



## How Brokers Make the Mortgage Markets Better

A new report published by DAE (Deloitte Access Economics) mortgage brokers makes the mortgage markets work better. They expand choices and boost competition between market lenders, which pushes them to provide superior customer service and more competitive mortgage pricing.

DAE's report is *The Value of Mortgage Broking* and it was published 24 July 2018. It outlines the evolution, expansion, and the role mortgage brokers play in Australian mortgage lending. It also discusses the impact broking has on Australia's economy, lender value proposition, and customer value proposition.

The report was released in the face of the increased scrutiny of the broker sector (the ordeal of broker remuneration), the focus of the PC's (Productivity Commission) review of the Australian financial system competition and the financial services royal commission.

The aim of the DAE report is to provide the most "up-to-date body of information" about the mortgage industry to broaden the information about the role of mortgage brokers in the market for policymakers. It explains how important brokers are to the economy, the consumer, and to small lenders.

The DAE report is 47-pages and it took six months of research and data gathering to complete. It is broken up into four parts.

- The dimensions and the history of the brokering industry - The value mortgage brokering brings to the economy - The benefits and outcomes for consumers - The value potential of brokers for lenders

Bringing data forward from a vast range of sources such as the ASIC, MFAA (Mortgage & Finance Association of Australia), the ABS, and articles from *The Advisor*, their report uncovers new data they collected from a nationally represented survey of 1,635 brokers (independent and those who work in a group setting), consults with industry professionals and participants, and a focus group workshop that included mortgage brokers.

### The Key Findings

The DAE Survey said:

- On average, sole trader mortgage brokers earn an income of \$86,417. - Broker businesses with more than one broker reported earning an average of \$119,838. - 73 per cent of working mortgage brokers work full-time. - 90 per cent of sole traders work full-time. - 23 per cent of brokers' customers are first-time home buyers. - Over half (57.3 per cent) of brokers' clients are residential owner-occupiers. - The average mortgage broker has 13.8 years of experience. - 70 per cent of the broker's business is from their existing client base. - The brokering industry sustained 27,144 full-time jobs in 2016-2017. - There are around 7,115 people working in supporting roles in the brokering business. - 70 per cent of mortgage brokers are credit representatives. - 64 per cent of mortgage brokers have training and education above the minimum entry qualifications – Certificate IV in Finance & Mortgage Brokering. - The brokering industry supplies \$2.9 billion to Australia's economy every year. More discoveries included the confirmation that lodging loan applications and the management of said process all the way to the settlement require the most time from brokers (only 12 per cent of their time is spent after the settlement). Additionally, the average mortgage broker has access to a network of 34 different lenders and uses around 10 of them on average.

The DAE report confirmed that "mortgage brokers sell more loans than lenders' own distribution channels (e.g. through branches, mobile lenders, and over the telephone)", using the statistics from the MFAA that showed that the mortgage brokers' share of new residential loan settlements attained

55.7 per cent by value during the September 2017 quarter.

More insights from the report included how mortgage brokers encourage competitive pricing and boost consumer's options and services. It reads, "Overall, mortgage brokers make mortgage markets work better. They are intermediaries that provide consumers with information about the mortgage products available and the process to follow in applying for a mortgage."

It continues, "Mortgage brokers also provide lenders with an additional channel to arrange loans. Mortgage brokers increase choice and competition between lenders, leading to better service levels and competitive mortgage pricing."

"Mortgage brokering is also an industry in its own right, providing direct employment opportunities and supporting employment in other industries... A continually improving mortgage brokering sector will be good for consumers, lenders and the economy. Along with changing technology, consumer preferences and broader finance industry changes, regulation and self-regulation/co-regulation will shape the future of an industry that has evolved considerably over a number of decades since its emergence in Australia."

#### Feeding the Public Debate with Fact-Based Data

Mike Thomas, the Deloitte Access Economics Director, spoke with The Adviser and said, "This has been a very large information gathering exercise that has taken well over six months. Putting a survey out into the field, getting the data back, processing all the data...going through the written report, updating the data as new data came to hand and the getting it to the final stage really (meant it) was an extensive body of work."

Mr Thomas said DAE was asked to put together a fact-based report for the public and for policymakers with the onset of all the scrutiny the industry has faced over the past several months/years. It needed to have evidence and be carried out in an informed way to ensure accuracy.

It's important that policymakers and regulators have a sound evidence base from which to work before making changes that could turn not only an industry, but the Australian economy on its ear.

According to Mike Felton, the CEO of the Mortgage & Finance Association of Australia, this report shows the many positive influences brokers have in the industry and the vulnerability of brokers who make only \$86,400 per year. This way, they can ascertain how making alterations to the brokering industry could adversely affect that income. Therefore, the report went above and beyond its original intentions.

Peter White, executive director of the FBAA (Finance Brokers Association of Australia), says that customer satisfaction drives the brokering industry and that their referral and return style business pushes brokers to know and understand everything about their customers in order to help them find their ideal mortgage. Over 90 per cent of home buyers say they are happy with the performance of their broker.

Mortgage brokers are dedicated and experienced professionals who strive to create a quality experience for their clients. That is partly driven by the fact that this is a referral and return style industry.

Mr White is hopeful that the report will create a clearer and more concise understanding of the industry and how it works. That was the goal of having an independent, highly reputable entity perform the research and reporting.

He continued by stating that this report isn't of the industry's self-interest, but instead is a solid report that can be confidently cited due to the quality of

the research and the neutrality of Deloitte.

The survey and report show a vast difference in how the general public sees the industry as a helpful and effective channel for obtaining a mortgage, which defies how the media scrutinizes and criticizes it.

The MFAA plans to launch a huge marketing campaign across Australia intended to promote the value of brokers to the public, while working towards debunking misreporting and myths related to brokering within the mainstream media channels.

If you are looking for a mortgage broker Sydney, please call First Choice Mortgage Brokers on 1800 111 455.

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