MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA

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Ellie Dwyer
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Australian Competition & Consumer Commission
Lonsdale Street Melbourne VIC 3000

26 May 2023

By email: anz-suncorp-merger@accc.gov.au
ellie.dwyer@accc.gov.au

Dear Ms Dwyer

ACCC REQUEST FOR CALL – ANZ SUNCORP APPLICATION FOR MERGER AUTHORISATION

1. The Mortgage and Finance Association of Australia (**MFAA**) refers to the Request for Information dated 10 May 2023 in relation to the merger authorisation lodged with the ACCC on 2 December 2022 by ANZ with respect to its proposed acquisition of Suncorp Bank (**the Request**).

2. The MFAA is Australia's peak industry body for the mortgage and finance broking industry with over 14,500 members. Our members include mortgage and finance brokers, aggregators, lenders, mortgage managers, mortgage insurers and other suppliers to the mortgage and finance broking industry.

3. As an industry association, the MFAA's role is to provide leadership and to represent its members' views. We do this through engagement with governments, financial regulators and other key stakeholders on issues that are important to our members and their customers. This includes advocating for balanced legislation, policy and regulation and encouraging policies that foster competition and improve access to credit products and credit assistance for all Australians.

OUR RESPONSE

4. We are responding to the Request to assist the ACCC's review of the proposed acquisition and have endeavoured, in the timeframe provided for the response, to provide a factual and fulsome response to the ACCC's questions.

5. We note for completeness that both ANZ and Suncorp are each a member of the MFAA and both are members of the MFAA's National Lender Forum, a forum comprising lender members from major banks, mid-tier banks and non-bank lenders which distribute their product through the broker, or third-party, channel. Bound by strict competition law protocols, the forum discusses matters affecting the third-party channel, including key issues facing the industry as a whole and works on those issues with the MFAA in a solution focused way.

Key features of the mortgage and finance broking industry

6. There are more than 19,000[1] brokers in Australia, the majority of which are small broking businesses. Collectively brokers facilitate more than two thirds of all new residential home loans[2] and at least four in ten small business loans in Australia.[3]

7. Mortgage and finance brokers are systemically important to the Australian economy. It is widely accepted that brokers are critical in driving choice and competition in the Australian lending landscape, which has resulted in not just improvements in product features, price, customer experience and innovation, but, for smaller lenders and new-to-market lenders without extensive branch networks or branches at all, provide a critical distribution channel for consumers and business owners.[4]

8. In addition to responsible lending obligations for both lenders and mortgage brokers alike, mortgage brokers are subject to an additional obligation to act in their customers' best interests (the Best Interests Duty) and to prioritise their customers' interests when providing credit assistance (the conflict priority rule). This along with associated conflicted remuneration reforms and information sharing and reporting obligations has resulted in a robust regulatory framework that places higher obligations on mortgage brokers to that of lenders when helping customers in obtaining a home loan.[5]

9. The broker channel has experienced significant growth since the commencement of the mortgage broker Best Interests Duty and conflicted remuneration reforms which came into effect on 1 January 2021. Mortgage broker home loan market share has increased from 59.4% in the quarter ending 31 December 2020 to 69.3% in the quarter ending 31 December 2022.[6] This highlights the continued increase in confidence by consumers in the broker channel following the introduction of the mortgage broker Best Interests Duty and associated reforms. Importantly, first home buyer schemes are also highly dependent on mortgage brokers, with brokers facilitating 72% of the Home Guarantee Schemes (comprising the First Home Loan Deposit Scheme, New Home Guarantee and First Home Loan Deposit Scheme).[7]

10. Observations around trust and confidence in the channel are further supported by data on mortgage broker complaints to the external dispute resolution scheme the Australian Financial Complaints Authority (**AFCA**). Complaints made to AFCA in relation to mortgage brokers make up less than 0.5% of all banking and finance complaints[8] and just 0.3% of calls to the financial counselling National Debt Helpline are related to mortgage brokers.[9]

11. Our industry research also shows that mortgage brokers are increasingly diversifying their businesses into commercial lending, largely in small and medium enterprise (**SME**) business lending. In the six months to September 2022, over 6,000 mortgage brokers also wrote a small business loan. This represents 31.8% of the total mortgage broker population, an increase of over 10% compared to 2018, when 21.2% of mortgage brokers were also operating in the commercial lending space.[10]

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[1] MFAA Industry Intelligence Service Report 15th Edition 1 April 2022 – 30 September 2022 pg 4.
[2] MFAA Industry Intelligence Service Report 15th Edition 1 April 2022 – 30 September 2022 pg 4.
[3] Productivity Commission research paper Small business access to finance: The evolving lending market pg 44.
[4] See Deloitte Access Economics Report the Value of Mortgage Broking pg vii.
[5] For details in relation to post-Financial Services Royal Commission regulatory reforms including the Best Interests Duty, please refer to the MFAA's response to a further request for information as part of its application for ACCC authorisation for the MFAA's Disciplinary Rules (Attachment B page 5 onwards) here.
[6] See MFAA Media Release 28 February 2023 here.
[7] See page 6 of the First Home Loan Deposit Scheme Trends and Insights report 2021-22 here
[8] AFCA Datacube
[9] Financial Counselling Industry Funding Model Discussion Paper November 2022 pg 37
[10] MFAA Industry Intelligence Service Report 15th Edition 1 April 2022 – 30 September 2022 pgs 25 and 43 .

Considerations for the ACCC

12. The competition that brokers bring to the lending landscape is significant and continues to grow, as noted above. It is our view that consumers and business owners who choose to use the services of a broker should be afforded the service levels, support, and pricing that is on par with that provided to customers of a lender's branch network. This enables customers to have access to lending with certainty irrespective of the channel they choose and the corresponding opportunities and benefits of personal choice and competition within the mortgage and lending market.

13. Changes in the competitive lending landscape in Australia should always, in our view, be considered against the impact on all customers regardless of whether they access home lending products via a mortgage broker or directly through a lender. Equally we believe that any service or pricing disparity in favour of a lenders' proprietary channels should be viewed as disadvantaging the approximately 70%[11] of customers who choose to use a broker.

14. By extension, the impact of the investment (for example, technology and product innovation) made by lenders into the third-party distribution channel to support brokers and by extension their customers, should also be considered when assessing the impact of competitive changes in the Australian lending landscape. This is to ensure the competition that brokers drive through offering choice is not diminished through a reduction in this support or investment, to the detriment of consumer choice.

15. The criteria that brokers consider in recommending a loan based on a consumer's individual circumstances include product features, pricing including availability of products for specialised segments of the market, pricing discretions offered based on the loan being sought and the characteristics of the borrower, credit policy, lender business development support for brokers, turnaround times ('speed to yes') and investment in technology platforms to support the broker distribution channel. Our general observations are that each of these factors vary significantly across lenders.

16. Lenders that are more competitive within the broker channel invest more heavily, in terms of support, education and technology, to better respond and support the ability of brokers to help their customers.

Switching / Refinancing

17. It is important for reasons of consumer protection, preserving market integrity and competition that the consumer experience is consistent regardless of whether a consumer is dealing directly with a lender or dealing with a broker. It is equally important for a competitive and efficient home lending sector, that friction for a borrower, in both obtaining a home loan and switching or refinancing their home loan, is minimised.

18. In this heightened refinancing market, it is therefore also timely for us to raise with the ACCC our continuing concerns on the impediments to switching.[12] In the current economic environment, as borrowers face both cost-of-living pressures and higher mortgage interest rates, it is important that a customer's ability to switch home loans is made as efficient as possible and that material impediments to switching and friction within the discharge process are eliminated. The findings of the ACCC Home Loan Price Inquiry Report (**the Report**) in 2020 remain very relevant today, including that:
    - the discharge process continues to be unnecessarily difficult and lengthy for borrowers
    - unclear and/or complicated steps for borrowers, including Discharge Authority forms that are difficult to access and complete, or administrative hurdles such as lenders requiring in-person contact before processing a discharge request

[11] MFAA Industry Intelligence Service Report 15th Edition 1 April 2022 – 30 September 2022 pg 4.
[12] Australian Bureau of Statistics noted that in March 2023, value of external refinancing was 28.5% higher compared to a year ago, see here.

- uncertainty about how long the discharge process will take and unnecessary delays in the process (including through the use of retention strategies by existing lenders).[13]

19. We have made these observations to the Australian Banking Association (**ABA**) through its current review of the Banking Code of Practice.

20. We would separately seek a meeting with the ACCC to discuss our observations of systemic issues with current in-market discharge practices and their impact on competition,[14] opportunities to make the process easier for our broker members and their customers, including to give effect to the ACCC's recommendations in its Report.[15]

Response to specific questions

21. Our responses to the ACCC's specific information requests are detailed in **Attachment A**. We make no claim for confidentiality on any of the information provided to the ACCC in this letter.

22. If the ACCC wishes to discuss any aspect of our response, please do not hesitate to contact me at a[redacted] or Naveen Ahluwalia on [redacted].

23. We would also welcome a follow up meeting if the ACCC would like to understand more deeply particular aspects of our responses below.

Yours sincerely

[redacted]

Anja Pannek
CEO
Mortgage & Finance Association of Australia

[13] ACCC Home Loan Price Inquiry Final Report November 2020 pg xii.
[14] Pending further details from Government on its recent announcement on a more formal mechanism, it is important for MFAA as an industry association with a majority of small business members to raise these matters with the ACCC.
[15] ACCC Home Loan Price Inquiry Final Report November 2020 pg 11.

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ATTACHMENT A

No	Question	MFAA Response
	Home loans	
1.	Describe in detail the process brokers undertake to assist their customers to source the best home loan product, including:	As an overarching comment, we note mortgage brokers have access to recommend multiple lenders, based on their experience and understanding of different lender propositions. Brokers providing choice for consumers drives competition for consumers looking for a home loan. Over 19,000 brokers[16] in the market provide their customers with access to on average over 30 lenders[17] via software provided by their aggregator service provider. Aggregator software platforms, in general, provide access to extensive lender panels, including the majority of ADIs as well as many non-bank lenders and other finance companies servicing consumer and small business lending needs. Mortgage brokers recommend products that are in a customer's best interest, based on their personal circumstances, as well as product features, prices and turnaround time of lenders amongst other factors.

[16] ACCC Home Loan Price Inquiry Final Report November 2020 pg 11.
[17] See Deloitte Access Economics Report the Value of Mortgage Broking pg 7.

No	Question	MFAA Response
a.	what type of information brokers typically seek from customers	Brokers have obligations under both the responsible lending provisions and the Best Interests Duty provisions withing the *National Consumer Credit Protection Act 2009* (Cth) (**NCCP Act**). The responsible lending provisions of the NCCP Act require both lenders and brokers to make reasonable inquiries about the customer's: • requirements and objectives, and • financial situation. In order to do this, brokers would normally obtain the following types of information about the customer: • personal information such as name, place of residence, number of dependants; • employment details, including length of time with an employer and employment history; • income including any government benefits and child support; • expenses (including a breakdown of living expenses); • debts; • assets and liabilities; • loan purpose; • requirements such as loan features; • any expected change to circumstances (for instance large upcoming expense, extended leave, end of employment contract, retirement). Brokers also must verify the information provided by customers and usually do this by obtaining bank statements, payslips, loan statements, confirmation of employment from an employer, accountant letters, BAS statements, credit reports, tax returns, Centrelink statements and the like.

No	Question	MFAA Response
		Under ASIC Regulatory Guide 273: Mortgage brokers: Best Interests Duty (**RG 273**), in order to satisfy their Best Interests Duty requirements, brokers also have to gather information about the customer, including the customer's: • requirements, objectives and aims; • current and future circumstances (if known); • priorities and preferences with respect to loan type and features; and • financial situation. Brokers do this by using the information provided for the responsible lending assessment and also by having conversations directly with the customer about their needs. These requirements are documented within aggregator systems provided as a service to brokers to meet compliance requirements.
b.	the key factors that brokers consider in determining the suitability of home loan offers for their customers and the weight brokers place on these factors (for example, the extent to which accessibility of a bank's branch or physical presence of a lender is a relevant factor)	The factors that a broker considers in determining suitability is entirely dependent on the needs of the customer. RG 273 sets out ASIC's expectations with respect to the Best Interests Duty. RG 273.16 states that the Best Interests Duty requires a broker to consider what is in 'each' customers best interests. Further, RG 273.17 states that the 'broker's consideration of the individual circumstances of the consumer and their needs, goals and financial situation is particularly relevant to complying with the obligations'. As such, in order to determine what the key factors are for a customer, the broker will ask them to comment on the relative importance (to them) of a number of items such as: • lowest overall loan cost • fast loan approval • specific loan features • lender or policy borrowing capacity

No	Question	MFAA Response
		• whether the customer considers access to a branch for their ongoing banking /lending needs • whether the customer uses internet banking and other online banking services, for example, a lender's mobile app.
c.	whether brokers generally compare home loan offers from lenders on their panels only or give preference to those lenders' offers (rather than seeking other options)	Brokers have access to a broad range of lenders through the panel facilitated by their aggregator and through holding accreditation directly with lenders. RG 275.113 states that brokers need to be accredited with a 'reasonably representative panel of credit providers'. RG 275.113 goes on to state: '*The number of credit providers on your panel may vary, including based on the market you operate in. For example, if you operate in a market with fewer credit providers and products, your panel may be smaller. We expect that you will use your judgement to determine whether the composition of your panel is sufficient to meet your consumers' best interests*.' The application for authorisation currently before the ACCC in relation to the aggregator assurance program[18] notes that an aggregator may have anywhere between 15 to 60 lenders on their panel, and in our experience, on average most major aggregators will have upward of 30 lenders on panel.[19] As lenders will only accept loans from brokers that are accredited with them, brokers will therefore be comparing loans for home loans with which they have accreditations. Brokers who hold their own licence may hold accreditation with lenders not on their aggregator's panel and likewise, if a broker is a credit representative and seeks to

[18] See Application for authorization to the ACCC by Commonwealth Bank and Ors pg 5.
[19] See Deloitte Access Economics the Value of Mortgage Broking Report pg 25.

No	Question	MFAA Response
		recommend a product outside of their licensee's panel, an exemption process generally applies. We note for completeness, that with respect to offering loans 'off-panel' (i.e. not on the aggregator's panel), a broker is not required to recommend loans from lenders who are not on their panel, however a broker should decline to act where they do not have a lender on their panel that will allow the broker to act in the customer's best interests (RG 275.115).
d.	whether brokers typically approach lenders to negotiate home loan offers on their customers' behalf and the extent to which brokers share information about other lenders' offers to facilitate negotiations for a better deal	Negotiations on price and the sharing of offers including pricing occurs both for new lending and in a refinancing situation. Brokers will have visibility in relation to the products and pricing of lenders on their panel and will utilise this information in negotiations that they undertake on behalf of their customers. Some lenders provide brokers with the opportunity to seek pricing requests to obtain off-market pricing particular to their client needs and may seek to share pricing with other lenders to obtain the best price for their client. We note refinancing activity continues to dominate the current lending environment as fixed rate term expiries prompt borrowers to, through their broker, seek refinancing opportunities and repricing into lower rate products.[20] In a situation where a customer is looking to refinance their home loan, brokers will generally 'scan the market' for best possible rates for products for which their customers are eligible for and will look to share that pricing with the incumbent lender to incentivise the incumbent lender to sharpen/discount the customer's current rate.
e.	how long negotiations with lenders take (on average) and the extent to which lenders are willing to adjust their offers because of the negotiation process	We cannot comment on how long the negotiation process takes on average with lenders. This will vary by lender and also in how brokers approach this on behalf of customers.

[20] Australian Bureau of Statistics noted that in March 2023, value of external refinancing was 28.5% higher compared to a year ago, see here.

No	Question	MFAA Response
		How a broker negotiates on behalf of the borrower will vary based on each individual lender process, policy and resourcing. In addition to the observations we make above, we can say that in this environment, with heightened refinancing, we are observing lenders placing significant efforts into client retention and are more willing to adjust a borrower's home loan interest rate to retain a client through discounts, as well as in some instances additional offers such as cashbacks.
f.	how many lenders/offers brokers would generally shortlist for their customers	The number of recommendations a broker will make will depend upon: • whether there is a wide variety of loans that would suit the customer's circumstances – for some customers, there may only be a small number of lenders that will be suitable, and • the requirements of the broker's licensee. RG 273.88 states that generally, more than one option should form part of the recommended options unless there is a reason not to (for instance if the customer's circumstances mean they are not eligible for multiple loan products). RG 273 goes on to state that 'it would generally be helpful to present the consumer with a shortlist of options with one option being the recommended option'. In our experience, most licensees require their credit representatives to present 2-3 recommendations (where possible).
g.	what technology platforms brokers use to collect, compare and share information about lenders' home loan offers.	Aggregators offer software platforms to brokers which provide visibility over lender home loan products including features of those products, for example pricing. These systems may be proprietary or developed by a third party. There is also suites of systems and platforms offered by third party suppliers that may be used by brokers to compare lender credit policies, some of which are offered as APIs to aggregator or broker systems.

No	Question	MFAA Response
		For completeness, we also note that the majority of industry utilise a lodgement gateway called Apply Online (**AOL**) by NextGen and to a lesser extent, Simpology. These platforms facilitate the transfer of a borrower's applications via the aggregators systems (noted above) to enable lenders to process and assess borrower's applications. These platforms also provide 'back channel' messaging on the status of the borrowers application and loan assessment.
2.	State whether your response to question 1 would vary if a customer were seeking to refinance an existing home loan rather than seeking a new home loan, and if so, how.	We have indicated where there may be variability in our responses above.
3.	Describe how lenders seek to compete for brokers' business, which lenders do this well and why.	As noted above, brokers are bound by the Best Interests Duty, that is brokers have a duty to act in the best interest of their clients. Therefore, the overarching consideration for any broker will be whether the product is fit for purpose and suits the needs of their clients. In saying that, there is a wide range of matters on which it can be said that lenders compete, these include business development support or relationship management support that a broker receives from the lender (i.e. support provided by a lender to brokers through in person teams who provide updates on credit policy, product training, process and relationship management), investments in technology platforms, direct communication channels for brokers to connect with lender credit risk teams to discuss applications and 'speed to yes' (i.e. turnaround times). General observations are that lenders that have had concentrated investment in the broker channel will find brokers to be more receptive to recommending their product as there is a better understanding of that lender's offering.
4.	State which lenders stand out as being very responsive to competition from other lenders (for example, during	The responsiveness of lenders to competition and the willingness to provide discounts will depend on a number of factors, including overall market dynamics, cost of funds, lender policy and the market segment in which the lender operates.

No	Question	MFAA Response
	negotiations with brokers, or in their willingness to provide discounts to win customers).	Informed by pricing in market, mortgage brokers typically try to reprice a mortgage with the existing lender before suggesting their customer considers switching lenders or refinancing. We can make the general observation that with increased rates of refinancing, over 20 lenders were offering cashback to compete for refinancing borrowers, however we are now seeing this dissipate across the market as lenders look to instead sharpen discounts to retain existing customers.
5.	Explain whether brokers generally have good visibility over all lenders' mortgage rates (net of all discounts – published and unpublished/bespoke). In particular:	See our response in 5(b).
a)	If brokers' visibility of different lenders' home loan mortgage rates varies, in what way do they differ? Has Commonwealth Bank of Australia's recent (November 2022) change to its home loan marketing – specifically, its move to more transparent tiered rate discounts – significantly changed the landscape?	Lenders will generally communicate pricing changes, new products and product features, material changes to product features, policy changes (such as loan to value ratio requirements) to brokers through direct communication and through aggregator platforms. Change in pricing that are publicly available may result in other lenders making announcements or changes to remain competitive.
b)	Do brokers have good visibility regarding the level of discretionary discount a lender may offer in a given scenario?	We cannot say that brokers will have all visibility over lender mortgage rates. The rates will be reflected on aggregator platforms (for those lenders that are on their panel). However, it may be the case that brokers may achieve different/better rates for customers that are not published through submission of pricing requests, negotiation and presenting competing offers as part of their service offering. Brokers will have visibility over discounts through a number of different means, for example through experience dealing with lenders, through communication directly from the lender on rates by way of pricing requests or through direct negotiation.

No	Question	MFAA Response
		Some lenders offer below the counter pricing to drive business based on certain parameters including loan size, loan to value ratio, credit risk ratings and lender risk appetite communicated to brokers through lender business development teams. It may also be the case that there are rates not visible to brokers that are provided to lender retention teams to incentivise customers to stay. These offers are made to customers, after the broker has determined through pricing negotiations and presenting competing offers for the incumbent lender to match, that the customer would be better off refinancing to another lender and the discharge process has commenced. We note our comments in our covering letter in relation to switching and refer the ACCC to its Home Loan Price Inquiry Report.[21] These findings remain relevant today.
c)	How do aggregators keep track of lenders' pricing and communicate this to their brokers?	Aggregators have technology platforms to effectively aggregate and communicate products and pricing to brokers. Their software platforms are updated based on communication received from lenders in relation to products and pricing.
d)	Are brokers familiar with the average turnaround times of each lender?	Yes, and some aggregators have internal tracking and reporting mechanisms.
6.	Describe whether brokers/aggregators offer services to lenders that involve providing information about other lenders' offers, including the type of information provided (for example, pricing) and how frequently the information is provided.	We are not aware of the services as described being offered. Brokers may share offers of other lenders, including pricing, in the course of negotiating rates for an individual client, however we are not aware of any service involving the provision of wholesale information about other lenders.
7.	Comment on whether it is important for brokers to be located close to their clients or have a physical presence	It is difficult to quantify the proportions of brokers that have a wholly online presence.

[21] ACCC Home Loan Price Inquiry Final Report November 2020 pg 11.

No	Question	MFAA Response
	to acquire or service customers. If possible, provide an indication of the proportions of brokers that are engaged online and in person and how this has changed over time.	Our observations are that brokers will employ a diverse range of connection and communication with their clients and are often driven by the needs of their clients. For example, franchise models often involve a shopfront and may be more predisposed to meeting with clients face-to-face. As is reflective of general trends, it is becoming more common for brokers to use online methods of meeting and engaging with clients, for example, Zoom. This is also driven by client preference.
8.	Comment on the role of brokers in assisting lenders to enter or expand in geographic areas where they do not have a strong physical presence or brand recognition. For instance:	See below.
a.	how reliant are online or new non-bank lenders on brokers to source new home loans, compared to banks with branch networks?	We are not able to quantify this but make a general observation that online or new non-bank lenders will be more reliant on brokers to distribute their product compared to larger or incumbent lenders with a physical branch presence. For example, our reporting observes that online bank lenders such as AMP and Macquarie continue a general upward trajectory in terms of loans written through mortgage brokers with that segment being only 5.5% of broker originated loans in June 2017 and this has increased to 12.8% in September 2022.[22]
b.	does the use of brokers' services provide consumers more confidence to take out home loans with lenders that they are not familiar with?	Mortgage brokers are the main channel for smaller lenders, including regional banks and non-ADIs with limited branch networks.[23] Brokers provide customers with comfort to proceed with lenders that they are not familiar with.

[22] MFAA Industry Intelligence Service Report 15th Edition 1 April 2022 – 30 September 2022 pg 36.
[23] Deloitte Access Economics Report the Economic Value of Mortgage Broking pg 29.

No	Question	MFAA Response
9.	Describe how brokers interpret the 'Best Interests Duty' (effective from 1 January 2021), specifically, the extent to which its introduction has changed how brokers seek, assess and recommend home loan offers to consumers.	The introduction of the Best Interests Duty formalised brokers acting in their customers best interests, particularly in how they approach making recommendations to customers. Along with their recommendations to customers, licensees require their credit representatives/brokers to document reasons why the loan meets their specified needs. There is now more transparency for the customer around the loans that are recommended, and why. Further, broker record keeping has enhanced as they need to capture and record the needs of the customer, along with the reasons for their recommendations under the Best Interests Duty.
10.	Comment on whether the introduction of the 'Best Interests Duty' has garnered more trust from consumers in brokers and led to increasing use of brokers' services.	As discussed in our cover letter, we suggest this is one of a number of factors that have increased the use of broking services. We can make a general observation that broker home loan market share has increased from 59.4% in the December quarter of 2020 (pre-Best Interests Duty) to 69.4% in the December 2022 indicating a strong correlation between the introduction of the Best Interests Duty and the increase in market share.
	Small and medium-sized enterprise (SME) and Agribusiness banking	
11.	Describe in detail the process that brokers undertake to source business loan products (including responding to the sub-questions outlined in question 1) for SME and Agribusiness customers respectively.	As an overarching comment, while the MFAA has endeavoured to be fulsome in its response to the ACCC's request for information in relation to SME and agri-business banking, our response is more limited by virtue of an insufficiency of data in this area.
a.	what type of information brokers typically seek from customers	While the regulatory requirements in relation to responsible lending and best interest duty do not apply to commercial/finance brokers who support their customers to source commercial and agri loans, the process that a broker will undertake to source a business loan for a customer will be fairly similar to that of a home loan in that a broker will seek to understand the customers' requirements, objectives, priorities and preferences and will look at lenders that offer products in market that would suit those requirements.

		The information that is required (from a customer) to enable a broker to source a business or agri loan for a customer will be driven by lender requirements and will always include financial statements and business information.
b.	the key factors that brokers consider in determining the suitability of loan offers for their customers and the weight brokers place on these factors (for example, the extent to which accessibility of a bank's branch or physical presence of a lender is a relevant factor)	The factors that brokers will consider in sourcing business or agri-loans for their customers range significantly and will include: • the lenders that brokers are accredited with to refer business and agri loans – brokers will generally need to be accredited with a lender to facilitate a loan to that lender on behalf of their customer • the specific needs of the business/agri customer • the credit risk appetite of the lender which will depend on a number of factors including the nature of the customer's business, the nature of the loan sought and the geographic location of the business, and • the relationships that brokers have with specialised areas within the lender, and in particular the knowledge and support of lenders' business relationship teams.
c.	whether brokers generally compare loan offers from lenders on their panels only or give preference to those lenders' offers (rather than seeking other options)	We note that the number of lenders in market for both business and agri loan products is potentially not as extensive as that of the home loan market, and loan products for both business and agri customers are more custom/bespoke in nature than home loans. The types of business loans that brokers source for their customers includes equipment finance, invoice financing, insurance premium financing or a general business loan to fund business acquisitions, start-up costs, capital investments, property acquiring or development. Business/agri loans can be secured (ie by way of security on plant/equipment/property/fixed or floating charges across the business) or unsecured. For business loans, some aggregators that support commercial brokers (or mortgage brokers that also write commercial loans) will have lender panels, however we do not have comprehensive data at hand to indicate the extensiveness of these panels. Commercial brokers may facilitate a commercial/business loan through an aggregator panel (and thus through aggregator systems) and/or could also facilitate a commercial/business loan direct to a lender however we understand that in all cases the broker will need to be accredited with the lender to do so. In terms of agri loans specifically, we understand that often this is very individualised and the types of business loans sourced for agri customers could range from crop funding, equipment finance, farm machinery etc. As an extension to this comment, agri-brokers are highly specialised and the way in which agri-brokers work on behalf of their customers is generally through working closely with a business/agri manager within a lender. We are not aware of the existence of panels with respect to agri-lending.

d.	whether brokers typically approach lenders to negotiate loan offers on their customers' behalf and the extent to which brokers share information about other lenders' offers to facilitate negotiations for a better deal	This depends on the nature of the loan sought. As noted, there is a wide variability in terms of the types of loans sought for both business and agri-customers and some loans are highly customised and there may be fewer lenders in market to meet the customer need which by extension will mean there is less opportunity for negotiation. For less customised products, particularly for commercial loans (ie general business loans, equipment finance, vehicle finance etc) brokers will seek pricing requests to obtain market pricing particular to their client needs and may seek to share pricing with other lenders to obtain the best price for their client however we cannot comment on how extensive this practice may be.
e.	how long negotiations with lenders take (on average) and the extent to which lenders are willing to adjust their offers because of the negotiation process	We cannot comment on how long the negotiation process takes on average with lenders. This will vary by lender and also in how brokers approach this on behalf of customers.
f.	how many lenders/offers brokers would generally shortlist for their customers	See our comments above. It depends on the nature of the loan product and how many lenders there are in the market to meet the customer need.
g.	what technology platforms brokers use to collect, compare and share information about lenders' loan offers.	Some aggregators have technology platforms to compare information in relation to commercial loans and lodge applications, however this is an evolving area. Brokers also go direct to lenders to obtain pricing for comparison purposes and to lodge applications. Agri loans are generally not submitted via origination systems - proposals and supporting documents are presented directly to the lender who manages the assessment process, with the broker's support.

No	Question	MFAA Response
12.	Explain whether brokers generally have a good understanding of the reputation, performance and accessibility of different lenders' business relationship managers or bankers in specific local areas.	Brokers writing commercial loans are expected to have current market knowledge and participate in ongoing training to stay informed about new lenders and products. While variable, some commercial lenders require brokers to undertake mandatory training and/or at least two years' experience writing commercial loans to achieve accreditation. Training is also offered by aggregators, commercial lenders and industry associations through conferences, workshops and webinars to improve brokers' understanding of SME options. Brokers facilitating commercial and agri loans will be heavily reliant on relationships with specialised areas within the lender, and in particular the knowledge and support of lenders' business relationship teams. In particular, agricultural loans will involve (a) identifying lenders that offer products to meet those needs and (b) working closely with the appropriate specialist within the lender to provide solutions for agri clients. Observations are that the market for agricultural lending outside the major banks is limited and highly specialised and brokers who specialise in agri lending will have a good understanding of which lenders in the market offer this type of lending as well as the reputation, performance and accessibility of those lenders.
13.	Explain whether brokers in general have good visibility over all lenders' business loan prices (net of all discounts – published and unpublished/bespoke).	A broker must first be accredited with a lender to be able to recommend loans of that lender. Brokers will then be provided with regular communication in relation to pricing and product features to enable them to have conversations with their customers.

No	Question	MFAA Response
		Relationships brokers have with a particular business lender and the experience in writing business with that lender is critical to product, pricing and credit policy knowledge.
14.	For each of SME and Agribusiness lending, describe whether brokers/aggregators offer services to lenders that involve providing information about other lenders' offers, including the type of information provided (for example, pricing) and how frequently the information is provided.	We are not aware of the services as described being offered. Brokers may share offers of other lenders, including pricing, in the course of negotiating rates for an individual client, however we are not aware of any service involving the provision of wholesale information about other lenders.
15.	For each of SME and Agribusiness lending, describe whether and how lenders' reliance on brokers has changed over the last five years, and whether different bank and non-bank lenders have different strategies for using brokers to source new business loans.	As an overarching comment, we note that the Productivity Commission found that brokers are an important channel in connecting SME borrowers with lenders. They can assist SMEs to broaden their awareness of available lending options, as well as build trust by conveying whether lenders are reputable.[24] As a general observation, as a result of bank branches closures, particularly in rural and regional areas lenders have experienced a loss of experienced commercial and agri specialists, some of which have moved into broking businesses. We also note that more mortgage brokers are assisting customers with commercial loans. In the six months to September 2022, over 6,000 mortgage brokers also wrote a commercial loan. This represents 31.8% of the total mortgage broker population, an increase of over 10% compared to 2018 when 21.2% of mortgage brokers were also operating in the commercial lending space.
16.	Comment on the effectiveness of brokers in assisting lenders, as well as specialist finance providers (such as equipment finance providers), in SME and Agribusiness	In response to Question 16(a), yes. Brokers create an awareness of the availability of products in the marketplace both traditional and non-traditional products (i.e. those offered through fintechs such as online small business lenders and private funding).

[24] Productivity Commission Small business access to finance: The evolving lending market research paper September 2021 pg 11.

No	Question	MFAA Response
	lending to enter or expand in geographic areas where they may not have a strong physical presence or brand recognition. a) Do brokers make it easier for business customers to consider and access non-bank, online, new or smaller lenders' business loan products?	The Productivity Commission Research Paper into small business access to finance noted that SME owners' have limited awareness of the suite of lending options in the market and that brokers play an important role in educating SME borrowers and connecting them with suitable lenders and products.[25] Through their participation in ongoing training with commercial lenders, brokers are more likely to have up-to-date market knowledge about available lenders and products. According to the aforementioned Productivity Commission report, some lenders have reported that about 25-30% of new business lending originates from commercial brokers.[26] Our observations are that this share varies significantly across different lenders based on their business models and it is very likely that non-bank and online lenders source a higher proportion of their customers through brokers compared to larger lenders with a physical presence.
17.	For SME and Agribusiness customers respectively, comment on whether it is important for brokers to be located close to their clients or have a physical presence to acquire or service customers.	This really comes down to customer preference however our observations are that relationships built on in-person communication, local knowledge and a physical presence is generally a preference for customers in rural and regional areas and in particular agri customers.
a)	If possible, provide an indication of the proportions of brokers that are engaged online and in person and how this has changed over time.	We have observed that in line with pandemic related global trends, more and more brokers are engaging online, driven mainly through customer preferences as well as a change in laws and lender policies to enable more tasks to be completed through online technology, for example verification of identify and know your customer requirements.

[25] Productivity Commission Small business access to finance: The evolving lending market research paper September 2021 pg 11.

[26] Ibid page 44.

No	Question	MFAA Response
b)	Do brokers generally need to meet with business customers face-to-face to service them?	As noted above, it really depends on what the customer wants and on lender requirements. Particularly in farming or agricultural communities, there is a preference for face-to-face however that is not always the case and more business people are preferring the convenience of using online technology to meet with their brokers.