

## About us

In 2017 the mortgage broking industry came together to form the Combined Industry Forum (the Forum), to take action on governance and remuneration practices to achieve better customer outcomes.

The Forum consists of representatives from banks and customer-owned lenders, aggregators and brokers, consumer groups (represented through CHOICE), the Australian Banking Association (ABA), the Mortgage & Finance Association of Australia (MFAA), the Finance Brokers Association of Australia (FBAA), the Customer Owned Banking Association (COBA) and the Australian Finance Industry Association (AFIA).

## What we are doing next

Prior to the Royal Commission, the ASIC Report and Sedgwick Review have been important triggers for industry action. The Forum is closely watching the issues raised through the Product Commission review into Competition in the Australian Financial System and the Royal Commission into misconduct in the Banking, Superannuation and Financial Services Industry to see if other responses are required.

The Forum continues to meet to review and oversee implementation, assess the effectiveness of the reforms in improving customer outcomes; and consider further work and reforms.



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**Working towards  
a better mortgage  
broking industry  
for customers**

# Mortgage broking – an important link in the Australian home market

Brokers play an important and growing role in the home loan market, with over half of mortgages written through mortgage brokers. Customers continue to search for choice and convenience, as well as expertise via brokers when seeking a loan.

The service and value proposition offered by brokers is different to what is offered through lender channels, which has increased competition for customers and expanded access to smaller lenders in the marketplace.

## Industry-led change

The National *Consumer Credit Protection Act 2009*, regulations and guidance set out significant conduct and disclosure obligations that are intended to regulate the mortgage broking industry to better protect customers and manage conflicts. Building on these obligations, and in response to ASIC's Report 516 *Review of Mortgage Broker Remuneration*, and the ABA's *Retail Banking Remuneration Review (Sedgwick Review)*, the industry recognised the need for proactive and industry-led change.

The industry has committed to implementing this reform package through individual contractual arrangements and changes to internal governance and disclosure frameworks, while meeting competition law requirements.

## What we are doing now

The Forum has agreed six reforms for positive change in mortgage broking that will improve customer outcomes and, while preserving competition, set better standards of conduct and culture. Through the Forum, the industry is working on implementing each of these reforms, and has already achieved the first key milestone by ending volume-based incentives and campaign-based commissions.

## Industry Reforms

- A standard commission model that pays brokers based on funds drawn down and utilised by the customer, avoiding financial incentives for brokers that encourage customers to borrow more than they need or will use
- Ending volume-based bonus incentives and campaign-based commissions that can raise potential conflicts of interest and result in poor customer outcomes
- Moving away from non-monetary benefits for brokers given based on a balanced scorecard and good customer outcomes, not sales, and benefits given by lenders to be capped
- Ownership models and commercial relationships to be made clear on all marketing materials, including websites, where ownership is greater than 20 per cent, so customers have the right information to make informed choices
- ASIC and customers to be given clearer information on where loans are written, commissions paid and interest rates, to increase transparency and accountability in the industry, and
- An improved industry-led Governance Framework that monitors for, and identifies risks, and requires the industry to take action and continuously improve where issues are identified.

## Progress Report

The Forum's July 2018 [Progress Report](#) documents the industry's progress across all 6 reforms. Many of the reforms will be completed by end 2018, and the most significant of the reforms, the new Governance Framework will be in place by 2020. The Forum will provide a progress report on implementation across industry every 6 months.

## Future Reforms

- Embedding the newly defined good customer outcome in governance and monitoring arrangements
- Developing a new duty to prioritise the interests of the customer while delivering good customer outcomes, and
- Drafting a mortgage industry code to ensure the ongoing viability of the reforms and equal customer protections. The Code will be supported by robust monitoring and enforcement mechanisms.