Response of
AHL Investments Pty Ltd ABN 27 105 265 861
Australian Credit Licence Number 246786

to

Issue 2.4 "*Trail Income Commission*" in the
NSW Government Consultation Paper – July 2018
"Easy and Transparent Trading – Empowering Consumers and Small Business"
(published by NSW Fair Trading)

Aussie's Response uses some key terms which, for ease, are defined in Appendix 1.

Aussie is one of the largest aggregators in the home loan market in Australia. A summary of how the home loan market in Australia is structured and the respective functions of lenders, aggregators, mortgage brokers and consumers is contained in the Deloitte (July 2018) Report.[1]

This is a response by Aussie to issue 2.4 "*Trail Income Commission*", pages 35 to 38, of the NSW Government Consultation Paper – July 2018 "*Easy and Transparent Trading – Empowering Consumers and Small Business*" ("**NSWFT Issue 2.4**").

1. The home lending market is significant in the Australian financial system and broader economy. In the year to September 2017, in Australia, mortgage brokers arranged an estimated $197 billion of new residential home loans.[2]

2. The mortgage broking industry operates Australia wide. In its own right it contributes some $2.9 billion in gross value added to the Australian economy each year.[3] Further:

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[1] (a) A diagram of the mortgage distribution ecosystem appears in the Deloitte (July 2018) Report at Figure 2.2, p.6.
(b) A summary of the respective functions of lenders, aggregators, mortgage brokers and consumers is contained in the Deloitte (July 2018) Report at p.6-7.
(c) The ASIC (2017) Report 516 at [14] and p.65-127 provides a more detailed understanding of the home loan and lending market and the role of aggregators and mortgage brokers in that market.

[2] (a) Deloitte (July 2018) Report at p.4.
(b) The estimated $197 billion excludes small brokers and aggregators: Deloitte (July 2018) Report at p.4.

[3] Deloitte (July 2018) Report at p.vi and 20-21.

> *"The mortgage broking industry directly employed an estimated 22,215 people, full time and part time, in Australia at the end of September 2017, servicing all parts of Australia. … The mortgage broking industry … indirectly supports the employment of 6,874 FTE workers in other Australian businesses."*[4]

3. The annual economic contribution of the mortgage broking industry, Australia wide, equates to other significant, well known, industries in terms of:

   (a) gross value added: for example, industries such as cement, lime and re-mixed concrete manufacturing, dairy product manufacturing and the motion picture and sound recording industries;[5]

   (b) employment: for example, the waste collection, treatment and disposal services, electricity generation and iron and steel manufacturing industries.[6]

4. Mortgage brokers, also known as brokers, play an increasingly important role in the home loan market. They now arrange more than half of all home loans in Australia.[7] Consumers are using brokers by choice and preference, not because they have to. Consumers are increasingly using brokers to assist them in obtaining a home loan. In the five year period, from 2012 to 2017, there has been an 8% increase in the number of home loans arranged through brokers. In 2012, brokers arranged some 47.4% and by the September quarter of 2017 they arranged approximately 55.7% of home loans.[8]

5. Consumers actively seek choice in the home lending market. Consumers do not want a home loan market where they are inevitably driven to the major lenders, with a limited range of available home loan products available, as occurred in the past.

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[4] Deloitte (July 2018) Report p.vii.
[5] Deloitte (July 2018) Report at p.21.
[6] Deloitte (July 2018) Report at p.21.
[7] ASIC (2017) Report 516 at [18].
[8] (a) ASIC (2017) Report 516 at [18].
(b) Deloitte (July 2018) p.4, Chart 2.1.

6. Consumers, not lenders, have driven this growth in the mortgage broking industry. The Productivity Commission found that:

> *"… in light of consumers increasingly approaching brokers to obtain home loans, lenders have chosen to make their loans available through the broker channel as a matter of commercial necessity, rather than as an active strategic decision."*[9]

7. Mortgage brokers have delivered fundamental change in the home loan market. Mortgage brokers have delivered choice, competition, over time delivering a large pool of available lenders, lending products and lower interest rates. Consumers are also becoming more financially literate through their interactions with mortgage brokers.[10]

8. ASIC has stated:

> *"20. Brokers can play an important role in promoting good consumer outcomes and strong competition in the home loan market.*
>
> *21. From a consumer outcomes perspective, in a well-performing market brokers can help:*
>
> *(a) match the needs of the consumer with the right home loan product and lender;*
>
> *(b) navigate the home loan application process, which can be daunting to many consumers; and*
>
> *(c) improve consumer understanding of home loans and financial literacy.*
>
> *22. From a competition perspective, brokers have the potential to:*

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[9] PC (June 2018) Report 89 p.315.
[10] Deloitte (July 2018) Report at p24-25.

(a) *play a valuable role in providing a distribution channel for lenders – especially smaller lenders – without their own distribution network (e.g. branches);*

(b) *exert downward pressure on home loan pricing, by forcing lenders to compete more strongly with each other for business."*[11]

9. In November 2017, first home buyers:

(a) made up 23% of the average broker's customers; and

(b) accounted, in November 2017, for 18% of all Australian housing finance.[12]

10. The broker business model is based on relationships with customers. The Productivity Commissioner has recently stated:

> *"* [Studies by Deloitte 2016a) and Retail Finance Intelligence (2009)… *According to these studies, most people choose their broker either because of recommendations by family and friends or because they had previously sourced a home loan through them. In addition, once a customer had established a relationship with a broker, they were highly likely to return to them for future home loan needs and are likely to turn to other brokers when refinancing."*[13]

11. The Deloitte (July 2018) Report states:

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[11] ASIC (2017) Report 516 at [20]-[22].

[12] Deloitte (July 2018), p.vi, p.25.

[13] (a) PC (June 2018) Report 89 p.322.

(b) The Deloitte (July 2018) Report at p. 26 states:

> *"Consumers who go through the mortgage broking channel value the relationship that comes from the personalised service offered by a broker and the convenience, flexibility, accessibility, guidance and advice they receive from a broker. Consumers who choose to go through mortgage brokers look to the mortgage broker as a trusted adviser who can help them feel confident in getting a suitable product and price.*
> *The advantage of technology has also meant that mortgage brokers are increasingly using multiple physical and digital communication channels to provide their services…".*

(c) The PC (June 2018) Report 89 at p.329, Box 11.5 sets out some of the types of ongoing services brokers provide their clients after the loan has settled.

> *"70% of a broker's business comes directly or indirectly from existing customers demonstrating high levels of customer satisfaction."*[14]

12. Brokers have increased access to consumers in rural and regional Australia to a greater range of mortgage products.[15] In 2017, about 3 in 10 mortgages arranged by brokers were for customers in regional and rural areas.[16]

13. The Productivity Commission's Finding 11.2 is that:

> *"Brokers are a cost-effective way to distribute home loans for lenders without widespread branch networks.",*[17]

and:

> *"Competition is thus assisted by the presence of brokers."*[18]

14. The Productivity Commission found that:

> *"Based on analysis of ASIC data, we estimate that, by distributing loans through brokers, smaller lenders have on average increased their market shares by 1.55 percentage points. If mortgage brokers were not available, these lenders would need to have an additional 118 branches each on average in order to maintain their current shares in the home loan market. Mortgage brokers are thus integral to smaller lenders' ability to compete."*[19] (underline added).

15. Mortgage brokers are currently remunerated through commissions, paid by lenders, typically comprising an upfront commission and a trail commission.[20]

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[14] Deloitte (July 2018) Report p.23.
[15] Deloitte (July 2018), p.25-26.
[16] Deloitte (July 2018) Report p25.
[17] PC (June 2018) Report 89 p.315.
[18] PC (June 2018) Report 89 p.315.
[19] PC (June 2018) Report 89 p.312-313.
[20] (a) ASIC (2017) Report 516 at [26].
(b) PC (June 2018) Report 89 p.319-320.
(c) Deloitte (July 2018) p.10.

16. The upfront commission is paid as a lump sum by the lender, sometime after the time the loan is settled, as a percentage of the loan value.[21]

17. The trail commission is paid, usually on a monthly basis, over the life of the loan calculated as a percentage of the outstanding loan value.[22]

18. The mortgage broking industry, including the right to receive and payment of trail commissions to mortgage brokers, has been the subject of a number of recent inquiries by, has have been considered in the reports of, national industry policy and regulatory bodies, including by:

    (a) ASIC in ASIC (2017) Report 516;

    (b) on 21 April 2016, the ABA announced six separate initiatives to collectively build public trust and restore consumer confidence in the banking industry;

    (c) on 19 April 2017, the ABA (2017) Report was issued as part of these initiatives. This was the final report undertaken by Stephen Sedgwick AO of his independent review of product sales commissions and product based payments in retail banking in Australia. The ABA (2017) Report issued not long after ASIC (2017) Report 516 in March 2017;

    (d) the Productivity Commission in PC (June 2018) Report 89, which was publicly released on 3 August 2018.

19. The issue of trail commissions in the mortgage broking industry is one of the matters currently the subject of consideration by the FS Royal Commission. Earlier this year, public hearings in the FS Royal Commission, inter alia, considered the matters the subject of NSWFT Issue 2.4. On 20 July 2018, the Commissioner conducting the FS Royal Commission, the Honourable Kenneth Maddison Hayne AC QC, publicly announced:

[21] ASIC estimates the average upfront commission is 0.54% of the loan value: ASIC (2017) Report 516 at [28].
[22] ASIC estimates the average trail commission is 0.14% of the outstanding loan value: ASIC (2017) Report 516 at [28].

> *"The interim report will identify policy related issues arising from the first four rounds of hearings. The Commissioner will be inviting submissions on the policy related issues identified in the interim report. The opportunity to make submissions will follow once the report has been tabled in Parliament and released to the public…*
>
> *… A further hearing round to consider the policy questions arising from the first six rounds will be held in November 2018."*[23]

20. Submissions to the FS Royal Commission to date have included the Treasury (July 2018) FS Royal Commission Submission.

21. The Productivity Commission found that, based on advice from major lenders, an average all-up cost of employing a home finance manager within a branch of a major lender is in the range of $150,000 a year.[24]

22. The major lenders do not bring to account the fixed costs in operating a branch (e.g. rent, utilities, etc.) in their calculation as the cost of employing a home finance manager as the branch exists for all of its general lending and other finance activities.[25]

23. In order for the mortgage broking industry to be economically viable, mortgage brokers must be properly remunerated.

24. In contrast to home lending managers, most mortgage brokers are not employees; they are sole traders or small businesses of one or two persons.[26] In 2016-2017, the average income of a sole-trader mortgage broker was some $86,417 before taxes.[27] In 2016-2017, the average income of a broking business with more than

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[23] FS Royal Commission, Media Release dated 20 July 2018.
[24] (a) PC (June 2018) Report 89 p.313-314.
(b) This $150,000 per year includes the total salary package, training, insurance, taxes and other costs associated with employing a staff member: PC (June 2018) Report 89 p.314.
[25] PC (June 2018) Report 89 p313.
[26] Deloitte (July 2018) Report Chart 2.3, p8.
[27] (a) Deloitte (July 2018) Report p.vii and p.12.
(b) The Deloitte (July 2018) Report at p.vii stated:
"● *a single broker working independently as an individual sole trader earned an average revenue (before cost and taxes) of $129,846, a median revenue of $103,000, and an*

one broker was some $119,838 before taxes.[28] Mortgage brokers' income is principally derived from a combination of upfront and commissions and trail commissions.

25. Mortgage brokers receive no income for interviewing consumers, explaining to the consumers the various loan products and preparing and submitting loan applications to lenders. Mortgage brokers only receive income if the submitted loan application is approved and accepted by a lender and if it ultimately results in a settled loan.[29] A percentage of loan applications prepared and submitted by mortgage brokers to lenders are not approved by lenders and a further percentage, whilst approved, do not result in a settled loan. In addition, mortgage brokers do not receive income for pre-approvals, often obtain by prospective first home buyers, which may or may not result in a settled loan. After settlement of the loan, mortgage brokers provide a range of ongoing services to consumers.[30]

26. Unless mortgage brokers are properly remunerated the industry will, at the very least, materially contract. Choice, which consumers seek, will contract, competition will diminish and there will be adverse outcomes for the consumer.

27. In July 2018, the Productivity Commission considered, and rejected, a fee-for-service (whether paid for by the lender or the consumer) model for remuneration of brokers. The Productivity Commission stated:

> *"Under a fee-for-service model, brokers would be paid a fee for the services that they provide. These fees could be paid by lenders, consumers, or a combination of both. <u>The Commission has not</u>*

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average income before tax (revenue less cost) of $86,417 (with a median income before tax of $67,500) in 2016-17;".

[28] (a) Deloitte (July 2018) Report p.vii.
(b) The Deloitte (July 2018) Report at p.vii stated:
"● *broker businesses with more than one broker earned an average revenue (before cost and taxes) of $356,952 and a median revenue of $267,400 with an average income before tax (revenue less cost) of $119,838 (and a median income before tax of $77,611) in 2016-17;".*

[29] Deloitte (July 2018) Report p.24.

[30] Deloitte (July 2018) Report p.23-24 including Chart 4.1.

recommended the adoption of a fee-for-service remuneration in mortgage broking…". (underline added).[31]

28. In rejecting the adoption of a fee-for-service remuneration model for brokers, the Commission accepted evidence in submissions from the broking industry stating:

> *"Evidence supports that proposition that many consumers would not pay to use a mortgage broker (section 11.2), despite the fact that brokers provide access to a wider range of loans and are arguably better able to recommend a better loan compared to a lender's employee.*
>
> *The Commission agrees that fees-for-service paid by consumers are unlikely to be pro-competitive, because a lack of willingness to pay is likely to result in a smaller broking industry, and the greater damage would be to the lenders without branch networks. Given that many mid-size and smaller lenders rely on brokers to compete (section 11.3), competition in the home loan market would likely to be weaker as a result."*[32]

29. Neither the ASIC (2017) Report nor the ABA (2017) Report recommended the adoption of a consumer pays fee-for-service model.

30. The ABA (2017) Report at recommendation 6.1.2 stated:

> *"it is a fundamental principle of this Recommendation that, in any new arrangements, competition should be preserved, and the viability of the mortgage broking industry maintained… It is for this reason that client funded fee arrangements are not supported by the Review."*[33]

31. The matters raised by NSWFT Issue 2.4, insofar as they deal with and impact upon the mortgage broking industry, including trail commissions, are being, and should be, considered on an Australia wide basis.

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[31] PC (June 2018) Report 89 at p.331-332.
[32] PC (June 2018) Report 89 p.333.
[33] ABA (2017) Report at p.23.

32. Apart from the ASIC (2017) Report 516, the ABA (2017) Report and the FS Royal Commission, other initiatives have been occurring on a national basis to deal with the matters raised by NSWFT Issue 2.4. These include:

(a) in May 2017, the CIF was established by the mortgage broking industry in response to the ASIC (2017) Report 516 and the ABA (2017) Report. The CIF consists of representatives from bank and non-bank lenders, aggregators (which includes Aussie) and brokers, consumer groups (represented through Choice), the ABA, the Mortgage & Finance Association of Australia, the Finance Brokers' Association of Australia, the Customer Loan Banking Association and the Australian Finance Industry Association;

(b) in November 2017, the CIF issued the CIF (November 2017) Report, being the CIF's first report in response to the ASIC (2017) Report and the ABA (2017) Report;

(c) in 2018, there was public release of the CIF (2018) Response to PC Draft Report. This was a response by the CIF to the draft report of the Productivity Commission (prior to the Productivity Commission's finalisation and release of the PC (June 2018) Report 89 on 3 August 2018. Amongst other matters, the CIF stated:

> *"We have also made other substantial changes in terms of scrapping volume-based bonus commissions and campaign-based commissions in alignment with ASIC's Proposal 2* [ASIC (2017) Report 516] *and Recommendation 16 of the Sedgwick Review* [ABA (2017) Report]. *These are specifically intended to address the competition issues identified by ASIC relating to these types of payments."*[34]

[34] CIF (2018) Response to PC Draft Report at p.10.

(d) in 2018, the Deloitte (July 2018) Report of Deloitte Access Economics, under engagement from the MBIG, of which Aussie is a member, was issued;

(e) on 27 August 2018, there was a public release of the CIF (July 2018) Progress Report;

(f) a mortgage broking industry code of conduct is currently being developed:

> *"The code, to be developed through the CIF, would apply to mortgage brokers, lenders, aggregators and, where appropriate, introducer/referral businesses and would be subject to all applicable regulatory and competition law approvals."*[35]

The aim is to have the mortgage broking industry code of conduct publicly available by the end of 2018.[36]

33. The CIF has stated, and very recently affirmed:

> *" "Good Customer Outcome"*
>
> *The industry is already taking steps to improve the standards that mortgage brokers are held to and has committed, through the CIF, to apply a new definition of "Good Customer Outcome" as follows:*
>
> > ***"The customer has obtained a loan which is appropriate (in terms of size and structure), is affordable, applied for in a compliant manner and meets the customer's set of objectives at the time of seeking the loan."***
>
> *A "Good Customer Outcome" is at the centre of what we* [CIF] *are striving to achieve, whether it be lender, aggregator, mortgage broker or other industry participant."*[37]

[35] CIF (2018) Response to PC Draft Report at p.7.
[36] CIF (July 2018) Progress Report at p.17.

34. This new definition of "*Good Customer Outcome*" would be implemented through the mortgage broking industry code being developed through the CIF.[38]

35. Further, the CIF has proposed a list of measures, to be implemented by the end of 2018, comprising what:

(a) brokers will disclose to customers;

(b) aggregators will disclose;

(c) lenders will disclose to ASIC.[39]

36. The CIF (2018) Response to PC Draft Report states:

> *"Specifically, the CIF has proposed that the following disclosure are made:*
>
> ***Brokers disclose to customers:***
>
> *1) The list of lenders available to the customer via the broker's aggregator;*
>
> *2) The number of lenders that a broker has used in the past year; and*
>
> *3) The top 6 lenders and % of business written in the past year.*
>
> ***Aggregators will disclose***
>
> *1) All lenders available on their panels and percentage written with each over the past year;*

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[37] (a) CIF (2018) Response to PC Draft Report at p6.
(b) CIF (July 2018) Progress Report at p18.
[38] (a) CIF (2018) Response to PC Draft Report at p.7.
(b) CIF (July 2018) Progress Report at p17-18.
[39] CIF (2018) Response to PC Draft Report at p.8-9.

2) The spread of lenders being used by brokers; and

3) Weighted average commission rate earned in the past year.

Lenders will disclose to ASIC

1) The weighted average pricing of home loans in the previous financial year across the different distribution channels using various standard scenarios (to be defined).”[40]

37. As the CIF states:

> *“Under NCCP* [National Consumer Credit Protection Act 2009 (Cth)], *there are already material disclosures required to customers on mortgage broker commissions. The additional disclosures proposed by the CIF will provide greater transparency to customers around prices and various channels and how mortgage brokers are paid.”*[41]

38. The CIF opposes a consumer fee-for-service model.[42]

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[40] CIF (2018) Response to PC Draft Report at p.8-9.

[41] CIF (2018) Response to PC Draft Report at p.9.

[42] (a) CIF (2018) Response to PC Draft Report at p.8:

> *“Importantly, there is little evidence that there would be any net saving to customers if a consumer fee for service model is introduced.*
> *There may also be unintended consequences, that would limit customer access to mortgage broking and affect competition. The current model spreads the costs in line with loan size and value. It is possible that if consumers pay directly, those low loan sizes may face higher fees and therefore will no longer find the broker’s services affordable, pricing them out of the market. This could have the perverse impact of reducing access to competition for consumers with complex needs.”*

(b) The CIF specifically identified five respects in which a consumer paid fee-for-service model would adversely impact upon consumers including as to choice and competition in the home lending market. The CIF (2018) Response to PC Draft Report at p.7-8 states:

> *“We* [CIF] *are concerned that such a model* [consumer fee-for-service model] *may:*
> - *result in additional direct costs to consumers to access the broker channel;*
> - *put brokers at a significant disadvantage to the lender branch channel (who do not charge direct fees);*
> - *result in rationalisation of broker numbers, increasing barriers to entry for new lenders, whilst disadvantaging smaller lenders and those without branch footprint;*
> - *not correlate to economic value produced by the broker; and*
> - *result in brokers servicing a much narrow band of customers.”*

39. The current basis of remunerating mortgage brokers comprising upfront commission, trail commission, with a lender's right to clawback, should remain.[43]

40. The CIF has stated:

> *"Trail provides an ongoing income stream so that the broker can appropriately service the customer over the life of the loan. Trail is also used as a lever to promote good customer outcomes, as it is standard industry practice to "switch off" if the loan goes into arrears or enforcement action is taken. It is the CIF's further view the trail is not a barrier to switching* [by consumers] *or a disincentive for brokers to service clients* [consumers]*."*[44]

41. To the extent that there is the appearance of a potential for conflict of interest between the consumer and the mortgage broker under the current commission model of upfront and trail commissions:

> *"the CIF … has committed to adopting a principle that: "To the extent that remuneration relates to loan size, remuneration should relate to the funds drawn down and utilised by a customer."*
>
> *… As long as this principle is satisfied, there should be no restrictions placed on lenders adopting additional methodologies of calculating commission payments. Arrangements that meet this principle will be in place by the end of 2018.*
>
> *The CIF has proposed the principle to promote good customer outcomes…. Adopting this principle is a first step for the industry. Where remuneration structures are found to be driving poor behaviours and customer outcomes, the industry will consider further changes to remuneration structures."*[45]

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[43] CIF (2018) Response to PC Draft Report at p.10-11.
[44] CIF (2018) Response to PC Draft Report at p.10.
[45] (a) CIF (2018) Response to PC Draft Report at p.11.

42. Trail commissions, as part of the remuneration structure of mortgage brokers in the home lending industry, should not be abolished. To do so will result in adverse outcomes for the consumer. This issue, including the appropriate information required to be disclosed to consumers about trail commissions, requires national (Australia wide) consideration and response which is currently taking place and which should be permitted to continue on its course.

43. It is clear that the matters the subject of NSWFT Issue 2.4, insofar as they concern the mortgage broking industry and specifically trail commissions, have been since 2016, and continue to be, the subject of national (Australia wide) consideration, inquiry and investigation, as well as reform and response by the mortgage broking industry (eg. CIF) which is ongoing.

44. Given the importance and significance of home lending in Australia, it is both appropriate and important that there be a uniform national (Australia wide) approach. A State by State and Territory by Territory approach may create the real potential for uncertainty for, and ultimately economic detriment to, consumers.

45. The NSW Government should monitor the progress of the events currently being worked through at the national (Australia wide) level, insofar as they concern the mortgage broking industry and specifically trail commissions. If it becomes appropriate or necessary, the NSW Government can give further consideration to these matters at an appropriate future time.

Tatyana Virgara
General Counsel

29 August 2018

(b) CIF (July 2018) Progress Report at p18.

Key terms

Term	Meaning in Aussie's submission
ABA	Australian Bankers' Association.
ABA (2017) Report	The report of Stephen Sedgwick AR dated 19 April 2017, titled "*Retail Banking Remuneration Review*", who was appointed by the ABA to undertake an Independent Review of product sales commissions and product based payments in retail banking in Australia. Available at: http://retailbankingremreview.com.au/wp-content/uploads/2017/04/FINAL_rem-review-report.pdf.
ADIs	Australian Deposit Taking Institutions
aggregator	[ASIC (2017) Report 516 definition adopted] A business which provides aggregation services to a broker business or broker and with which a lender has a direct contractual relationship. It does not include a broker business or broker which does not provide aggregation services, even if there is a direct contractual relationship with the lender. If the lender has a contractual arrangement with an entity for aggregation services and a related party of that entity provides the aggregation services to a broker business or broker, then the two entities are treated as one aggregator.
ASIC	Australian Securities & Investments Commission.
ASIC (2017) Report 516	Report 516, March 2017, titled "*Review of mortgage broker remuneration*", ASIC. Available at: http://asic.gov.au/regulatory-resources/find-a-document/reports/rep-516-review-of-mortgage-broker-remuneration/.
Aussie	AHL Investments Pty Ltd ABN 27 105 265 861, Australian Credit Licence Number 246786.
CIF	Combined Industry Forum, which consists of representatives from bank and non-bank lenders, aggregators (which includes Aussie) and brokers, consumer groups (represented through Choice), the ABA, the Mortgage & Finance Association of Australia, the Finance Brokers' Association of Australia, the Customer Loan Banking Association and the Australian Finance Industry Association.

CIF (2018) Response to PC Draft Report	CIF paper titled "*Combined Industry Forum response to Productivity Commission's Draft Report Competition in the Australian Financial System"*. Available at: https://www.pc.gov.au/_data/ assets/pdf_file/0010/226396/subdr106-financial-system.pdf.
CIF (July 2018) Progress Report	CIF document titled "*Combined Industry Forum Progress Report: Working towards a better mortgage broking industry for customers"*, publicly released on 27 August 2018.
CIF (November 2017) Report	The report issued by the CIF in November 2017 titled "*Improving Customer Outcomes: The Combined Industry Forum response to ASIC Report 516: Review of mortgage broker remuneration"*. Issued to the Minister for Revenue and Financial Services of the Commonwealth of Australia. This report was publicly released in December 2017. Available at: https://www.ausbanking.org.au/images/uploads/ CIF_report_submitted_281117.pdf.
clawback	[ASIC 2017 Report 516 definition of "*commission recovery"* is adopted] To take back an upfront trail commission that has been paid to an intermediary such as a broker.
Deloitte (July 2018) Report	The report by Deloitte Access Economics, July 2018, titled "*The Value of Mortgage Broking"* under engagement by MBIG. Available at: https://www.2.deloitte.com/au/en/pages/economics/.../value-mortgage-broker.html
FS Royal Commission	The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.
home loan/home lending	[ASIC (2017) Report 516 definition adopted] A mortgage loan secured by residential property, not including: • loans for business or commercial purposes; • reverse mortgages; • loans for business or commercial purposes; • loans to self-managed superannuation funds.

lender	[ASIC (2017) Report 516 definition adopted] Includes a person who has a servicing agreement with a special purpose funding entity.
MBIG	Mortgage Broking Industry Group, whose members comprise: AFG, Astute Financial, Aussie, Choice Aggregation, Connective, FAST, Finance Brokers Association of Australia, Loan Market, Mortgage & Finance Association of Australia, Mortgage Trust, National Mortgage Brokers, PLAN Australia and Smartline.
PC (June 2018) Report 89	Productivity Commission Inquiry Report No. 89, 29 June 2018, "*Competition in the Australian Financial System*". This report was publicly released on 3 August 2018. Available at the Productivity Commission's website: www.pc.gov.au.
trail commission	[ASIC (2017) Report 516 definition adopted] A regularly occurring commission that is to an intermediary, such as a broker. The commission is normally a small proportion of the current or original balance.
Treasury (July 2018) FS Royal Commission Submission	Australian Government, The Treasury, 13 July 2018, "*Submission on key policy issues*" to the Financial Services Royal Commission.
upfront commission	[ASIC (2017) Report 516 definition adopted] An initial commission to an intermediary, such as a broker, which is generally once-off and paid after settlement. The commission is normally a proportion of the settled amount, drawn amount, or a proportion of the approved limit.