

2025-26 Federal Pre-Budget Submission

30 January 2025



Letter from the MFAA CEO



30 January 2025

Hon Stephen Jones MP
Assistant Treasurer and Minister for Financial Services
Parliament House
Canberra ACT 2600

By email: prebudgetsubmissions@treasury.gov.au

Dear Assistant Treasurer,

2025-26 PRE-BUDGET SUBMISSION

The Mortgage & Finance Association of Australia (**MFAA**) appreciates the opportunity to make a submission regarding the priorities for the 2025-26 Federal Budget. The key priorities that we consider critical for the 2025-26 Budget are:

1. Competition in the home lending sector.
2. Continuing funding initiatives to combat scams, mitigate cybersecurity risks for small business and supporting Australians in their transition to the digital economy.
3. Prioritising fit for purpose regulation and policy settings for the mortgage and finance broking sector.
4. Co-investing with the broking industry on environment sustainability and social impact initiatives.

ABOUT THE MFAA

The MFAA is Australia's peak industry body for the mortgage and finance broking industry with over 15,500 members. Our members include mortgage and finance brokers, aggregators, lenders, mortgage managers, mortgage insurers and other suppliers to the mortgage and finance broking industry.

The MFAA's role, as an industry association, 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, encouraging policies that drive competition, and improving access to credit products and credit assistance for all Australians.¹

EXECUTIVE SUMMARY

Mortgage and finance brokers play a critical role in lending, providing access to credit and promoting choice in both consumer and business finance. In addition to facilitating nearly 75%² of all home loans in Australia, mortgage and finance brokers also facilitate approximately 78% of home loans under federal first home buyer schemes³ and facilitate at least 4 in 10 small business loans.⁴ This highlights the mortgage and finance broking industry is not just systemically important to the Australian economy, but also instrumental in facilitating choice and competition in the lending sector.

¹ For more information about the MFAA, see mfaa.com.au.

² MFAA media release, *Mortgage broker market share remains strong in June quarter*, 9 September 2024, <<https://www.mfaa.com.au/news/mortgage-broker-market-share-remains-strong-in-june-quarter>>.

³ Housing Australia (via email), September 2024.

⁴ The Productivity Commission, *Small business access to finance: The evolving lending market – Research paper*, September 2021, Australian Government, page 44.

The economic challenges that dominated in 2024 will continue in 2025 – particularly housing affordability and the persistent cost of living pressures attributed to higher interest rates and persistent underlying inflation.⁵ Against this backdrop, the RBA maintained the cash rate at 4.35% for the entirety of 2024. Despite the continued strength of the labour market⁶ and wage growth of 3.5% over the year, up 0.8% in the September quarter, GDP growth was modest at 1.2% in 2024 with predictions by the International Monetary Fund that it will pick up gradually to 2.1% in 2025.⁷

We consider 2025 will be a similarly challenging year. Interest rates, sustained cost-of-living pressures⁸ and the impacts of constrained housing supply will continue to impact consumers and businesses, and drive demand for broker services. Our research indicates the risk of increased financial stress amongst households with mortgages remains, with nearly 3 out of 4 borrowers worried about meeting their loan repayments.⁹

Notwithstanding 2025 is a federal election year, the 2025-26 Federal Budget should continue to focus on assisting Australian borrowers – both consumers and small businesses – to weather challenging economic conditions through enhancing competition in the home loan sector and ensuring they have access to credit. In tandem, the Federal Budget should also focus on mitigating the risk of cybersecurity and continuing to enhance Australia’s environmental sustainability, while supporting Australians in their transition to the digital economy.

Our key recommendations are:

Priority Area	Recommendations
Preserving and enhancing competition in the home lending sector for the benefit of consumers	<ol style="list-style-type: none"> 1. Simplify government backed homebuyer schemes, and partner with the mortgage broking industry to raise awareness of these schemes 2. Review APRA prudential settings, including the serviceability buffer to ensure they do not impose unnecessary barriers for new borrowers or those seeking to refinance 3. Institute a faster, smoother home loan discharge process 4. Continue to enhance the Consumer Data Right 5. Promote consulting with a mortgage broker to all first home buyers
Mitigating cybersecurity risks for small business and supporting all Australians in their transition to the digital economy	<ol style="list-style-type: none"> 6. Work with industry to educate and empower small business - continue investment in ASBFEO, COSBOA and additional AI Adopt Centres to support service-based industries 7. Ensure a consistent approach to Digital ID and expand use cases
Ensure policy and regulatory settings are fit for purpose for the	<ol style="list-style-type: none"> 8. Take a leadership role in bringing consistency and clarity to state and territory-based payroll tax legislation

⁵ Reserve Bank of Australia, *Minutes of the Monetary Policy Meeting of the Reserve Bank Board*, December 2024, <<https://www.rba.gov.au/monetary-policy/rba-board-minutes/2024/2024-12-10.html>>, viewed 15 January 2025.

⁶ Unemployment remains stable at 4% with a decrease in underemployment and the number of employed people continuing to increase. Australian Bureau of Statistics, *Labour Force, Australia*, 16 January 2025, <<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release>>, viewed 17 January 2025.

⁷ International Monetary Fund, *IMF Concluding statement 2024 Article IV Consultation with Australia*, 23 December 2024, <<https://www.imf.org/en/News/Articles/2024/12/18/pr-24482-australia-imf-executive-board-concludes-2024-aivconsultation#:~:text=IMF%20Executive%20Board%20Concludes%202024%20Article%20IV%20Consultation%20with%20Australia,December%2023%2C%202024&text=Washington%2C%20DC%3A%20The%20Executive%20Board,lapse%2Dof%2Dtime%20basis.>>, viewed 13 January 2025.

⁸ The Senate, Select Committee on the Cost of living, *Paying the Price: The Cost of a Crisis on Australian’s Standards of Living – Final report*, November 2024, Chapter 3, <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Cost_of_Living/costofliving/Report/Chapter_3_-_Key_areas_of_stress_for_Australians_Updates_since_the_Second_Interim_Report>, viewed 15 January 2025.

⁹ MFAA, *Mortgage broker insights: Refinance and mortgage stress*, August 2024, <<https://cdn.sanity.io/files/t0x3ukgp/production/80118149b6e4e16b8c23dee798753d6cf86009aa.pdf>>.

Priority Area	Recommendations
mortgage and finance broking industry	9. Ensure all privacy-related changes are reflected in the Regulatory Implementation Grid (RIG) – this includes establishing a clear timeline for removing the small business exemption from the Privacy Act 10. CSLR levies must be proportionate and fit for purpose 11. Introduce permanency to the instant asset write-off scheme 12. Update ASIC Regulatory Guide 206 Credit licensing: Competence and training 13. Continue to remediate Financial Services Royal Commission Legislation
Co-invest with the broking industry on environment sustainability and social impact initiatives	14. Invest in small business ESG education 15. Facilitate the decarbonisation of Australian residential property through brokers 16. Continue to develop initiatives that deliver greater levels of financial literacy for Australians, including continued investment in the National Debt Helpline

Our detailed policy recommendations are below.

CLOSING COMMENTS

We extend our thanks to Treasury for the opportunity to provide this submission. If you wish to discuss this submission or require further information, please contact me at anja.pannek@mfaa.com.au or Naveen Ahluwalia at naveen.ahluwalia@mfaa.com.au.

Yours sincerely,



Anja Pannek
 CEO
 Mortgage & Finance Association of Australia

Policy recommendations



Priority 1 – Competition in the home lending sector

A key focus of the 2025 – 2026 Federal Budget should be to preserve and enhance the competitiveness of the home lending sector, especially given the ongoing challenges of housing supply nationwide and the critical role access to finance plays in achieving home ownership.

The deteriorating trend in the house price-to-income ratio from 2019 to 2024,¹⁰ is adding pressure to household financial conditions – with serviceability and affordability constraints weighing heavily on household budgets.

The results of the MFAA’s latest member sentiment survey reports cost-of-living concerns as a growing cause of financial concern for mortgage broker clients, with over one quarter of survey respondents viewing it as the most likely reason for financial stress.¹¹

Home ownership is an important societal goal of many Australians and boosting housing supply must remain a priority for the Federal Government. While the Federal Government is developing a National Housing and Homelessness Plan in collaboration with state and territory governments,¹² we believe more can be done to support a nationally coordinated approach to housing. We note the passage of the Help to Buy Bill¹³ designed to help eligible home buyers get into the market sooner and we look forward to working with Housing Australia on educating brokers and their prospective homebuyers on how to access

this scheme.¹⁴

While we support initiatives that address housing pressures,¹⁵ our members are particularly impacted by the challenges on the demand side. In our submission¹⁶ to the recent Inquiry into the Financial Regulatory Framework and Home Ownership (the **Inquiry**), we outlined several recommendations for how to address demand-side issues. These are below.

Recommendation 1: Simplify government-backed homebuyer schemes, and partner with the mortgage broking industry to raise awareness of schemes

Our members report that while government-backed homebuyer schemes can provide valuable support for first home buyers, they are often hindered by complexities arising from the stop-start nature of the schemes, duplicative state and federal initiatives, as well as schemes administered by different government departments both at the state and federal level. In the Appendix is a list of state and federal schemes. Our observations are that these schemes are numerous in nature and have diverse application criteria, making it challenging for home buyers to navigate.

Our members recommend consolidating and simplifying these schemes across all levels of government, consider schemes that are more permanent or longer term in nature (as opposed to time bound), and administering them through a central federal body, such as Housing Australia, to

¹⁰ Statista, *Australian house price to income ratio 2024*, <<https://www.statista.com/statistics/591796/house-price-to-income-ratio-australia/>>, viewed 13 January 2025.

¹¹ MFAA media release, *Serviceability barriers reduce, cost of living pressures climb for home loan borrowers*, 4 September 2024, <<https://www.mfaa.com.au/news/serviceability-barriers-reduce-cost-of-living-pressures-climb-for-home-loan-borrowers>>.

¹² Department of Social Services, *Housing Support*, Australian Government, <<https://www.dss.gov.au/housing-support-programs-services-housing/developing-the-national-housing-and-homelessness-plan>>, viewed 25 September 2024.

¹³ Treasury, *Help to Buy Bill 2023*, Australian Government, <https://www.aph.gov.au/Parliamentary_Business/Bills_LEGislation/Bills_Search_Results/Result?bld=r7123>, viewed 10 January 2025.

¹⁴ MFAA submission, *Help to Buy Program Directions*, 21 May 2024, <<https://cdn.sanity.io/files/t0x3ukgp/production/9b33059b285efc5bb0aa7935b0210234c890d4cb.pdf>>.

¹⁵ See Federal Budget 2024-25 Help to build, rent and buy, which includes further investment through the National Housing Accord, Housing Australia Future Fund and Social Housing Accelerator, and Housing Support Program, <<https://budget.gov.au/content/02-building-homes.htm>>, viewed 10 January 2025.

¹⁶ MFAA submission, *Inquiry into the financial and regulatory framework and home ownership*, 30 September 2024, <<https://cdn.sanity.io/files/t0x3ukgp/production/24e5d5dcb1f488d4b76a5990814970b106968c43.pdf>>.

improve their effectiveness.

Our members also report a significant lack of awareness amongst first home buyers of federal and state-based schemes, including the First Home Super Saver Scheme,¹⁷ which can be a useful tool for saving a deposit. In its most recent Annual Report, Housing Australia provides a case study of first home buyers accessing the Regional First Home Buyer Guarantee, with the first home buyer commenting *“I’d heard about the Home Guarantee Scheme, but I did not know a lot about it until I spoke to my broker who gave me all the information about how it could help.”*¹⁸

Partnering with the mortgage broking industry to raise awareness and improve understanding of these schemes would better equip potential buyers to leverage available resources, ultimately leading to more informed financial decisions and greater access to the housing market.

Recommendation 2: Review APRA prudential settings, including the serviceability buffer to ensure they do not impose unnecessary barriers for new borrowers or those seeking to refinance

A dynamic, diverse, and resilient Australian mortgage lending sector benefits consumers by fostering greater choice, flexibility, and innovation, which are essential for reducing costs and

delivering better credit products. Mortgage brokers play a key role by connecting borrowers with multiple lenders and loan options, helping them compare terms and secure a product that is in their best interests.

Our members have cited the rigid application of serviceability buffers under APRA's standards as the number one barrier to refinancing for many borrowers, especially in the context of rising interest rates.¹⁹ For first home owners, it has made it more difficult to qualify for loans.²⁰ MFAA data shows the conversion rate of home loan applications to settlements declined, indicating that serviceability challenges are taking a toll on prospective homebuyers seeking finance. For the six-month period to 30 September 2023, conversion rates²¹ recorded a second consecutive six-month period of decline, experiencing a 9.2 percentage point dip year-on-year and falling below 80% for the first time since 2021.²²

Serviceability buffers, while critical in managing systemic risk, do not always accommodate for individual circumstances of borrowers, leading to a scenario where some become "mortgage prisoners", unable to refinance even when it would be in their best financial interest to do so. In line with APRA guidance, some banks have set out exception processes to support borrowers that may be experiencing challenges.²³ Our members have reported the reduction of the serviceability buffer by APRA-regulated lenders who offer this as an option had been instrumental in assisting their clients to refinance and secure more competitive loan options.²⁴ This demonstrates the value of

¹⁷ Australian Taxation Office 2024, *First home super saver scheme*, Australian Government, <<https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/withdrawing-and-using-your-super/early-access-to-super/first-home-super-saver-scheme>>, viewed 15 January 2025.

¹⁸ Housing Australia, *National Housing Finance and Investment Corporation Annual Report 2022 - 2023*, Australian Government, page 46, <<https://www.housingaustralia.gov.au/reports-and-publications>>, viewed 15 January 2025.

¹⁹ MFAA media release, *Serviceability barriers reduce, cost of living pressures climb for home loan borrowers*, 4 September 2024, <<https://www.mfaa.com.au/news/serviceability-barriers-reduce-cost-of-living-pressures-climb-for-home-loan-borrowers>>.

²⁰ Australian Institute of Health and Welfare, *Housing assistance in Australia 2024*, Australian Government, <<https://www.aihw.gov.au/reports/housing-assistance/housing-assistance-in-australia/contents/housing-assistance>>, viewed 15 January 2025.

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²¹ Conversion rate calculated as: the number of home loans settled as a proportion of the number of home loan applications lodged.

²² MFAA, *Industry Intelligence Service 17th Edition for the six-month period 1 April 2023 to 30 September 2023*, <<https://cdn.sanity.io/files/t0x3ukgp/production/86ad362f54c8e7ac23ca67a27c6e2bb3c75a0866.pdf>>.

²³ Australian Prudential Regulation Authority (APRA), letter to Authorised Deposit Taking Institutions, 9 June 2023, <<https://www.apra.gov.au/housing-lending-standards-reinforcingguidance-on-exceptions>>, viewed 15 January 2025.

²⁴ MFAA, *Mortgage broker insights: Refinance and mortgage stress*, August 2024, <<https://cdn.sanity.io/files/t0x3ukgp/production/80118149b6e4e16b8c23dee798753d6cf86009aa.pdf>>.

flexible serviceability measures in alleviating some of the refinancing pressures borrowers face, particularly in a rising interest rate environment, and highlights the importance of embedding flexibility to support borrower outcomes.²⁵

However, as we noted in our submission to the Inquiry, the APRA mortgage serviceability buffer is prescriptive²⁶ and lacks a framework to provide flexibility and scalability. APRA first introduced its serviceability guidance in December 2014 requiring banks to apply a minimum interest rate floor of 7% regardless of product. As the environment evolved over time, APRA updated its guidance in 2019,²⁷ allowing banks to review and set their own minimum interest rate floor and utilise a buffer of 2.5% over the interest rate of the product being assessed. The buffer increased to 3% in late 2021²⁸ and has remained in place since. The serviceability buffer is applied uniformly across all ADIs without sufficient consideration for the nuances that might differentiate one borrower segment or product from another, especially over time.²⁹ While this approach may ensure a consistent baseline of prudential oversight, it can also result in a lack of flexibility that may inhibit access to credit, particularly in situations where a more tailored approach would be appropriate (such as for first homebuyers or those seeking to refinance to a lower rate).

Further to this, banks are required to report to APRA on lending to borrowers when the 1% buffer is utilised, as an exception to APRA guidance,³⁰ potentially acting as a deterrent for these lenders

in instituting the more flexible mortgage serviceability buffer.

We recognise the importance of financial stability and credit risk management, however, to ensure continued access to credit, we propose a dynamic buffer that adjusts with interest rates— shifting up when interest rates decrease or down when interest rates increase.

Recommendation 3: Institute a faster, smoother home loan discharge process

In the current economic environment, it is imperative that borrowers can switch lenders easily. Australian home loan borrowers have been waiting five years to see any benefits from the recommendations made in the 2020 ACCC Home Loan Price Inquiry³¹ (**Price Inquiry**). For a competitive and efficient home lending sector, it is important that friction for a borrower is minimised, whether obtaining a home loan or refinancing it.

In 2024, refinancing activity continued to be a focal point for our members and their clients facing cost of living pressures, with 98% of our members reporting having assisted clients with refinancing to a new lender.³² Mortgage brokers are saving Australian borrowers an average of \$2,976 per annum through repricing or refinancing their home loan.³³ Our members have told us that the process to refinance and discharge a home loan when switching lenders can cause confusion and delays

²⁵ More than half of respondents reported that the 1 percent serviceability buffer was of use to their clients, helping them access a better deal with another lender. See MFAA media release, *Serviceability barriers reduce, cost of living pressures climb for home loan borrowers*, 4 September 2024, <<https://www.mfaa.com.au/news/serviceability-barriers-reduce-cost-of-living-pressures-climb-for-home-loan-borrowers>>.

²⁶ APRA Prudential Practice Guide, *APG 223 Residential Mortgage Lending*, June 2022, paragraph 32, <<https://handbook.apra.gov.au/ppg/apg-223>>, viewed 14 January 2025.

²⁷ APRA consultation July 2019, *Prudential Practice Guide APG 223 Residential Mortgage Lending-Revisions to the buffer & floor rates in APG 223*, <<https://www.apra.gov.au/prudential-practice-guide-app-223-residential-mortgage-lending>>, viewed 15 January 2025.

²⁸ APRA media release, *APRA publishes assessment of macroprudential settings*, 27 February 2023, <<https://www.apra.gov.au/news-and-publications/apra-publishes-assessment-of-macroprudential-settings>>, viewed, 20 January 2025.

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²⁹ Reserve Bank of Australia, *Bulletin March 2023*, <<https://www.rba.gov.au/publications/bulletin/2023/mar/pdf/bulletin-2023-03.pdf>>, viewed 24 September 2024.

³⁰ APRA, letter to Authorised Deposit Taking Institutions, *Housing lending standards: Reinforcing guidance on exceptions*, 9 June 2023, <<https://www.apra.gov.au/housing-lending-standards-reinforcing-guidance-on-exceptions>>, viewed 15 January 2025.

³¹ Australian Competition & Consumer Commission, *Home loan price inquiry 2019-20 – Final Report*, December 2020, <<https://www.accc.gov.au/inquiries-and-consultations/finalised-inquiries/home-loan-price-inquiry-2019-20>>, viewed 15 January 2025.

³² MFAA, *Mortgage broker insights: Refinance and mortgage stress*, August 2024, <<https://cdn.sanity.io/files/t0x3ukgp/production/80118149b6e4e16b8c23dee798753d6cf86009aa.pdf>>.

³³ Assumptions: A borrower saves an average of 0.60% by refinancing from a variable rate of 7% to a variable rate of 6.4% on a 30-year loan term, with no monthly fees, and incurs an average delay of 20 days.

and overall it creates unnecessary barriers for borrowers seeking to refinance or access better loan terms, resulting in higher costs and financial stress.³⁴

In 2025, current predictions are for the RBA to begin easing the cash rate. Given the mounting cost-of-living pressures that home-borrowers are experiencing, we anticipate a declining rate environment will drive increased refinancing activity as it contributes to easing serviceability pressures allowing more borrowers the option to switch to a better deal.

While the MFAA was pleased that the Government responded³⁵ to the recommendations of the Price Inquiry in December 2023, we continue to await updates on Treasury's progress on:

- investigations for how prompts can be used to encourage consumers to switch to a cheaper home loan, and
- ensuring consumers have direct and easy access to discharge forms.

The Regulatory Initiatives Grid³⁶ includes these initiatives, however Treasury has not published any plans in relation to it.

Without definitive progress on this front, consumers will end up paying more for their mortgage for longer.³⁷

Consumers deserve a faster, more seamless discharge process. We strongly urge Treasury to act promptly on the Government's response while also recommending that the Federal Government go further by fully supporting the original recommendations of the Inquiry, including to implement a maximum timeframe of 10 business days for existing lenders to discharge requests. We also recommend:

- In all cases, brokers should be able to act for a client in the discharge process if the client has provided consent.
- Lenders should be required to offer their best repricing offer upfront, eliminating the need for retention activity once a discharge form is lodged.
- Automate and digitise the discharge process as much as possible.

More information about these recommendations can be found in the MFAA whitepaper titled '*Towards a faster, smoother home loan discharge: benefits for borrowers*'.³⁸

Reducing unnecessary barriers to refinancing fosters a more competitive lending market, benefiting borrowers and the economy. A streamlined discharge process enhances consumer choice, empowering borrowers to switch effectively and achieve better outcomes, including savings on their home loans.

Recommendation 4: Continue to enhance the Consumer Data Right

The MFAA continues to support the progress of the Consumer Data Right (CDR), recognising its potential to significantly enhance the availability and accuracy of consumer data, thereby improving credit decisioning and consumer outcomes.

The expansion of CDR to include non-bank lending will enhance consumer outcomes by enabling brokers to access more comprehensive data sets, allowing them to deliver more tailored and personalised recommendations to their

³⁴ MFAA whitepaper, *Towards a faster, smoother home loan discharge: benefits for borrowers*, April 2024, <<https://cdn.sanity.io/files/t0x3ukgp/production/d2d474a289df05c4d9e7a64aa99aec4a919e0006.pdf>>.

³⁵ Treasurer Jim Chalmers media release, *Helping Australians get a better deal on banking products*, 15 June 2024, <<https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/helping-australians-get-better-deal-banking-products>>, viewed 17 January 2025.

³⁶ Treasury, *Regulatory Initiatives Grid – Edition 1*, December 2024, <<https://treasury.gov.au/sites/default/files/2024-12/rig-report-2024.pdf>>, page 13, viewed 2 January 2025.

³⁷ MFAA whitepaper, *Towards a faster, smoother home loan discharge: benefits for borrowers*, April 2024, <<https://cdn.sanity.io/files/t0x3ukgp/production/d2d474a289df05c4d9e7a64aa99aec4a919e0006.pdf>>.

³⁸ <https://www.mfaa.com.au/news/the-home-loan-discharge-process-must-be-improved-mfaa>

customers.³⁹ Comprehensive and accurate consumer data is essential for mortgage brokers, as trusted advisers, to help borrowers explore their options, optimise household budgets, and secure tailored solutions, including refinancing and repricing opportunities.

Lending, credit and broking use cases have emerged as the leading use cases for CDR, proving the value of the CDR to consumers through mortgage brokers as trusted advisers.⁴⁰ Consumer finance and borrowing is among the three highest priority-use cases for the CDR.⁴¹

Pleasingly, we are seeing a continued increase in adoption of CDR-powered products by brokers, with these products continuously being enhanced and integrated into existing systems. For example, NextGen's ApplyOnline platform⁴² has observed significant growth in the adoption and usage of its integrated Open Banking service among brokers.⁴³ The MFAA is encouraged by this momentum and encourages the Federal Government to continue its investment in expanding the CDR framework for the benefit it brings to competition in the lending landscape. This includes ensuring that the scope of products covered by the CDR is not unduly restricted. For further details, refer to our recent submission on the CDR rules on non-bank lending and banking data scope.⁴⁴

³⁹ MFAA submission, *Consumer Data Right (CDR) Rules – Non-bank lending and banking data scope*, December 2024, <<https://cdn.sanity.io/files/t0x3ukgp/production/101bae6858b7bb7e55ae22c473ad40e891ba26ea.pdf>>.

⁴⁰ FinTech Australia, January 2025, *Australian Open Banking ecosystem map and report, 5th edition*, <<https://www.openbankingecosystemmap.com/australia-open-banking-ecosystem-map-fifth-edition>>, viewed 17 January 2025.

⁴¹ Assistant Treasurer Stephen Jones' speech to CEDA, 9 August 2024, *Putting consumers first in the Consumer Data Right*, <<https://www.ceda.com.au/newsandresources/news/technology-innovation/assistant-treasurer-stephen-jones-speech-to-ceda>>, viewed 15 January 2025.

⁴² ApplyOnline is the platform used by more than 60 lenders and 97% of the mortgage broking industry to facilitate electronic lodgement for lending related to property transactions.

(a) Screen-scraping

Whilst usage of CDR is increasing, mortgage brokers continue to rely on screen-scraping products to meet regulatory requirements. For context, mortgage brokers are required by law to comply with both responsible lending and best interests duty obligations. What this means is that mortgage brokers need to collect information about their customers for the purposes of assessing their customers' requirements, objectives, and financial position to both enable them to meet their regulatory obligations and to provide their customer with the most suitable loan which is in their best interest.

The industry urges the government to enhance transparency and provide clear guidance to support a smooth transition from screen scraping to CDR. This includes publishing the outcomes of Treasury's discussion paper, *'Screen Scraping – Policy and Regulatory Implications'*, along with any findings or investigations related to the proposed ban⁴⁵ on screen scraping.

(b) Finance brokers as trusted advisers

In the same way as mortgage brokers, finance brokers support and assist their customers to obtain access to a range of finance options including, for example, personal loans and vehicle finance. Like mortgage brokers, finance brokers hold Australian Credit Licences (ACLs) or are credit

⁴³ NextGen have told the MFAA that from July to November, the number of unique brokers utilising the ApplyOnline Open Banking service increased by 60%, while invitations sent to consumers to leverage the Open Banking service rose by 125%. Additionally, successfully completed Open Banking requests initiated by mortgage brokers increased by 114% during the same period.

⁴⁴ MFAA submission, *Consumer Data Right (CDR) Rules – Non-bank lending and banking data scope*, December 2024, <<https://cdn.sanity.io/files/t0x3ukgp/production/101bae6858b7bb7e55ae22c473ad40e891ba26ea.pdf>>.

⁴⁵ Assistant Treasurer Stephen Jones' speech to CEDA, 9 August 2024, *Putting consumers first in the Consumer Data Right, "I have asked Treasury to advise me over the next 12 months on a way forward for a full and formal ban of screen scraping."* <<https://www.ceda.com.au/newsandresources/news/technology-innovation/assistant-treasurer-stephen-jones-speech-to-ceda>>, viewed 15 January 2025.

representatives of ACL holders and therefore subject to strict legislative requirements.⁴⁶ Therefore we see no reason for the trusted adviser status to be restricted to mortgage brokers.

In line with the Federal Government's commitment to make it easier, through CDR, for small businesses to access finance,⁴⁷ we also recommend consideration be given to expanding the CDR to commercial brokers. We encourage the Federal Government to request Treasury to commence a consultation as to the benefits of doing so.

Recommendation 5: Promote consulting with a mortgage broker to all first home buyers

Mortgage brokers typically deal with a higher proportion of first time and first home buyers than the direct lending channel, providing essential guidance and support. A survey conducted by Helia in 2023 noted that despite the variety of options that exist in the marketplace, a third of respondents had not heard of alternative ownership strategies and overall, that 79% of first home buyer respondents said they would use a mortgage broker to support them in buying their first property.⁴⁸

There is a multitude of options available to a first home buyer, including, but not limited to, accessing state and/or Commonwealth grants, parental guarantees, or utilising lender's mortgage insurance. Increasingly aspirational first home buyers also see entry into the housing market through opting to purchase an investment property whilst themselves renting ("rent

vesting"), as this is more financially viable. Navigating this range of options as well as different lenders' products and service offerings is complex, which is where mortgage brokers guide and assist their clients. Before facilitating finance for a home purchase, mortgage brokers often play a pivotal role in enhancing financial literacy among first-time and first home buyers. This is particularly important when customers have a goal of home ownership but are not yet finance-ready.

A practical solution would be to include information about the benefits of consulting a mortgage broker in the 'prompts' initiative that Treasury has been tasked with, as referenced above.

Priority 2 – Mitigating cybersecurity risks for small business and continuing support for transitioning to the digital economy

Digital technology and the digitisation of the economy is a priority for the Australian Government⁴⁹ and cyber resilience is an important contributor to its safety. Through its 2023-2030 Australian Cyber Security Strategy, the Australian Government has a vision to become a world leader

⁴⁶ The Productivity Commission, *Small business access to finance: The evolving lending market – Research paper*, September 2021, Australian Government.

⁴⁷ Treasury joint media release, Senator Jane Hume and Treasurer Josh Frydenberg, *Consumers to benefit from expansion of Consumer Data Right*, 14 December 2021, <<https://ministers.treasury.gov.au/ministers/jane-hume-2020/media-releases/consumers-benefit-expansion-consumer-data-right>>, viewed 15 January 2025.

⁴⁸ Helia 2023, *Home Buyer Sentiment Report*, <<https://helia.com.au/media/owxjq0kv/helia-home-buyer-sentiment-report-2023-final.pdf>>, viewed 20 September 2024. Helia is a leading provider of lenders mortgage insurance (LMI) in Australia, helia.com.au.

⁴⁹ Department of Foreign Affairs and Trade, *Innovating Australia's Digital Economy*, April 2021, Australian Government, <<https://www.dfat.gov.au/about-us/publications/trade-and-investment/business-envoy-april-2021-digital-trade-edition/innovating-australias-digital-economy>>, viewed 15 January 2025.

in cybersecurity by 2030⁵⁰, yet cybercrime is a persistent threat. In FY2023-24, business email compromise and fraud were among the top self-reported cybercrimes for businesses and individuals in Australia.⁵¹ Mitigating cybersecurity risk for small businesses reduces the risk of data breaches resulting in identity theft and fraud, and by extension, reduces the risk of scams and helps to protect Australian consumers and small businesses.

We note the Government initiatives that support the digital economy and foster cyber resilience for small businesses includes continued support for Council of Small Business Organisation of Australia's (COSBOA) Cyber Wardens⁵² training program, the passing of the Digital ID Act⁵³ and Cyber Security Act⁵⁴, the introduction of a Voluntary Artificial Intelligence (AI) safety standard⁵⁵, the launch of the small business cyber resilience service⁵⁶ established off the back of the government's cyberhealth check program⁵⁷, and the introduction of the Scams Prevention Framework.⁵⁸

Cyber awareness and risk mitigation are critical for brokers because they handle sensitive client data, including personal and financial information. The MFAA continues to focus on supporting its small business members to bolster their cyber

capabilities. Key initiatives launched by the MFAA in the past 12 months include:

- providing our members with resources to bolster their cyber capabilities, including access to the aforementioned Cyber Wardens program⁵⁹
- hosting several webinars focused on cyber resilience in the mortgage broking industry, including where AI tools are used⁶⁰
- publishing guidance on the safe and ethical use of AI in the mortgage and finance broking industry.⁶¹

Recommendation 6: Work with industry to educate and empower small business - continue investment in ASBFEO, COSBOA and additional AI Adopt Centres to support service-based industries

While the financial services sector is considered a key opportunity for the digital economy,⁶² we remain concerned that time-poor small businesses are unaware of the tools and resources available to them to participate in the digital economy and strengthen their cyber resilience. In its survey about cybersecurity and Australian small

⁵⁰ Department of Home Affairs, *2023-2030 Australian Cyber Security Strategy*, 22 November 2023, Australian Government, <<https://www.homeaffairs.gov.au/about-us/our-portfolios/cyber-security/strategy/2023-2030-australian-cyber-security-strategy>>, viewed 15 January 2025.

⁵¹ Australian Signals Directorate, *Annual Cyber Threat Report 2023-2024*, 20 November 2024, <<https://www.cyber.gov.au/about-us/view-all-content/reports-and-statistics/annual-cyber-threat-report-2023-2024>>, viewed 15 January 2025.

⁵² Cyber Wardens, cyberwardens.com.au.

⁵³ Australian Government, *Digital ID Act 2024*, December 2024, <<https://www.digitalidsystem.gov.au/what-is-digital-id/digital-id-act-2024>>, viewed 15 January 2025.

⁵⁴ Department of Home Affairs, *Cyber Security Act*, November 2024, Australian Government, <<https://www.homeaffairs.gov.au/about-us/our-portfolios/cyber-security/cyber-security-act>>, viewed 15 January 2025.

⁵⁵ Department of Industry, Science and Resources, *Voluntary AI Safety Standard*, 5 September 2024, Australian Government, <<https://www.industry.gov.au/publications/voluntary-ai-safety-standard>>, viewed 15 January 2025.

⁵⁶ Business.gov.au, *Small Business Cyber Resilience Service*, December 2024, Australian Government, <<https://business.gov.au/expertise-and-advice/small-business-cyber-resilience-service>>, viewed 15 January 2025.

⁵⁷ Treasury media release, *Small businesses to receive cyber security boost*, 20 November 2023, Australian Government, <<https://ministers.treasury.gov.au/ministers/julie-collins-2022/media-releases/small-businesses-receive-cyber-security-boost>>, viewed 15 January 2025.

⁵⁸ Treasury, *Scams Prevention Framework Bill 2024*, <https://www.aph.gov.au/Parliamentary_Business/Bills_LEGislation/Bills_Search_Results/Result?bld=r7275>, viewed 15 January 2025.

⁵⁹ MFAA news, *Don't let your personal devices be a back door into your business*, 1 October 2024, <<https://www.mfaa.com.au/news/don-t-let-your-personal-devices-be-a-backdoor-into-your-business>>.

⁶⁰ Recordings of webinars are retained and made available on the MFAA Learning Hub for member access at any time, mfaa.com.au.

⁶¹ MFAA discussion paper, *Towards a faster, smoother home loan discharge: benefits for borrowers*, July 2024, <<https://cdn.sanity.io/files/t0x3ukgp/production/f5158ade0a0dca2bbbd105f06988abd41b29f792.pdf>>.

⁶² International Trade Administration, *Australia – Country Commercial Guide*, September 2024, United States of America, <<https://www.trade.gov/country-commercial-guides/australia-digital-economy>>, viewed 15 January 2025.

businesses, the Australian Cyber Security Centre found that almost half of small and medium sized businesses rated their cybersecurity understanding as 'average' or 'below average' and had poor cybersecurity practices.⁶³ Anecdotal evidence from small businesses who have experienced a cyberattack indicates that such an event creates significant stress and anxiety which can adversely impact the mental health of small business operators, particularly in the context of the short-time frames in which to deal with such an event and prevent the collapse of the business operation.

As a member of COSBOA, we support their view that education should be the key driver when managing cybersecurity in the small business arena. As the subordinate legislation⁶⁴ to the Cyber Security Act is developed, we encourage Government to provide small businesses the education and support to help strengthen their cyber resilience. This includes clear and concise guidance (i.e. through a checklist and tailored helpline assistance) to ensure small businesses do not breach their obligations.

Leveraging peak industry bodies such as the Australian Small Business and Family Enterprise Ombudsman (**ASBFEO**), COSBOA and the MFAA to deliver educational material to small business members will help address this challenge. Delivering tools and resources to educate small businesses will be increasingly important as the enabling legislation for the recently passed Cyber Security Act is developed and implemented.

Recommendation 7: Ensure a consistent approach to Digital ID and expand use cases

Brokers play a crucial role in verifying customer identities as part of their role in providing credit assistance. This process ensures that loans and other credit products are provided to legitimate individuals, safeguarding against fraud and financial crime. Brokers support lenders with their obligations under anti-money laundering (**AML**), know-your-customer (**KYC**) and verification of identity (**VOI**) regulations in e-conveyancing transactions, which are designed to protect both consumers and the integrity of system. Given the sensitive nature of the information brokers handle, it is essential they are equipped with secure, efficient, and reliable tools to verify customers.

Digital verification systems, such as biometric authentication (face recognition, fingerprints) or two-factor authentication, make it significantly harder for fraudsters to impersonate buyers. Providing brokers with these tools not only enhances compliance and reduces the risk of fraud but also strengthens customer trust and ensures a seamless borrowing experience. The recent introduction of Australia's Digital ID system to provide Australians with a secure and safe way to verify their ID. As the Digital ID ecosystem develops beyond its current use for government services, it's important to engage with industry so that effective use-cases are developed to support consumers in the digital economy, including for home or business lending and e-conveyancing purposes.

Further to this, with the recent passage of the Anti-Money Laundering and Counter-Terrorism Financing (**AML/CTF**) Amendment Bill 2024⁶⁵,

⁶³ Australian Signals Directorate, Cyber Security and Australian Small Businesses – Results from the Australian Cyber Security Centre Small Business Survey, 2023, Australian Government, <https://www.cyber.gov.au/sites/default/files/2023-03/2023_ACSC_Cyber%20Security%20and%20Australian%20Small%20Businesses%20Survey%20Results_D1.pdf>, viewed 15 January 2025.

⁶⁴ Department of Home Affairs, *Cyber Security Legislative Package – Consultation on Subordinate legislation to the Cyber Security Act and Security of Critical Infrastructure Act 2018 (SOCI Act)*, 16 December 2024, <<https://www.homeaffairs.gov.au/reports-and-publications/submissions-and-discussion-papers/consultation-on-subordinate-cyber-security-legislation>>, viewed 16 January 2025.

⁶⁵ Attorney-General, *Anti-Money Laundering and Counter-Terrorism Financing Amendment Bill 2024*, Australian Government <https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=r7243>, viewed 15 January 2025.

which emphasises outcomes-focused obligations, it is essential to maintain consistency between AML/CTF laws and state-based VOI requirements for e-conveyancing. For more information, see our submission to the Australian Registrars' National Electronic Conveyancing Council's consultation into the security-related obligations under the electronic conveyancing regulatory framework.⁶⁶

Priority 3 – Fit-for-purpose regulation and policy settings for the mortgage and finance broking industry

Fit-for-purpose regulation and policy settings are important to preserving competition, innovation, and consumer choice. It is particularly critical to preserving the viability of the mortgage and finance broking industry.

To that end, we welcomed the passing of several Bills, including the Treasury Laws Amendment (Responsible Buy Now Pay Later and Other Measures) Bill 2024⁶⁷ and the Competition and Consumer Amendment (Fair Go for Consumers and Small Business) Bill 2024,⁶⁸ the release of the updated ASIC Reference Checking Protocol⁶⁹ as a result of the passing of the Treasury Laws Amendment (Modernising Business Communications and Other Measures) Bill in 2023 and the implementation of the Regulatory Initiatives Grid⁷⁰ (the **RIG**). The RIG, if

comprehensive will not just provide the Government with the opportunity to avoid duplication but will also enable the mortgage and finance broking industry to better anticipate and respond to regulatory and policy changes in a more coordinated manner.

Continuing to improve policy settings, including to refine those that support competition, and innovation must be a core focus for the Federal Government in 2025. We also encourage a continued commitment to reducing red tape and compliance impacts on small businesses.⁷¹ To that end we make the recommendations below.

Recommendation 8: Take a leadership role in bringing consistency and clarity to state and territory-based payroll tax legislation

While we understand payroll tax is a state and territory tax, it is imperative the Federal Government take a leadership role to work with state and territory governments to provide consistency and clarity to businesses with respect to payroll tax legislation. State and territory governments rely heavily on payroll taxes for revenue, yet and as noted by the Australian Chamber of Commerce and Industry, the payroll tax regime is inefficient and places a high administrative burden on small businesses.⁷²

The nature of payroll tax interpretation lacks clarity, which has particularly been the cause of

⁶⁶ MFAA submission, *Security-related obligations under the electronic conveyancing regulatory framework*, 13 December 2024, <<https://cdn.sanity.io/files/t0x3ukgp/production/ce3936888529a873887d96774fc036a03b4eb1b5.pdf>>.

⁶⁷ MFAA submission, Treasury Laws Amendment (Responsible Buy Now Pay Later and Other Measures) Bill 2024, 28 June 2024, <<https://cdn.sanity.io/files/t0x3ukgp/production/3f6c2836b82b19efb0c5258e061e69af88351f69.pdf>>.

⁶⁸ MFAA submissions, *Designated Complaints Determination*, 11 April 2024 and *Treasury Laws Amendment (Support for Small Business and Charities and Other Measures) Bill 2023 [Provisions]*, 26 October 2023, <<https://www.mfaa.com.au/advocacy/submissions>>.

⁶⁹ MFAA media release, *MFAA supports changes to reference checking*, 19 August 2024, <<https://www.mfaa.com.au/news/mfaa-supports-changes-to-reference-checking>>.

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⁷⁰ Treasury, *Regulatory Initiatives Grid*, December 2024, Australian Government, <<https://treasury.gov.au/policy-topics/banking-and-finance/rig#:~:text=The%20purpose%20of%20the%20RIG,the%20sector%2C%20Government%20and%20regulators>>, viewed 15 January 2025.

⁷¹ Department of the Prime Minister and Cabinet, *Small business*, May 2024, Australian Government, <<https://oia.pmc.gov.au/sites/default/files/2024-05/small-business.pdf>>, viewed 15 January 2025.

⁷² See Australian Chamber of Commerce and Industry Pre-Budget Submission 2022-23, <https://treasury.gov.au/sites/default/files/2022-03/258735_australian_chamber_of_commerce_and_industry.pdf>, viewed 20 January 2025.

significant contention across several industries^{73, 74} including the mortgage and finance broking industry. Section 32 of the New South Wales Payroll Tax Act provides that payments made to contractors will, in certain circumstances, be taken to be wages for the purposes of payroll tax. These provisions are necessary to prevent the avoidance of payroll tax by disguising an employment relationship as a contractor relationship.⁷⁵ However, and as we have consistently raised with the NSW Government,⁷⁶ brokers are independent businesses, and therefore arrangements between mortgage aggregators and mortgage or finance brokers do not amount to a 'relevant contract' within the Payroll Tax Act.

We are deeply concerned that as a consequence of state budget deficits, state and territory revenue departments are undertaking enforcement activity to apply these provisions in a way that was never intended – i.e. to revenue received by small independent broking businesses in an environment where small business insolvencies continue to increase.

To that end, the MFAA welcomed the announcement by the NSW Government to establish an inquiry⁷⁷ into the application of the contractor and employment agent provisions in the Payroll Tax Act 2007 as a good first step toward a national conversation on the efficiency of Australia's payroll tax framework.

Recommendation 9: Ensure all privacy-related changes are reflected in the Regulatory Implementation Grid (RIG) - this includes establishing a clear timeline for removing the small business exemption from the Privacy Act

In our submission to the Commonwealth Department of Attorney General's Privacy Act Review⁷⁸, we supported the recommendation to remove the privacy act exemption for small businesses. While many small broking businesses are currently exempt, the MFAA has always recommended that members comply with the Privacy Act as if it applies to them due to the high standards expected in the finance industry, the extensive personal information brokers handle, and public expectations for robust privacy protections.

Further, most (if not all) brokers who use the services of an aggregator will be contractually obliged to comply with the Privacy Act. We also note that mortgage brokers have been included as 'trusted adviser' under the CDR regime, and therefore protection of personal information in this context is also important.

There is a continued lack of clarity on the assessment that is being conducted by the Attorney General's Department on the removal of the small business exemption, including the timing of the removal. This information is essential to

⁷³ Brownlee, M, *Payroll tax ruling 'financially devastating', dentists warn*, Accountants Daily, 18 October 2023, <<https://www.accountantsdaily.com.au/tax-compliance/19181-payroll-tax-ruling-financially-devastating-dentists-warn#:~:text=Under%20the%20Revenue%20Office%20ruling,for%20practice%20operators%2C%20ADA%20said.>>, viewed 15 January 2025.

⁷⁴ Banks, L, *Doctors warn GP tax pause only 'kicks can' of clinic closures, fee hikes along the road*, Sydney Morning Herald, 24 August 2023, <<https://www.smh.com.au/politics/nsw/doctors-warn-gp-tax-pause-only-kicks-can-of-clinic-closures-fee-hikes-along-the-road-20230823-p5dys0.html>>, viewed 15 January 2025.

⁷⁵ Parliament of New South Wales, Legislative Council Hansard, 24 August 2023, <<https://www.parliament.nsw.gov.au/Hansard/Pages/HansardFull.aspx#/DateDisplay/HANSARD-1820781676-92938/HANSARD-1820781676-92980>>, see comments made by the Hon Damien Tudehope, NSW Shadow Treasurer, viewed 15 January 2025.

⁷⁶ Hutchinson, S, *Mortgage brokers threaten war against NSW government over payroll tax*, Australian Financial Review, 28 February 2023, <<https://www.afr.com/politics/mortgage-brokers-threaten-war-against-nsw-government-over-payroll-tax-20230228-p5co6e>>, viewed 15 January 2025.

⁷⁷ Parliament of New South Wales, Inquiry, *Application of the contractor and employment agent provisions in the Payroll Tax Act 2007*, 27 November 2024, <<https://www.parliament.nsw.gov.au/committees/inquiries/Pages/inquiry-details.aspx?pk=3083#tab-termsofreference>>, viewed 15 January 2025.

⁷⁸ MFAA submission, Privacy Act Review, 31 March 2023, <<https://cdn.sanity.io/files/t0x3ukgp/production/b2534e282fd3d6edbccc1a1c8b5a4ce5ed625e93d.pdf>>.

enable our members to adequately prepare.⁷⁹

We also recommend the RIG be expanded to include initiatives and policy priorities of the Privacy Commissioner and The Office of the Australian Information Commissioner (**OAIC**).

Recommendation 10: CSLR levies must be proportionate and fit for purpose

The MFAA supports a regulatory cost structure for the broking industry that is proportionate and fit for purpose. The credit intermediary sub-sector is predominantly made up of small broking businesses with 80% having 10 or fewer brokers, while 41% are sole operators.⁸⁰ As small businesses, their ability to absorb additional regulatory costs is limited.

While the MFAA supports the Compensation Scheme of Last Resort (**CSLR**) as a consumer protection mechanism, its funding must be fairly distributed across the sub-sectors that participate in the scheme.⁸¹ The mortgage and finance broking sector has a markedly low reliance on the CSLR, with minimal claims and complaint volumes.⁸² As such, we believe it is crucial that any adjustments to the CSLR with respect to a special levy do not inadvertently impose a greater financial or regulatory burden on sub-sectors with minimal claims on the CSLR, including small broking businesses.

Placing a disproportionate financial burden on a sector with minimal claim activity not only challenges the principles of equitable treatment but also risks creating incentives that allow higher-risk sectors to rely on cross-subsidisation rather

⁷⁹ See page 6 of the Government Response to the Privacy Act Review Report, <<https://www.ag.gov.au/sites/default/files/2023-09/government-response-privacy-act-review-report.PDF>>, viewed 22 January 2025.

⁸⁰ MFAA, *Industry Intelligence Service, 17th Edition, 1 April 2023 to 30 September 2023*, <<https://www.mfaa.com.au/professional-development/research/industry-intelligence-service-report>>.

⁸¹ MFAA submission, *Inquiry into wealth management companies*, 5 November 2024, <<https://cdn.sanity.io/files/t0x3ukgp/production/b2534e282fd3d6edbcc1a1c8b5a4ce5ed625e93d.pdf>>.

than addressing risk exposures within that sub-sector.

Recommendation 11: Increase and introduce permanency to the instant asset write-off scheme

The MFAA was pleased to see the Treasury Laws Amendment (Responsible Buy Now Pay Later and Other Measures) Bill 2024⁸³ passed into law, giving effect to the \$20,000 instant asset write-off to businesses for FY25. In saying this, the passing of the Bill midway through the term of the initiative may challenge small business in their ability to use the instant asset write-off with certainty and confidence, recognising inflationary pressures have also impacted the cost of equipment and other cost of goods.

Despite an uptick in business insolvencies, 94% of SMEs are focused on investing in their businesses, seeking new capital to support their plans.⁸⁴

Small businesses need certainty so they can plan for the long term. We support the Commercial and Asset Finance Brokers of Australia (**CAFBA**) and COSBOA in their recommendation for the instant asset write-off to be increased and be made permanent.

Recommendation 12: Update ASIC Regulatory Guide 206 Credit licensing: Competence and training

We note ASIC's intention to update certain regulatory guides, including Regulatory Guide 234:

⁸² AFCA Datacube, for period 1 July 2023 to 30 June 2024, reported 126 complaints for Finance or Mortgage Brokers, or 0.57% of total banking and finance complaints progressed, <<https://data.afca.org.au/banking-and-finance>>, viewed 14 January 2025.

⁸³ Treasury, *Treasury Laws Amendment (Responsible Buy Now Pay Later and Other Measures) Bill 2024*, Australian Government, <https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=r71999>, viewed 14 January 2025.

⁸⁴ ScotPac Business Finance, *SME Growth Index: October 2024*, <<https://www.scotpac.com.au/research/>>, viewed 14 January 2025.

Advertising financial products and services (including credit). We strongly encourage ASIC to extend this review to other outdated regulatory guides relevant to the financial services and credit sector in particular Regulatory Guide 206 Credit licensing: Competence and training (**RG 206**).

Introduced in 2011, RG 206 set the minimum educational requirement for credit representatives⁸⁵ at a Certificate IV in Finance and Mortgage. This requirement has not been updated in over a decade, despite the evolving complexity and professionalism of the industry.

It is time to elevate the minimum standard to reflect current expectations and practices. The Diploma in Finance and Mortgage Broking is now widely recognised as the industry benchmark.

We encourage ASIC to review and update RG 206 to adopt the Diploma in Finance and Mortgage Broking as the minimum educational requirement as a matter of priority. This update would better reflect the education, training, and professionalism of brokers and align regulatory expectations with the realities of running a broking business in today's environment.

Recommendation 13: Continue to remediate Financial Services Royal Commission Legislation

As noted above, we welcome the passing of legislation and requisite ASIC guidance to improve on the mortgage broker reference checking protocol implemented as part of the Government response to the Financial Services Royal Commission recommendations. However, there are still several aspects of the legislation that continue to require improvement. These include:

- a. To expand the reportable situations regime to include aggregators who are not licensees of

mortgage brokers. Whilst licensees are required to report a breach to ASIC, they are not required to share the report with their aggregator in circumstances where the aggregator is not the licensee. Like our recommendations with respect to reference checking, we believe there is an opportunity to strengthen the legislation to ensure that aggregators have greater visibility of breaches reported to ASIC on brokers that hold their own licences. For transparency we also believe it is important to share breach reports made about a broker with that broker if the sharing of that report will not jeopardise an ongoing investigation,⁸⁶ and

- b. To confirm that mortgage brokers are subject only to streamlined obligations with respect to the design and distribution obligations (**DDO**). In August 2021, Treasury confirmed that brokers who distribute products after relying on the best interests duty meet the test of excluded conduct and are subject to modified obligations under the DDO regime.⁸⁷ We believe that there is an opportunity for the Corporations Act to be amended to explicitly state that brokers who are subject to the best interests duty are entitled to rely on the reduced requirements which apply to distributors who provide personal advice (in accordance with Treasury's position). This includes the exemption from the requirement to assess whether a client is within the target market.

Priority 4 – Environmental sustainability and social impact

Access to good quality, affordable housing is fundamental to wellbeing. It can help reduce

⁸⁵ RG 206.7.

⁸⁶ For more information, please see MFAA submissions on the reportable situations regime: 8 April 2021, 3 June 2021 and 21 October 2022, <<https://www.mfaa.com.au/advocacy/submissions>>.

⁸⁷ See Treasury policy statement update on the Design and Distribution Obligations (DDO) regime, <<https://treasury.gov.au/consultation/c2019-t408904/update-ddo-regime>>, viewed 14 January 2025.

poverty and enhance equality of opportunity, social inclusion and mobility.⁸⁸ The MFAA is committed to responsible practices that contribute to a positive, sustainable and equitable future, including supporting community initiatives that focus on education, financial literacy, and local causes that make a positive impact on Australian society.

Digital and financial literacy go hand in hand, and we note the Government's investment in digital literacy programs to improve access to digital tools and services and address the needs of vulnerable populations.⁸⁹

In our most recent member survey on refinance and mortgage stress, our members have told us that the cost of living is a growing financial stressor for their clients and consistently have been assisting to negotiate a better rate with a borrower's current lender before seeking to assist clients with refinancing to a new lender.⁹⁰ In addition, data from Financial Counselling Australia shows the current cost-of-living crisis is having a major impact on so many people.⁹¹ In strengthening consumers' financial wellbeing, it is important to invest in those channels that they trust for guidance and support. High financial literacy rates promote personal financial wellbeing, a more resilient financial system and leads to a more efficient allocation of resources within the Australian economy.⁹²

Environmental, social and governance (ESG) considerations are inextricably linked to the way we do business with research from KPMG finding

80% of customers prefer to engage with brands that align with their values. The key challenge for small and medium businesses becomes understanding the expectations of their customers and implementing a strategy to meet them. We make the following recommendations.

Recommendation 14: Invest in small business ESG education

The Australian Parliament has prioritised the introduction of climate-related financial disclosures, introducing sustainability reporting requirements under the *Corporations Act 2001 (Corporations Act)* effective from 1 January 2025. Whilst small businesses which fall below the relevant size thresholds are exempt, there is still risk that small businesses are captured and required to report on Scope 3 emissions when considered as part of a larger entity's supply chain. The guidance provided by ASIC in its new regulatory guide *Sustainability reporting*⁹³ will be important and we seek clarity on obligations.

While we support the intent to address environmental sustainability and achieve Australia's net-zero carbon emission goals⁹⁴, it is important that government intervention does not inadvertently impede small businesses seeking to operate more sustainably by introducing onerous or complex reporting obligations. As we have noted above, small business members are disproportionately burdened by regulation, and this can be somewhat overwhelming for small businesses in terms of compliance. We therefore

⁸⁸Australian Institute of Health and Welfare, *Housing affordability*, 12 July 2024, Australian Government, <<https://www.aihw.gov.au/reports/australias-welfare/housing-affordability>>, viewed 14 January 2025.

⁸⁹Department of Home Affairs, *2023-2030 Australian Cyber Security Strategy*, 22 November 2023, Australian Government, <<https://www.homeaffairs.gov.au/about-us/our-portfolios/cyber-security/strategy/2023-2030-australian-cyber-security-strategy>>, viewed 14 January 2025.

⁹⁰MFAA, *Mortgage broker insights: Refinance and mortgage stress*, August 2024, <<https://cdn.sanity.io/files/t0x3ukgp/production/80118149b6e4e16b8c23dee798753d6cf86009aa.pdf>>.

⁹¹Financial Counselling Australia media release, *Big increase in calls to free debt helplines from people in financial hardship*, 3 April 2024, <<https://www.financialcounsellingaustralia.org.au/big-increase-in-calls-to-free-debt-helplines-from-people-in-financial-hardship/>>, viewed 8 January 2025.

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⁹²RBA publication, *The Importance of Financial Literacy*, 25 August 2008, <<https://www.rba.gov.au/publications/bulletin/2008/sep/pdf/bu-0908-3.pdf>>, viewed 3 January 2025.

⁹³ASIC Consultation Paper 380 Sustainability reporting, 7 November 2024, <<https://asic.gov.au/regulatory-resources/find-a-document/consultations/cp-380-sustainability-reporting/>>, viewed 22 January 2025.

⁹⁴Australian Government, *Future Made in Australia*, <https://futuremadeinaustralia.gov.au/?utm_source=google&utm_medium=CPC&utm_campaign=Generic_Net_Zero&utm_content=FMIA&gad_source=1&gclid=EAlaIqobChMI--6YjMHqigMVokVmAhoWYwqaEAAYASAAEgJ6KPD_BwE&gclid=aw.ds#views-container>, viewed 3 January 2025.

support the recommendations made by the ASBFEO:⁹⁵

- for clear, consistent and industry appropriate standards for environmentally sustainable activities. Such standards will help small businesses better understand what activities are considered sustainable, and in turn, reduce the risk of them making misleading and deceptive claims, or greenwashing, and
- foster collaboration between government agencies, industry bodies and small business associations to promote sustainable best practices.

To that end, we support funding for the ASBFEO to develop useful resources for small businesses in understanding their ESG obligations and look forward to working with the ASBFEO to deploy those resources to our small business members.

Recommendation 15: Facilitate the decarbonisation of Australian residential property through brokers

We note the Australian Government remains committed to supporting investment in Australia's transition to a net zero economy⁹⁶ and a key part of the transition is addressing the energy performance of existing dwellings by introducing policies to deliver cost-effective energy efficiency improvements to homes and businesses.⁹⁷

A key strategic priority of the MFAA is to support the sustainable and timely transition to net-zero emissions through advocating for industry initiatives and commitments that encourage green finance. To that end, the MFAA is pleased to have representation on the Residential Energy Efficiency

Disclosure Initiative Governance Forum, established by the Department of Environment, Energy, Climate and Water. More than 80% of Australia's houses have less than half the energy efficiency rating of the latest building codes, and the disclosure regime will spur demand by homeowners and prospective homebuyers to access programs and initiatives to make improvements.⁹⁸

We see mortgage and finance brokers playing a critical role in the economic transition to net zero, and in particular in regional and remote Australia. Australia's Clean Energy Finance Corporation (CEFC) established the Household Energy Upgrades Fund™ whose goal is to provide low-cost finance for best practice energy performance initiatives. To do this entails working with co-financiers to create tailored and discounted green finance products which are easy for households to access.⁹⁹ Also critical will be that those products developed to access the Household Energy Upgrades Fund, as well as the CEFC's asset finance programs for commercial purposes, take into account their availability to consumers and small businesses who choose to use a mortgage or finance broker.

Mortgage and finance brokers are well placed to support consumers and business owners with the nation's commitment to reducing greenhouse gas emissions – this is through having conversations with their clients about available green products in market when assisting them with finance options. Resources to explain clearly how an efficient home saves a homeowner money will be important.

⁹⁵ ASBFEO submission, *Regulating greenwashing and the specific needs of small businesses*, 21 June 2023, <<https://www.asbfeo.gov.au/sites/default/files/2023-10/SB%20-%20Regulating%20%27Greenwashing%27%20and%20the%20specific%20needs%20of%20small%20business.pdf>>, viewed 21 January 2025.

⁹⁶ Australian Government, *Future Made in Australia*, <https://futuremadeinaustralia.gov.au/?utm_source=google&utm_medium=CPC&utm_campaign=Generic_Net_Zero&utm_content=FMIA&gclid=EAlaIqobChMI--6YjMHqigMVokVmAh0WYwqaEAAYASAAEgJ6KPD_BwE&gclid=aw.ds#views-container>, viewed 3 January 2025.

⁹⁷ Department of Climate Change, Energy, the Environment and Water, *Trajectory for Low Energy Buildings*, <<https://www.dceew.gov.au/energy/energy-efficiency/buildings/trajectory-low-energy-buildings>>, viewed 3 January 2025.

⁹⁸ Bleby, M, *Older, 'cheaper' houses hide costs that bit owners*, Australian Financial Review, 10 December 2024.

⁹⁹ Clean Energy Finance Corporation, *Household Energy Upgrades Fund*, <<https://www.cefc.com.au/where-we-invest/special-investment-programs/household-energy-upgrades-fund/>>, viewed 3 January 2025.

**Recommendation 16:
Continue to develop initiatives that deliver greater levels of financial literacy for Australians, including continued investment in national debt help lines and the ASBFEO**

Mortgage and finance are making a difference by educating their clients on how they can achieve their financial goals. This is particularly important as innovation and regulatory changes continue to occur in the industry. For example, in 2025 we expect to see buy now pay later (**BNPL**) products regulated, non-bank lending data begin to be included in the Consumer Data Right Open Banking, and the development of Scams Prevention Framework across multiple sectors of the economy.

Brokers are distributed around the country in about the same proportion as the general population. By the very nature of their roles, brokers help educate clients on credit-related matters, thereby contributing to developing financial literacy in the communities in which they operate. Brokers have access to resources the MFAA makes available to support financial literacy education within their communities.

Small businesses too, seek support from various sources, including that of the ASBFEO. As a small business organisation, we have found immense value in engaging with the ASBFEO, using their data and research, resources and insights¹⁰⁰ and connections within Government. The ASBFEO has been instrumental in supporting us to advocate on behalf of our members. We note the recent Government review of the ASBFEO and strongly encourage the Government to use the review to

spotlight the importance of the work done by the ASBFEO. As a result, we strongly encourage the ASBFEO be sufficiently funded and resourced to meet the demands of small and family business owners across the country.

We continue to encourage the Federal Government to deliver on initiatives such as financial literacy programs, investment in financial counselling centres (for both consumers and small businesses) and the development and promotion of the MoneySmart (moneysmart.gov.au) and CreditSmart (creditsmart.org.au) websites. We support a multi-pronged approach to helping to educate Australians, including migrant and vulnerable communities, and welcome collaborative frameworks that allow partnering with the MFAA to deliver financial literacy initiatives through our members.

¹⁰⁰ For example, ASBFEO's *Small Business Matters Report*, the *Small Business Pulse*, and the *Small Business Data Portal*, <<https://www.asbfeo.gov.au/>>, viewed 3 January 2025.

Appendix

Summary of saving and buying programs, schemes and concessions available to homebuyers across Australia.

January 2025



Savings scheme

First Home Super Saver Scheme¹⁰¹

Available nationally and administered by the Australian Tax Office (ATO), this scheme allows first home buyers to make personal voluntary contributions into their superfund to help save for a deposit. This scheme enables the withdrawal of voluntary contributions from the superfund to use for a home deposit, provided eligibility criteria is met. When ready, if the voluntary contributions are sufficient, an application can be made to release up to \$50,000, plus any associated earnings.

The scheme encourages saving while getting some advantage from the difference between the tax on superannuation earnings and personal earnings.

Buying schemes

State/Territory	First Home Grant	Stamp Duty Relief Program	Other Program(s)
NSW	\$10,000 ¹⁰²	First Home Buyers Assistance Scheme	
VIC	\$10,000 ¹⁰³	Off the plan Stamp duty concession	
QLD	\$15,000 or \$30,000 ¹⁰⁴	First home concession	Palm Island Home Ownership Scheme ¹⁰⁵
WA	\$10,000 ¹⁰⁶	First home owner concessional rate	
SA	Up to \$15,000 ¹⁰⁷	Stamp duty relief	

¹⁰¹ ATO, *First home super saver scheme*, <<https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/withdrawing-and-using-your-super/early-access-to-super/first-home-super-saver-scheme>>, viewed 20 January 2025.

¹⁰² Revenue NSW, *First Home Buyer*, <<https://www.revenue.nsw.gov.au/grants-schemes/first-home-buyer>>, viewed 20 January 2025.

¹⁰³ Victoria State Revenue Office, *First Home Owner*, <<https://www.sro.vic.gov.au/first-home-owner>>, viewed 20 January 2025.

¹⁰⁴ Queensland Revenue Office, *First Home Owner Grant*, <<https://qro.qld.gov.au/property-concessions-grants/first-home-grant/>>, viewed 20 January 2025.

¹⁰⁵ Queensland Government, *A fresh start for Queensland: Unlocking home ownership in Indigenous communities*, 22 January 2025, <<https://statements.qld.gov.au/statements/101875>>, viewed 23 January 2025.

¹⁰⁶ West Australia, *About the first home owner grant*, <<https://www.wa.gov.au/government/publications/about-the-first-home-owner-grant>>, viewed 20 January 2025.

¹⁰⁷ Revenue South Australia, *Home buying grant*, <<https://www.revenuesa.sa.gov.au/search?collection=RevenueSA&query=home+buying+grant>>, viewed 20 January 2025.

State/Territory	First Home Grant	Stamp Duty Relief Program	Other Program(s)
TAS	\$10,000 ¹⁰⁸	Stamping Out Stamp Duty policy ¹⁰⁹	
ACT	Not Available ¹¹⁰	First Home Owners Concessional Scheme	
NT	Up to \$50,000 ¹¹¹ until 30 Sept 2025	Not Available	HomeBuild, FreshStart New Home Grant ¹¹²

Commonwealth	Applicants Considered	Program Notes
First Home Guarantee¹¹³ & Regional First Home Buyer Guarantee¹¹⁴	Owner occupiers who have not owned property in past decade	35,000 places for FY2025 (FHG) 10,000 places for FY2025 (RFHBG)
Family Home Guarantee¹¹⁵	Approved single parents or single legal guardians	5,000 places for FY2025
Indigenous Home Ownership	Indigenous Australians	Low deposit, low priced home loans for Indigenous Australians who face barriers to accessing mainstream finance

¹⁰⁸ Tasmania State Revenue Office, First Home Owner Grant, <<https://www.sro.tas.gov.au/first-home-owner/eligibility>>, viewed 20 January 2025.

¹⁰⁹ Ferguson, M, Tasmanian Liberal Government Treasurer, *Stamp duty stamped out*, 19 June 2024, <<https://www.premier.tas.gov.au/latest-news/2024/june/stamp-duty-stamped-out>>, viewed 20 January 2025.

¹¹⁰ ACT Revenue Office, First Home Owner Grant, <<https://www.revenue.act.gov.au/home-buyer-assistance/home-buyer-concession-scheme/first-home-owner-grant>>, viewed 20 January 2025.

¹¹¹ Northern Territory (NT) Government, First Home Owner Grant <<https://nt.gov.au/property/home-owner-assistance/first-home-owners/first-home-owner-grant?a=692242>> and HomeGrown Territory Grant <<https://nt.gov.au/property/home-owner-assistance/buy-build-new-home>>, viewed 20 January 2025.

¹¹² NT Government, Low-deposit home loans, HomeGrown Territory Grant, <<https://nt.gov.au/property/home-owner-assistance/low-deposit-home-loans#:~:text=The%20aim%20of%20HomeBuild%20Access,and%20build%20your%20own%20home.>>>, and FreshStart New Home, <<https://nt.gov.au/property/home-owner-assistance/existing-home-owners>>, viewed 20 January 2025.

¹¹³ Housing Australia, First Home Guarantee, <<https://www.housingaustralia.gov.au/support-buy-home/first-home-guarantee>>, viewed 20 January 2025.

¹¹⁴ Housing Australia, Regional First Home Buyer Guarantee, <<https://www.housingaustralia.gov.au/support-buy-home/regional-first-home-buyer-guarantee>>, viewed 20 January 2025.

¹¹⁵ Housing Australia, Family Home Guarantee Scheme, <<https://www.housingaustralia.gov.au/support-buy-home/family-home-guarantee>>, viewed 20 January 2025.

Program¹¹⁶		
Defence Home Ownership Assistance Scheme¹¹⁷	Australian Defence Force members and veterans	Assists current and former Australian Defence Force (ADF) members and their families to achieve home ownership. DHOAS is administered by the Department of Veterans' Affairs on behalf of the Department of Defence. – available nationally. Loans are subsidised.

Shared Equity Schemes

State or Territory	Program Name	Program Notes (if applicable)	Availability through broker channel
Federal	Help to Buy Program ¹¹⁸	Requires states & territories to pass enabling legislation. At 31 December 2024, Queensland the only state to pass this.	Yes
NSW	Shared Equity Home Buyer Helper ¹¹⁹	Program closed June 2024	Not Applicable
VIC	Homebuyer Fund ¹²⁰		No
QLD	Pathways Shared Equity Loan ¹²¹	For government housing tenants	Unclear
WA	Keystart Program ¹²²		Yes

¹¹⁶ Indigenous Business Australia, About IBA home loans, <<https://iba.gov.au/home-ownership/about-iba-home-loans/>>, viewed 20 January 2025.

¹¹⁷ Department of Defence, Department of Veteran Affairs, Australian Government, The Defence Home Ownership Assistance Scheme, <<https://www.dhoas.gov.au/>>, viewed 20 January 2025.

¹¹⁸ Treasury, Australian Government, Supporting people into home ownership, <<https://treasury.gov.au/policy-topics/housing/home-ownership-support>>, viewed 23 January 2025.

¹¹⁹ New South Wales Government, Shared Equity Home Buyer Helper <<https://www.nsw.gov.au/housing-and-construction/home-buying-assistance/previous-programs/shared-equity>>, viewed 20 January 2025.

¹²⁰ Victoria State Revenue Office, Homebuyer Fund, <<https://www.sro.vic.gov.au/homebuyer>>, viewed 20 January 2025.

¹²¹ Queensland Government, Pathways Shared Equity Loan, <<https://www.qld.gov.au/housing/buying-owning-home/financial-help-concessions/pathways-shared-equity-loan>>, viewed 20 January 2025.

¹²² Keystart, Low Deposit Home Loans, <<https://www.keystart.com.au/>>, viewed 20 January 2025.

SA	HomeStart Program ¹²³		Yes
TAS	MyHome ¹²⁴		No
ACT	The Shared Equity Scheme ¹²⁵	For public housing tenants	No
NT	Shared Equity Home Ownership Scheme ¹²⁶		Unclear

¹²³ HomeStart, <<https://www.homestart.com.au/>>, viewed 20 January 2025.

¹²⁴ Homes Tasmania, MyHome, <<https://www.homestasmania.com.au/Buying-a-Home/MyHome>>, viewed 20 January 2025.

¹²⁵ Australian Capital Territory, Shared Equity Scheme, <https://www.act.gov.au/__data/assets/pdf_file/0011/2395910/Shared-Equity-Scheme-factsheet.pdf>, viewed 20 January 2025.

¹²⁶ Northern Territory, Shared Equity Home Ownership Scheme, <<https://dpsc.nt.gov.au/arts-culture-libraries/library-and-archives-nt/cabinet-records/1987/shared-equity-home-ownership-scheme>>, viewed 20 January 2025.



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