

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS - FINANCIAL ADVICE SECTOR

#### Australian Finance Group Ltd (AFG)

**AFG02QON:** **Dr ALY:** Thank you, gentlemen, for appearing today. I have a couple of questions based on anecdotal evidence from discussions that I've had with mortgage brokers in my electorate. One of the things that they were telling me was that the higher compliance that they have to meet has added some 20 hours or so onto the amount of time and effort that it takes to run an application. They are saying that that has had significant impact on their business model and on the cost of providing a service. Have you got any data that monetises that, that looks at increased costs to mortgage brokers for the costs of compliance?

**Mr Hewitt:** We haven't done that calculation, but it's certainly something that we can turn our mind to. I think we've got the inputs we need to make that calculation. We could take that on advice and come back to you with our estimate of that.

**Answer:** As stated on the day of our appearance before the Committee, AFG has not traditionally collected that type of data. Anecdotally, we have been told by some of our mortgage brokers that the average internal processing time for loan applications has increased by 150% which is generally consistent with Dr Aly's sources. Just as each mortgage broker's internal cost structure differ depending on their size and location, each lender's requirements and processes, and each customer's circumstances, are different. This would make it very difficult to provide a consistent compliance cost increase estimation across the whole mortgage broker cohort.