

How is my mortgage broker paid?

Understanding commissions

Mortgage brokers receive commissions from lenders for sourcing and securing the right loan for a customer.

The mortgage broker commission structure is made up of an 'upfront' commission and an ongoing 'trail' commission.

The upfront commission is a one-off payment made by lenders to brokers when a broker introduces a new loan to that lender and the loan is settled. The amount of the upfront commission is calculated based on the amount of the loan minus any funds held in offset accounts or redraw.

The trail commission is a deferred payment that the lender pays the broker over the life of the loan. The amount of trail your broker receives is calculated on the balance of your loan.

If you decide that you no longer want to stay with the same home loan, default on your loan payments, reach a level of arrears, or pay the loan off altogether, your broker will no longer receive trail commission. If this is done within the early period of your home loan (usually within 2 years), the lender may recoup the upfront commissions already paid. This is known as 'clawback'.

If you are using an offset account and have accessible funds in the offset account, the lender will treat this as a lower loan amount, as the amount in the account is 'offsetting' your loan. Because the lender is earning less interest on your loan, they may then reduce the amount of commission paid to your broker. This is referred to as 'net of offset'.

Any commissions received by your broker will be disclosed to you in the Loan Choices Document. However, this amount is not the amount that the broker receives as income.

Mortgage Choice brokers are small business owners and this revenue is used to cover business expenses such as licensing fees, insurance premiums, staffing costs, office equipment and rent. Only once all these costs are paid can the broker pay themselves a wage.

When would my broker charge a fee?

Sometimes, complex lending scenarios require your broker to have specialist expertise or complete additional work over and above the lending requirements, and in these instances your broker may not be paid by the lender for these services.

Your broker may charge you a fee for these additional services or assistance.

How do I know what I will need to pay?

As soon as your broker determines that the work requested will require a fee, and before they provide any recommendations on lenders or loan products, they will discuss this fee with you. Of course, you do not have to accept this fee – it's your decision whether or not to proceed. If you choose to go ahead, your broker will then provide you with a Quote and Fee Agreement which lists the services that they will charge a fee for and how much the fee will be. You will need to sign this document and will receive a copy for your records.

How/when do I pay the fee?

You will need to pay the fee once the service has been provided – this may be before your loan is approved or settled.

Your payment will be facilitated by Mortgage Choice Head Office. You can make your payment via credit and debit cards.

Our electronic payments platform ensures your payments are managed in line with the relevant payment security standards.

What if I'm unhappy with the fee or the service?

We hope that you are delighted with the service you received from your broker. However, if you are unhappy with any aspect of our service, your first step should be to raise the issue directly with your broker.

If you cannot resolve the problem with your broker, you can contact our Compliance team by emailing customerservice@mortgagechoice.com.au, telephoning 13 77 62, or writing to Mortgage Choice Compliance at 511 Church Street, Richmond VIC 3121.

When we receive a complaint, we attempt to resolve it as quickly as possible, subject to a full investigation of the circumstances involved.