

How do consumers buy loans and who gets paid?

Key findings based on a \$500k home loan



MORTGAGE BROKERS



WHAT THEY DO

- Recommends and arranges a loan from a panel of lenders
- Works directly with consumer

LENDERS' STAFF (BRANCHES, TELEPHONE AND MOBILE LENDERS)



WHAT THEY DO

• Recommends and arranges a loan from their lender's loan options

REFERRERS (REAL ESTATE AGENTS, LAWYERS AND ACCOUNTANTS)



WHAT THEY DO

- Creates leads for lenders
- Passes consumer details to lenders
- Cannot recommend or suggest loans to consumers

COMPARISON WEBSITES



WHAT THEY DO

- Creates leads for lenders
- Lets consumers compare loans themselves from those listed

COMMISSIONS PAID FROM PAYMENT TYPE MADE BY PAYMENT TYPE MADE BY AGGREGATOR TO BROKER **LENDER TO STAFF** LENDER TO REFERRER \$28k to \$107k 0.54% / \$2,700 0.35% to 0.56% **UFRONT SALARY UPFRONT** \$1,750 to \$2,800 0.14% / \$700 pa to >\$300k **TRAIL BONUS**

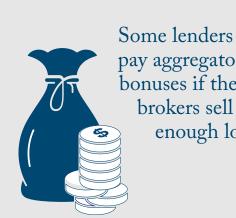
PAYMENT TYPE MADE BY LENDER TO WEBSITE \$70 \$250 PER **CLICK** per click through

HOW COMMISSIONS ARE TYPICALLY SPLIT (\$500K LOAN)

AGGREGATORS (BROKER NETWORKS)



BONUSES



pay aggregators bonuses if the brokers sell enough loans

WHAT THEY DO

- The company that runs the broker network
- Lenders pay commission to aggregators
- Aggregators pass around 80 - 85% onto the broker
- Some aggregators are owned
- by lenders

COMMISSIONS PAID FROM

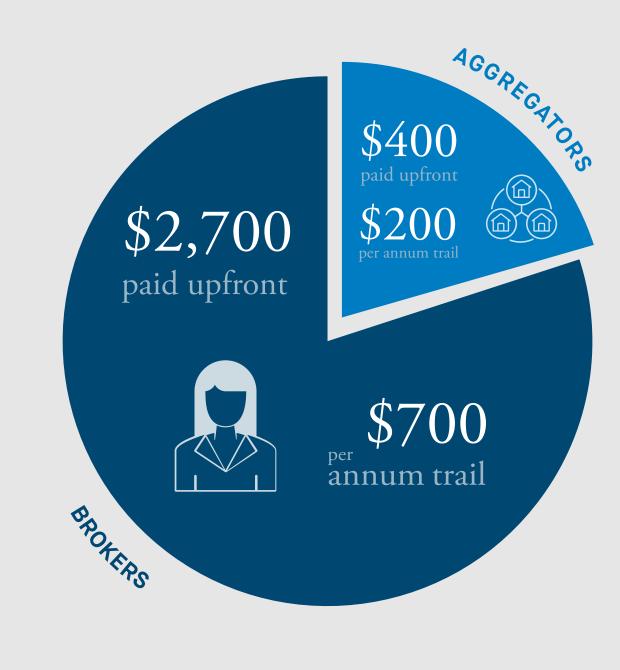
UPFRONT

TRAIL

LENDER TO AGGREGATOR

0.61% / \$3,100

0.18% / \$900 pa

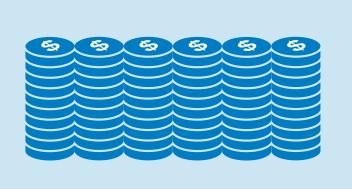


Brokers play a critical role in the home loan market

IN 2015 OUR REVIEW DETERMINED THERE WERE



went through a broker





\$2.4 BILLION

IN COMMISSIONS PAID BY LENDERS TO AGGREGATORS

\$545 BILLION IN OUTSTANDING LOANS 600k 500k growth 400k 300k 200k AA 100k AA AA BB AA AA AA

NUMBER OF LOANS WRITTEN

2014

2015

2013

2012

How do broker loans compare?

WHEN TAKING OUT A LOAN, BROKER CUSTOMERS

borrow more

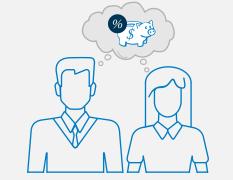


\$451k

WITH BROKER VS \$420K (LENDER)

spend more of their

wage on the mortgage



4.1x**ANNUAL INCOME** WITH BROKER VS

3.8X (LENDER)

property values

have lower



\$699k WITH BROKER VS

\$780K (LENDER)

take out more interest only loans



at 50%

MORE BROKERED FOR EACH LENDER **REVIEWED**

have higher loan

to valuation ratios



WITH BROKER VS **70% (LENDER)**

get the same rate as direct consumers



GET THE SAME INTEREST RATE AS GOING DIRECT TO

THE LENDER

AFTER TAKING OUT THE LOAN, BROKER **CUSTOMERS...**

pay down

the loan slower



less additional payments made

FOR LOANS TAKEN OUT IN 2012 BROKER CUSTOMERS MADE \$36,000 OF ADDITIONAL PAYMENTS COMPARED WITH \$43,000 BY THOSE WHO WENT DIRECT TO THE LENDER

