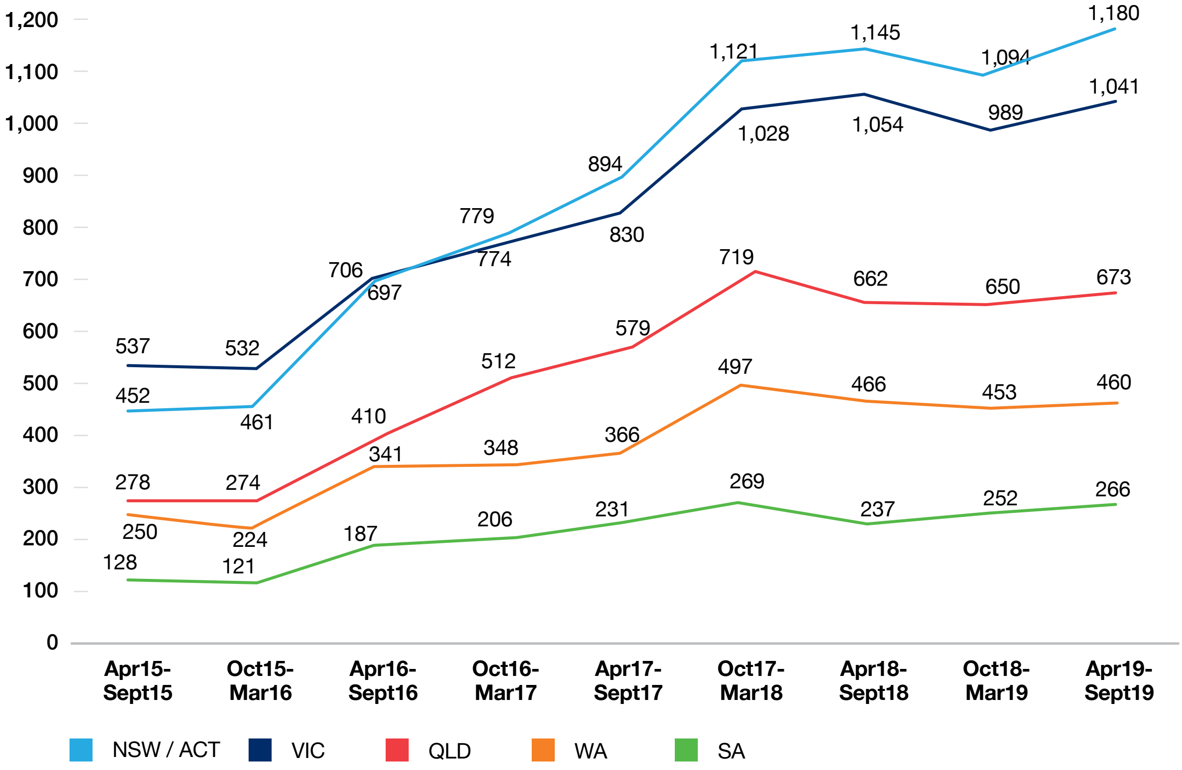
After two consecutive periods of decline the number of mortgage brokers also writing commercial loans has increased in the April-September period to a new high of 3,670 brokers, marginally exceeding the previous record high of 3,668 brokers in the October-March 2018 period.

Year-on-year, this represented an increase of 53 brokers or 1.47%.

Compared to the previous six-month period, this was up 189 mortgage brokers or 5.43%.

The uplift in broker numbers writing commercial lending suggests that in a challenging home loan market, more brokers are turning to diversifying into this sector, expanding their portfolio beyond just residential home loans into other growth sectors.

Number of mortgage brokers writing commercial loans, by state

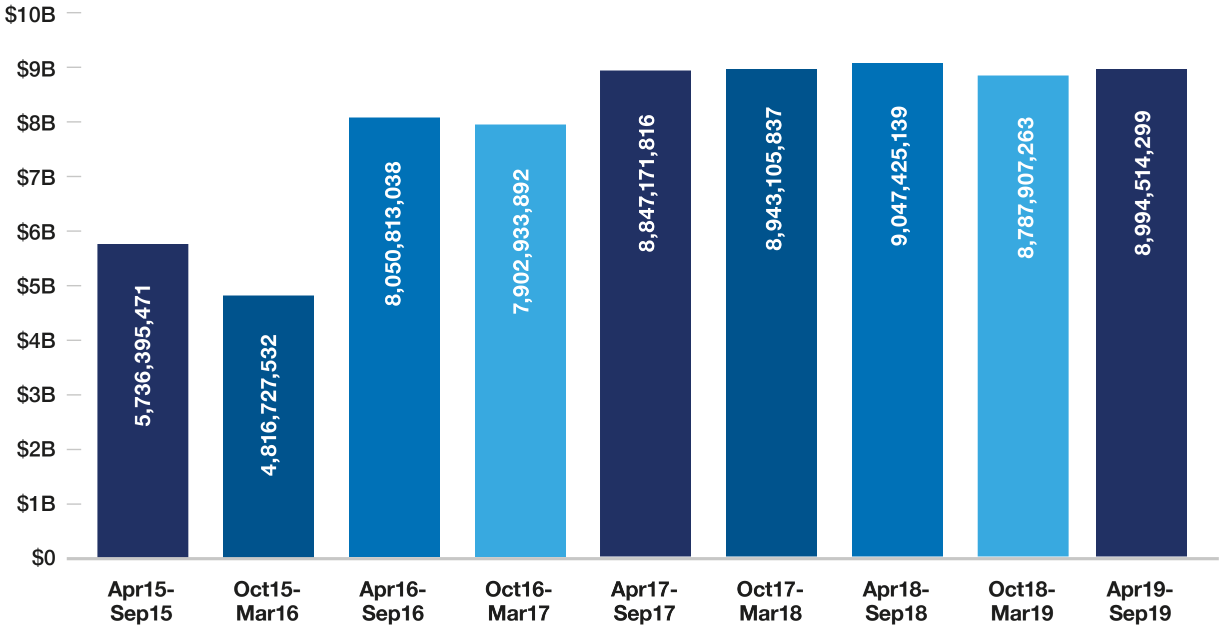


Note: Commercial brokers as those mortgage brokers who had written a commercial loan through their aggregator's panel for the period. Mortgage brokers who solely wrote loans direct with lenders are not included. Due to the scale of the Y-axis labels, graph excludes data for Tasmania.

At the state level, the number of mortgage brokers writing commercial loans in the April – Sept 2019 six-month period has grown across all the major states, after a decline in the previous six months.

Period-on-period, the largest increases were in New South Wales and ACT (by 86 brokers or 7.86%), and Victoria (by 52 brokers or 5.26%). The other states measured, Queensland, South Australia and Western Australia, had milder increases in the number of mortgage brokers writing commercial loans, and this accounted for the overall national growth.

Value of commercial lending settled by mortgage brokers ($)

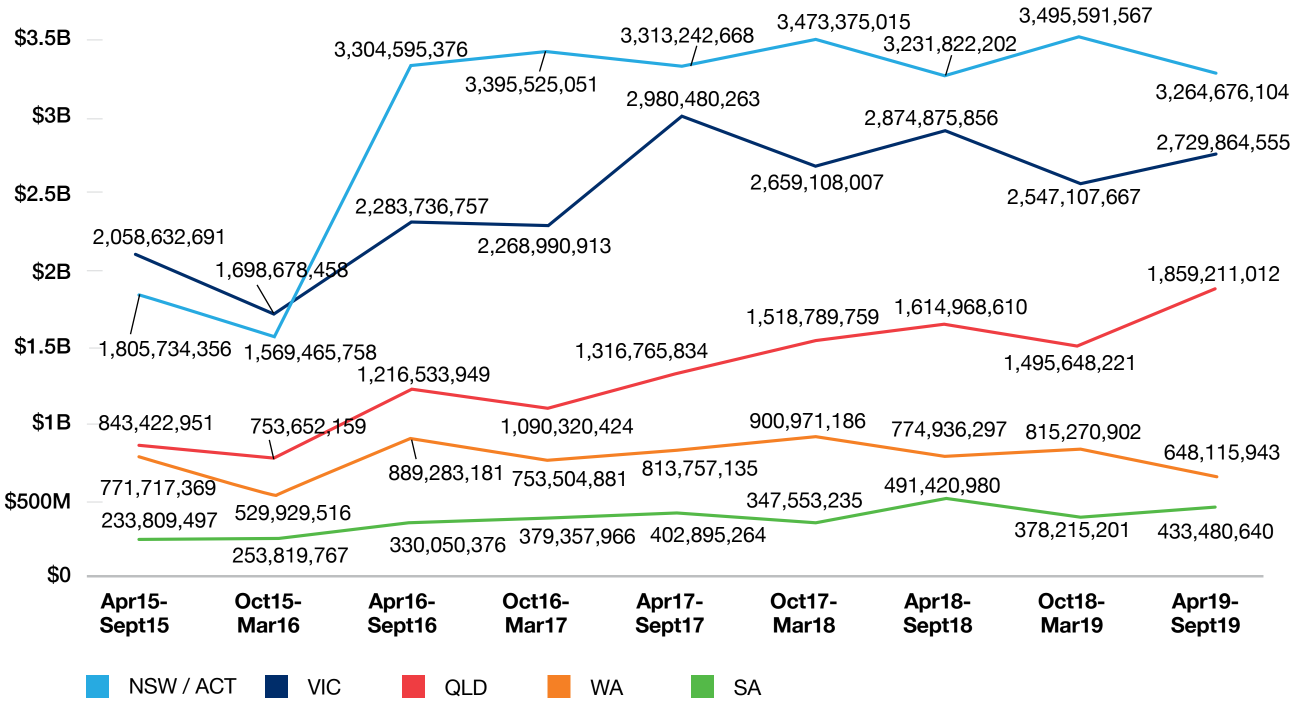


Note: Commercial brokers as those mortgage brokers who had written a commercial loan through their aggregator's panel for the period. Mortgage brokers who solely wrote loans direct with lenders are not included.

The value of commercial loans settled by mortgage brokers has rebounded and increased after the decline of the previous six months, reaching its second highest value at just under $9 billion in the April-September 2019 reporting period. The value of commercial loans settled by mortgage brokers increased by $207 million or 2.36% from $8.79 to $8.99 billion period-on-period.

The trend in the value of commercial lending appears to have reached a peak at ~$9 billion, with the results from the last five six-monthly periods continuing to show a flat trajectory tracking around this value.

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



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

At the state level, despite the growth and increase in the number of commercial brokers and value of lending compared to the previous period, there is volatility in the state-based results.

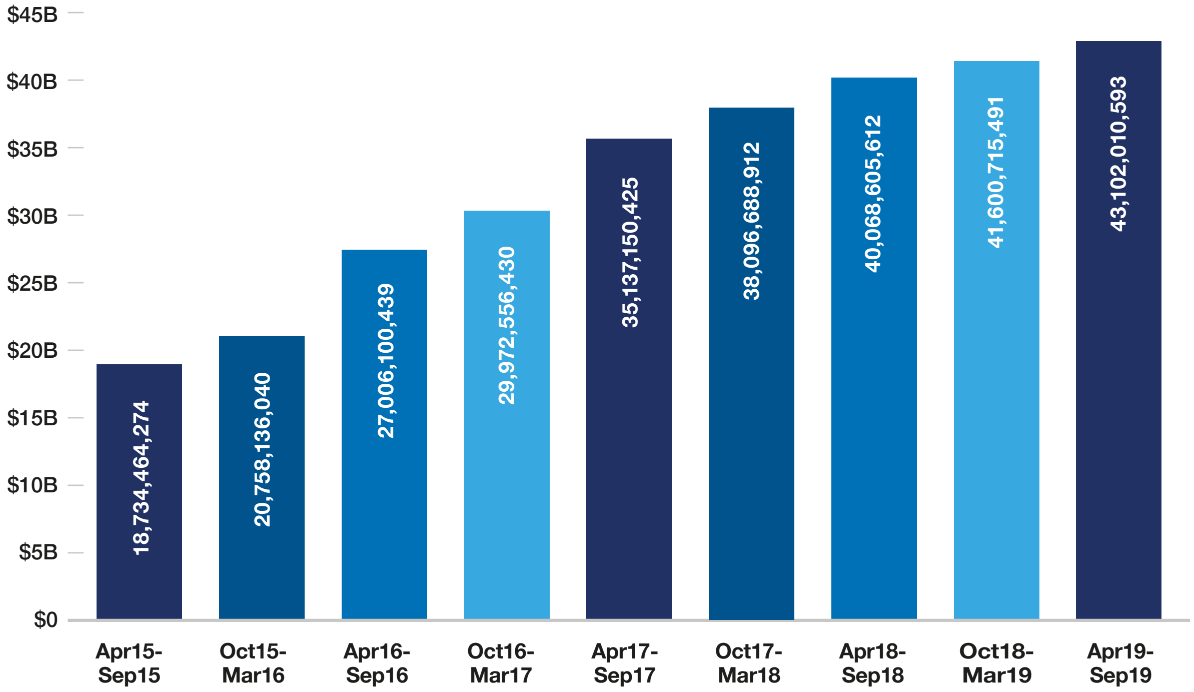
New South Wales and ACT shows volatility with the value of commercial lending falling to similar levels 12 months ago, at $3.26 billion, a decrease of $231 million or 6.6% decline from the previous period.

Victoria has rebounded with the value of commercial lending settled increasing to $2.73 billion in the last six months.

Queensland recorded the highest rebound in the current reporting period, with $363 million increase to $1.86 billion in value of commercial lending.

South Australia recorded a mild increase in the current period, whilst Western Australia fell as the values for the two states converge.

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

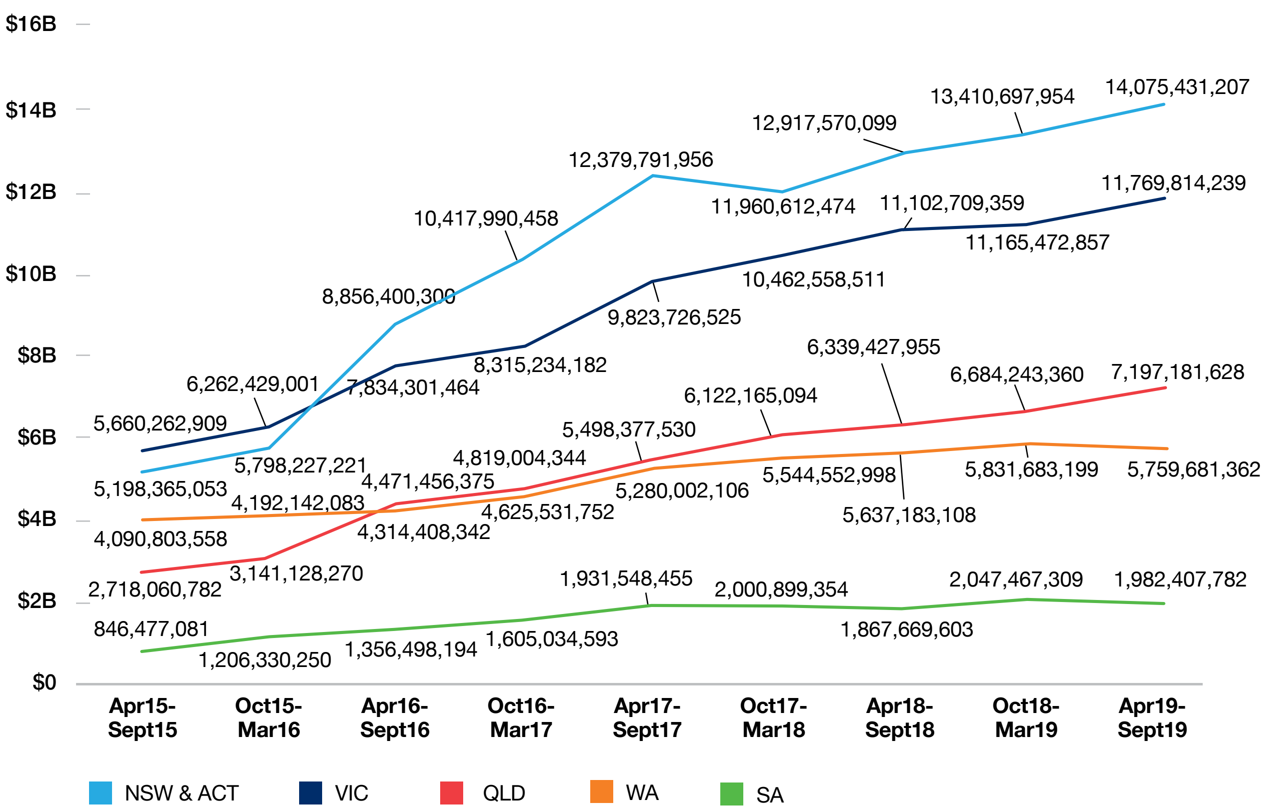


Note: Commercial brokers as those mortgage brokers who had written a commercial loan through their aggregator's panel for the period. Mortgage brokers who solely wrote loans direct with lenders are not included.

The total book value of commercial lending for mortgage brokers continues to grow, reaching a record high of $43.1 billion, whilst the rate of growth appears to be stabilising.

Period-on-period, the commercial book value has increased by $1.5 billion or 3.61%, year-on-year the value has increased by $3.03 billion or 7.57%.

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



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

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

New South Wales and ACT's book value continues to grow to a new high of $14.07 billion representing an increase of $664 million or 4.95% since the last period, the rate of growth appears more rapid than Victoria's and continues the state's overall growth trajectory.

Victoria's rate of growth has also picked up and increased experiencing a $604 million or 5.41% uplift since the last period to its current total book of $11.77 billion.

Queensland continues its solid and consistent growth, up $513 million or 7.68% to $7.2 billion.

Western Australia and South Australia both recorded mild decreases with values both tapering off from the previous six months.

State-by-state analysis

NSW and ACT

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

During the April-September 2019 period, NSW and ACT brokers settled $33.39 billion in home loans compared to $38.55 billion during the equivalent 2018 period, a decline of 13.4%. The average value settled was $6.23 million, down 13.8% compared to $7.23 million last year.

These results, although down, contributed to a growth in value of the state's overall home loan book, up by 5.7%, from $244.85 billion to $258.84 billion.

On an individual basis, the average New South Wales and ACT broker settled $5.52 million in home loans for the period per broker, down 11.8% year-on-year, from $6.26 million. This result contributed to the increase in value of the average loan book value of $42.83 million per broker, from $39.76 million a year ago, up 7.7%.

The population of 6,044 brokers for the period – down compared to 6,158 a year ago, lodged on average 13.4 loans. This equates to a total of 78,991 loans lodged for the state, for the period, down 0.7% compared to a year ago at 79,578.

Home to 36.4% of the national population of brokers, New South Wales and ACT brokers settled 38.7% of the national value of home loans settled – a favourable relationship between metrics.

Brokers earned $71,814 gross up-front for the period, compared to $81,391 the previous year, and $64,239 gross trail for the period, compared to $59,642 last year, for a combined gross commission of $136,053. In total, this was down by 3.5% from a year ago.

VIC

During the April-September 2019 period, Victorian brokers settled $27.14 billion in home loans compared to $31.77 billion during the April-September 2018 period, down 14.6%. The average value settled was $6.23 million, down 16.7% compared to $7.47 million last year.

These results contributed to the growth in value of the state's overall home loan book, up by 8.9%, from $174.87 billion to $190.52 billion.

On an individual basis, the average broker settled $5.52 million in home loans for the period per broker, down 12.8% year-on-year, from $6.33 million. This result contributed to the increase in value of the average loan book value of $38.73 million per broker, from $34.82 million a year ago, up 11.2%.

The population of 4,919 brokers for the period – down compared to 5,022 a year ago, lodged on average 17 loans. This equates to a total of 81,276 loans lodged for the state, for the period, down 3.9% compared to a year ago at 84,587.

Home to 29.6% of the national population of brokers, Victorian brokers settled 31.4% of the national value of home loans settled – a favourable relationship between metrics.

Brokers earned $71,751 gross up-front for the period, compared to $82,252 the previous year, and $58,096 gross trail for the period, compared to $52,232 last year, for a combined gross commission of $129,848. In total, this was down by 3.4% from a year ago.

QLD

During the April-September 2019 period, Queensland brokers settled $12.53 billion in home loans compared to $13.48 billion during the April-September 2018 period, a decline of 7.1%. The average value settled was $5.44 million, down 6.5% compared to $5.82 million last year.

These results contributed to the growth in value of the state's overall home loan book, up by 4.3%, from $109.48 billion to $114.19 billion.

On an individual basis, the average broker settled $4.98 million in home loans for the period per broker, down 2.7% year-on-year, from $5.12 million. This result contributed to the increase in value of the average loan book value of $45.42 million per broker, from $41.58 million a year ago, up 9.2%.

The population of 2,2,514 brokers for the period – down compared to 2,633 a year ago, lodged on average 18.2 loans. This equates to a total of 44,569 loans lodged for the state, for the period, down 2.5% compared to a year ago at 45,700.

Home to 15.1% of the national population of brokers, Queensland brokers settled 14.5% of the national value of home loans settled.

Brokers earned $64,770 gross up-front for the period, compared to $66,541 the previous year, and $68,131 gross trail for the period, compared to $62,373 last year, for a combined gross commission of $132,901. In total, this was up by 3.1% from a year ago.

WA

It was another tough period for Western Australia.

During the April-September 2019 period, Western Australian brokers settled $7.43 billion in home loans compared to $8.2 billion during the April-September 2018 period, a decline of 9.3%. The average value settled was $4.29 million, down 7.8% compared to $4.65 million last year.

These results contributed to the growth in value of the state's overall home loan book, up by 3.0%, from $89.91 billion to $92.58 billion.

On an individual basis, the average broker settled $3.9 million in home loans for the period per broker, down 4.8% year-on-year, from $4.09 million. This result contributed to the increase in value of the average loan book value of $48.55 million per broker, from $44.91 million a year ago, up 8.1%.

The population of 1,907 brokers for the period – down compared to 2,002 a year ago, lodged on average 13.3 loans. This equates to a total of 22,672 loans lodged for the state, for the period, down 3.1% compared to a year ago at 23,395.

Home to 11.5% of the national population of brokers, Western Australian brokers settled 8.6% of the national value of home loans settled.

Brokers earned $50,680 gross up-front for the period, compared to $53,229 the previous year, and $72,825 gross trail for the period, compared to $67,367 last year, for a combined gross commission of $123,504. In total, this was up by 2.4% from a year ago.

SA

During the April-September 2019 period, South Australian brokers settled $4.95 billion in home loans compared to $4.97 billion during the April-September 2018 period, down 0.5%. The average value settled was $5.41 million, down 4.5% compared to $5.67 million last year.

These results contributed to the growth in value of the state's overall home loan book, up by 3.4%, from $41.01 billion to $42.39 billion.

On an individual basis, the average broker settled $4.87 million in home loans for the period per broker, up 0.9% year-on-year, from $4.83 million. This result contributed to the increase in value of the average loan book value of $41.73 million per broker, from $39.81 million a year ago, up 4.8%.

The population of 1,016 brokers for the period – down compared to 1,030 a year ago, lodged on average 21.1 loans. This equates to a total of 20,131 loans lodged for the state, for the period, up 0.1% compared to a year ago, at 20,111.

Home to 6.1% of the national population of brokers, South Australian brokers settled 5.7% of the national value of home loans settled.

Brokers earned $63,318 gross up-front for the period, compared to $62,750 the previous year, and $62,591 gross trail for the period, compared to $59,720 last year, for a combined gross commission of $125,909. In total, this was down up 2.8% from a year ago.

TAS

Tasmania had another strong period.

During the April-September 2019 period, Tasmanian brokers settled $705.26 million in home loans compared to $717.34 million during the April-September 2018 period, down by 1.7%. The average value settled was $5.98 million, down 10.8% compared to $6.7 million last year.

These results contributed to the growth in value of the state's overall home loan book, up by 7.3%, from $3.85 billion to $4.13 billion.

On an individual basis, the average broker settled $5.07 million in home loans for the period per broker, down 8.8% year-on-year, from $5.56 million. This result contributed to the increase in value of the average loan book value of $29.74 million per broker, from $29.85 million a year ago, down 0.4%.

The population of 139 brokers for the period – up compared to 129 a year ago, lodged on average 20 loans. This equates to a total of 2,904 loans lodged for the state, for the period, up considerably, by 14.4% compared to a year ago, at 2,554.

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

Brokers earned $65,960 gross up-front for the period, compared to $72,291 the previous year, and $44,606 gross trail for the period, compared to $44,779 last year, for a combined gross commission of $110,565. In total, this was down by 5.6% from a year ago.

NT

During the April-September 2019 period, Northern Territory brokers settled $217.18 million in home loans compared to $229.21 million during the April-September 2018 period, a decline of 5.2%. The average value settled was $4.26 million, down by 3.4% compared to $4.41 million last year.

These strong results helped increase the value of the Territory's overall home loan book, up by 14.3%, from $2.39 billion to $2.74billion.

On an individual basis, the average broker settled $3.74 million in home loans for the period per broker, up 7.8% year-on-year, from $3.47 million. This strong result also helped to bolster the value of the average loan book value at $47.16 million per broker, from $36.26 million a year ago, up 30.1%.

The population of 58 brokers for the period – down compared to 66 a year ago, lodged on average 11.4 loans. This equates to a total of 659 loans lodged for the territory, for the period, down 6.4% compared to a year ago, at 705.

Home to less than one per cent (0.3%) of the national population of brokers, Northern Territory brokers settled 0.3% of the national value of home loans settled.

Brokers earned $48,679 gross up-front for the period, compared to $45,147 the previous year, and $70,738 gross trail for the period, compared to $54,384 last year, for a combined gross commission of $119,417. In total, this was up by 20% from a year ago.

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

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

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

The IIS Report profiles quantitative variables including:

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

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

Individual results for participating aggregators are completely confidential and are never

provided to the MFAA, nor to other aggregators or brokers.

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

CoreLogic®
Comparator

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MFAA
MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA

MFAA INDUSTRY INTELLIGENCE SERVICE

9TH EDITION

Benchmark your business

For the six month period
1 April 2019 – 30 September 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	$5.5 million		
Average number of new home loan applications lodged per active broker in each state and in total during the 6 month period	18.1 loans	14.2 loans		
Average value of the home loan book per broker in each state and in total, at the end of the period	$42.5 million	$42.8 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	$67,650	$71,814		
Average gross trail remuneration generated per broker, prior to costs per annum	$63,752	$64,239		
Average gross remuneration generated per mortgage broker, prior to costs per annum	$131,402	$136,053		

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	$5.5 million		
Average number of new home loan applications lodged per active broker in each state and in total during the 6 month period	18.1 loans	17.9 loans		
Average value of the home loan book per broker in each state and in total, at the end of the period	$42.5million	$38.7 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	$67,650	$71,751		
Average gross trail remuneration generated per broker, prior to costs per annum	$63,752	$58,096		
Average gross remuneration generated per mortgage broker, prior to costs per annum	$131,402	$129,848		

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	$5 million		
Average number of new home loan applications lodged per active broker in each state and in total during the 6 month period	18.1 loans	19.1 loans		
Average value of the home loan book per broker in each state and in total, at the end of the period	$42.5million	$45.4 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	$67,650	$64,770		
Average gross trail remuneration generated per broker, prior to costs per annum	$63,752	$68,131		
Average gross remuneration generated per mortgage broker, prior to costs per annum	$131,402	$132,901		

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	$3.9 million		
Average number of new home loan applications lodged per active broker in each state and in total during the 6 month period	18.1 loans	14 loans		
Average value of the home loan book per broker in each state and in total, at the end of the period	$42.5million	$48.5 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	$67,650	$50,680		
Average gross trail remuneration generated per broker, prior to costs per annum	$63,752	$72,825		
Average gross remuneration generated per mortgage broker, prior to costs per annum	$131,402	$123,504		

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	$4.9 million		
Average number of new home loan applications lodged per active broker in each state and in total during the 6 month period	18.1 loans	21.7 loans		
Average value of the home loan book per broker in each state and in total, at the end of the period	$42.5million	$41.7 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	$67,650	$63,318		
Average gross trail remuneration generated per broker, prior to costs per annum	$63,752	$62,591		
Average gross remuneration generated per mortgage broker, prior to costs per annum	$131,402	$125,909		

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	$5.1 million		
Average number of new home loan applications lodged per active broker in each state and in total during the 6 month period	18.1 loans	20.6 loans		
Average value of the home loan book per broker in each state and in total, at the end of the period	$42.5million	$29.7 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	$67,650	$65,960		
Average gross trail remuneration generated per broker, prior to costs per annum	$63,752	$44,606		
Average gross remuneration generated per mortgage broker, prior to costs per annum	$131,402	$110,565		

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	$3.7 million		
Average number of new home loan applications lodged per active broker in each state and in total during the 6 month period	18.1 loans	12.7 loans		
Average value of the home loan book per broker in each state and in total, at the end of the period	$42.5million	$47.2 million		
Average gross up-front remuneration generated per broker, prior to costs per annum	$67,650	$48,679		
Average gross trail remuneration generated per broker, prior to costs per annum	$63,752	$70,738		
Average gross remuneration generated per mortgage broker, prior to costs per annum	$131,402	$119,417		

My key actions

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