Annual Report

2020 – 2021


LIVING ROOM


Contents

Chair's Report

Dear member,

Last year, my report referred to FY20 as a year of two distinct halves, and our industry's unwavering focus on customers. In FY21, this continued, as brokers tirelessly worked through a series of challenges, while always putting the customer first.

Donna Beazley
Chair

As a broker myself, I experienced the extreme challenges we faced last year firsthand. I was proud of the support we were able to offer the industry as an Association, and of the way our industry pulled together when times were tough.

In my final year as Chair, I have been able to reflect on this as a theme. This was a demanding but extraordinary year for our members and brokers, and over the past seven years, I have undoubtedly seen the best of our industry in some of the most trying circumstances.

Last year, while Australia's property market continued to reach new heights, the effects of COVID-19 continued, as we as an industry prepared for the introduction of Best Interests Duty legislation. At the same time, we faced extreme challenges in the December quarter as volumes exploded, alongside lender turnaround times.

Our brokers catered to customer needs with care and diligence and managed to maintain a steady hand for customers while facing similar challenges of their own. It is this unwavering support that makes our industry so special and has resulted in continuing gains in our market share.

In supporting our members, the MFAA has sought to match that resilience. We have supported members strongly through our professional development programs, training and support as legislative changes roll out and, most importantly, advocacy at all levels of government.

This support is made possible in part by the renewed strength in our financial position. I am pleased to say we are well prepared for future challenges, as we have finished the year with an appropriate level of surplus, strong growth in our financial reserves and excellent growth in member numbers, which of course contributes to our strong financial position, as does the ongoing support from our partners and sponsors.

However, while FY21 was no doubt a very challenging year, as I reflect on my time as Chair and as a Director of the MFAA, I am filled with immense pride of the contribution we have made in advocating for our brokers, during a period of almost constant disruption and scrutiny.

Early in my time as a Director, we faced significant issues in leadership turnover, which ultimately led to the appointment of Mike Felton as our Chief Executive Officer in 2016. From there, we faced a series of regulatory reviews that are still ongoing, many of which proved to be existential threats to our industry and the livelihoods of every one of our members.

The ASIC Review of Mortgage Broker Remuneration was followed immediately by the Australian Banking Association's "Sedgwick" review, the Productivity Commission's review and more regulatory scrutiny, which led to the formation of the Combined Industry Forum (CIF) as we prepared for the Hayne Royal Commission.

The CIF's work and the Royal Commission proved to be the turning point, and following the introduction of the Best Interests Duty, our industry continues to produce robust consumer data and record-breaking market share results that demonstrate we are well prepared for the forthcoming 2022 Review by the Council of Financial Regulators. We have the data and the resources to advocate for our brokers with strength of conviction.

Ultimately, my tenure has seen periods of great uncertainty and disruption, and I have felt great empathy for my fellow brokers over the years.

However, we weathered the storms together. And none of the outcomes we've achieved could have occurred without the support – and more importantly, the great work every day – of our members.

Looking forward

In FY22 we enter a new era. The world may have changed, but many and the most important things about our industry have not.

We know that brokers always put their customers first. If our members continue to prioritise their customers, we will position ourselves for further growth as an industry. In a similar way, the MFAA puts members first, and will continue to advocate on your behalf as we enter the new era.

In preparing for the 2022 Review, we believe we are positioned ahead of the curve. That said, we must remain vigilant and not allow our high standards to slip.

As always, my thanks go to the management team, led by CEO Mike Felton, whose unwavering support and advocacy for brokers has ensured a prosperous future for our Association. And of course, to our wonderful MFAA staff, who go beyond their duty to support our members.

This year I will be leaving the MFAA Board in November after seven years. Special thanks go to all my fellow Directors who have served alongside me over my seven years on the MFAA Board. The past two years have been challenging for everybody, and I thank you for your tireless work and advice as we helped steer the ship through stormy waters.

Finally, thank you to our members. Your care, enthusiasm and willingness to support our industry's customers has enabled our industry to flourish. I look forward to being part of our industry's success for many years to come.

Donna Beazley
Chair

CEO's Report

FY21: The year of the customer

In a year of continued upheaval and uncertainty, one of the few constants of the last financial year was the incredible response from our members, and our Association.

While new challenges presented on an almost daily basis, so did our industry's resilience and flexibility. Brokers' adaptability and focus on customers proved once again to be the keys to success over the past year as our industry flexed to COVID-related process changes, Australia's first recession in 29 years, and the commencement of the single biggest legislative change our industry has faced in more than ten years in the form of the Best Interests Duty.

The extended periods of lockdown and uncertainty also contributed to a sudden and massive increase in volume in the middle of the financial year, and then a severe deterioration in lender processing and turnaround times, adding another layer of complexity to brokers' businesses.

As an industry, not only have we had to continue to rise to the challenges of an ever-changing environment and the personal challenges of the past, I am very proud to say we have also remained true to the customer-first ethos that sets our industry apart. Finance brokers continued to put customers first, at a time when Australian consumers really needed their brokers.

Unsurprisingly, this resilience and commitment produced incredible broker market share results - the most tangible evidence of industry performance.

Whilst I am always proud of the hard work and professionalism of everyone in our industry, the fact that we achieved our highest market share result to date during a year when many had to overcome individual vulnerabilities - and help customers through theirs - is inspirational.

And while our thousands of members supported their customers in a myriad of new ways, FY21 was also a year in which the MFAA focused on supporting our customers – our members – through unprecedented change.

As we prepare for 2022 and an impending industry regulatory review, we believe we are in the strongest possible position to face scrutiny in the future.

Thank you to our members for your continued support, your feedback and your "coalface" advice as we worked with regulators and government to understand the impact of the changes and prepare for the future.

Supporting our members

This was a financial year in which we focused on directly supporting members more than ever before, in new and changing ways.

We launched FY21 with a rapid pivot to an incredible virtual conference and regional personal development seminars. Our team's efforts in securing world-class speakers and high-quality content - and then creating an entirely virtual conference from scratch – cannot be understated. Pleasingly, our sponsors continued to support the MFAA's Professional Development programs and the MFAA Excellence Awards, which allow us to grow and recognise the talent in our industry.

We supported our members in the lead-up to and through the introduction of the Best Interests Duty legislation in January 2021 with new training and resources, allowing for a smooth roll-out of this unrivalled new duty.

Finally, we have invested back into the Association and our members. The existential threat presented by the Hayne Royal Commission caused a significant depletion of cash reserves on the back of our strategic decision to invest in defence of the industry. In FY21, prudent financial management and strong membership growth over the course of the year has led to a strong surplus and improvement in cash reserves for the Association as we ready for the next phase of advocacy – preparing for a major review in 2022. This balance sheet strength meant that this financial year we were able to avoid raising member fees to maintain stability and alleviate pressure on our members.

Preparing for a major review

It is important that the Association is financially strong, as there is a genuine possibility we may need to draw on reserves as we rise to the challenge again in 2022.

In 2019, in response to the recommendations of the Hayne Royal Commission, our Government agreed with the industry that a fee-for-service for brokers was inappropriate and a significant risk to competition, and that reforms implemented by the Combined Industry Forum and remaining Royal Commission recommendations were sufficient to protect strong consumer outcomes.

At that time however, the Treasurer formally requested that a further review of mortgage broker remuneration be conducted by the Council of Financial Regulators, which comprises ASIC, Treasury, APRA and the RBA, as well as the ACCC. These are the key regulators in Australian financial services. As such, this will be genuine review, and not a mere formality.

When that review takes place, we will need to again demonstrate that legislative changes and our proactive reforms have maintained or enhanced consumer outcomes, and industry competition.

In our comprehensive response to the Hayne Royal Commission's recommendations in 2019, we argued against the Commissioner's recommendations that upfront and trail commissions be abolished and replaced with a consumer-paid fee-for-service. This would have destroyed competition in home lending, causing increased interest rates and other costs for consumers as the major lenders would no longer have meaningful competition from more than 100 other lenders.

Government agreed with our point of view, and as a result, did not implement this anti-competitive recommendation. However, by making this decision, it was inevitable that there would be future checks and balances put in place, despite the confidence shown in our industry.

As such, there will be a review of remuneration in 2022, but next year's review will be different to the Royal Commission in three important ways. First, we will not be defending our practices. Rather, the reviewers will need to make the case for change, based on real data, not anecdotes.

Second, we will be backed by the powerful combination of both self-regulatory and legislative reforms that we have implemented over recent years, including an unrivalled Best Interests Duty.

Finally, we will again have incredibly strong industry data on our side – data that demonstrates mortgage brokers continue to support competition and produce strong consumer outcomes.

This puts us in a strong position as we approach the review, but we must continue to deliver these results, and as an Association we must continue our advocacy to ensure we have a level playing field.

Advocacy for our members

Our advocacy continued throughout FY21, centred around the introduction of the Best Interests Duty, but also across remuneration, information sharing and reporting of misconduct, lender turnaround times and support for members and their customers as the effects of the pandemic continued to disrupt Australian life.

Best Interests Duty

The Best Interests Duty came into effect on 1 January 2021 and its implementation was successful overall, due in no small part to significant training and preparation rolled out at an Association, aggregator and broker level. This was strongly supported by strong consultation with ASIC in the lead up to commencement.

The Duty does, however, rely on judgment and individual circumstances, which adds complexity. This means it is likely requirements will need to evolve and be refined over time as new issues and scenarios arise, so we are continuing our consultation with ASIC and other stakeholders as new questions arise.

This complexity also poses a risk, given that where there is conflict, a broker's compliance with the Best Interests Duty will be based on the understanding and interpretation of the Duty's requirements by an AFCA case manager. To manage this risk, the MFAA began a process of engagement with AFCA during 2020, to ensure alignment in interpretation and fairness in the way it is assessed.

AFCA welcomed our approach. We have provided them with the MFAA's learning materials and have now begun a process of regular meetings to work through different scenarios as they present themselves. The MFAA will continue this important dialogue with AFCA in the months ahead.

Despite these risks, which we are managing, the Duty represents a clear positive for the industry. Every consumer who obtains credit assistance through a broker is protected by this unrivalled higher duty, further differentiating the channel and providing yet another compelling reason to use a broker.

We can confidently say that it aligns the interests and expectations of brokers and customers.

Remuneration

The focus of the 2022 review will again be on conflicted remuneration, and on both upfront and trail commissions.

As our members know, conflicted remuneration exists in many industries, and attempting to eliminate all conflicted remuneration – particularly in professional services - would bring our economy to a standstill. Our key stakeholders in ASIC and Treasury agree that simply banning all conflicted remuneration is not the answer - but it must be appropriately managed.

ASIC has never recommended the banning of trail or found that it led to poor customer outcomes. In fact, they found it incentivises higher-quality loans because brokers are encouraged to ensure consumers are less likely to default on their obligations. Further, Treasury has stated that in the absence of trail commissions, conflicts of interest could actually be worsened.

However, these regulators also agreed that we must make every effort to eliminate poor consumer outcomes as a result of conflict - and perceived conflict - and that if consumer outcomes were to deteriorate, their stance would change.

As such, legislative changes and our industry's reforms have focused on managing conflicts, including the abolition of volume and campaign bonuses, payment of net of offset, and a number of changes to so-called "soft dollar" benefits.

Given the effectiveness of these reforms, the protection of the Best Interests Duty and the strong consumer data our industry is currently producing, it is our firm belief there will be no case for change on remuneration in the upcoming 2022 review.

Information sharing and reporting of misconduct

Another key area of reform relates to information sharing and reporting of misconduct, which was a key focus area of the Royal Commission's Report. Whilst the reforms I've mentioned have reduced and will deter misconduct, we must continue to ensure misconduct is detected and addressed quickly.

This involves three separate initiatives which were legislated for commencement on 1 October 2021: reference checking, breach reporting and remediating misconduct, and on which the MFAA has maintained significant engagement with Government and regulators to ensure the legislation is applied fairly and creates the intended outcomes for consumers.

1. Reference Checking

The Reference Checking Protocol requires mortgage brokers to have similar reference checking processes as financial advisers do when moving between licensees or industries, preventing those perpetuating misconduct from simply moving between licensees or industries to continue their poor behaviour.

This will now be a compulsory step when a broker moves between licensees or industries. The licensee who provides the reference will receive "qualified privilege", protecting them against defamation action by the broker – provided of course that the reference is not false or misleading.

We see this as an improvement on the current letters of separation process, which we believe at times lacked transparency, consistency and procedural fairness.

However, there is one major problem with the way the new legislation has been written, in that it only includes licensees in relation to credit representatives, and not aggregators. This means that when a broker with their own license moves between licensees or aggregators, no aggregator reference will be required.

Clearly this is a defect in the legislation and ASIC's reference checking protocol. Any loophole for bad apples poses a risk to consumers and our reputation as an industry. This was the primary point we sought to make in our submission in response to the Consultation Paper, and in ongoing dialogue with ASIC and Treasury. Remedying this defect requires a legislation change which Treasury have advised will not take place prior to commencement of the legislation on 1 October 2021 and discussions with Treasury are ongoing.

2. Breach Reporting

This requires reporting by a licensee to ASIC of any "reportable situation" involving a credit representative, or by one licensee about another licensee's conduct. In this instance, the reporting entities also receive "qualified privilege" or protection against defamation action.

The intent of breach reporting is partly to ensure that ASIC receives early insight into misconduct and can track it at an individual level, but we believe it will also improve transparency.

However, the legislation does not allow for a copy of the report to be provided to either the credit representative being reported, nor to the aggregator (if they are not the licensee). There is also no qualified privilege for the reporting entity when a copy of the report is provided.

We see this as a significant problem. We have made submissions on this point and discussions with Treasury are ongoing.

3. Remediating misconduct

The last of the three misconduct reforms requires that consumers be notified about misconduct, and that they are compensated for losses they may have incurred as a result of misconduct, error or compliance failure. This means that if misconduct does occur, the consumer has recourse and can feel confident in using the services of a mortgage broker.

We see this as an important reform but given the somewhat subjective nature of the Best Interests Duty, it needs to be carefully scoped when guidance is issued, so that it focuses on actual loss and not potential loss. We have made submissions to the Government in this regard.

When one looks at the combination of reforms that our industry has implemented, it is clear that we have managed conflicts, aligned brokers interests with those of consumers, and improved information sharing and reporting of misconduct to maintain transparency.

These measures will improve the trust and confidence that consumers have in our channel – particularly amongst those who are yet to use a mortgage broker – and they will also increase the trust and confidence that regulators and Government have in our channel as we approach next year's review.

Lender turnarounds

Lender turnarounds are not a new issue, but late in 2020, as the industry struggled to cope with enormous volumes as Australia emerged from lockdown, a new pattern emerged that began to hinder our industry's ability to compete.

During the December quarter of 2020 and the first few months of 2021, it became clear there was a stark difference between lender turnarounds for branches and those available to the broker channel, and over the ensuing weeks and months, this differential became entrenched.

Volume is an issue that impacts turnarounds, and we understand this. But this financial year, our data demonstrated some banks' branches operating on 3-5 day turnarounds, whilst brokers' customers were forced to cope with turnarounds of up to 40 days and more.

The disconnect on this issue required that we elevate the dialogue to ensure it received the attention it deserved with lenders, aggregators, regulators and Government. We told the story via the media, but also followed up with meetings with regulators and Government including ASIC, Treasury, The Treasurer's office, Chair of the Standing Committee on Economics, Assistant Treasurer and Minister for Housing, and finally - and importantly - with the ACCC.

Data has helped us demonstrate that brokers and broker customer are being penalised in the service levels they are receiving. The MFAA will continue to keep this key issue front of mind to ensure we finally get meaningful long-term structural change that not only reduces the differential but ideally eradicates it altogether. Our position remains that customers with similar complexity of circumstances should not receive different service levels based on the channel they choose to engage with the lender.

Over the course of the year, the MFAA also made submissions and conducted significant advocacy and consultation on key issues, including new Design and Distribution Obligations, the ongoing implications of Consumer Data Right (Open Banking), changes to Responsible Lending Obligations, NSW Stamp Duty, the Treasury Review of AFCA, lender discharge delays and a range of COVID-related issues that required rapid evolution of practices to maintain brokers' competitiveness in a pandemic-affected market.

Looking to the future

As we prepare for a year of economic recovery and for a review of mortgage broker remuneration in 2022, I believe we are well prepared as an Association, and as an industry.

There have been significant changes to the way brokers are regulated and remunerated, which have had real impact. We will need to continue to evolve as the industry changes, but the data our industry is producing shows we are in a very strong position.

This has been a tough year for brokers, and their customers. I want to share my sincere gratitude to all our members for your loyalty, and to our new members who have joined us.

Thank you again to all our sponsors who continued to support us over the past year, particularly in sponsoring our world-class virtual conference.

Brokers genuinely represent a force for good in the world. We have been strengthened by reform and supported by our industry's customer-first ethos, and your Association is prepared for another year of advocating for the best for our brokers.

My sincere thanks goes to the outgoing Chair, Donna Beazley for her outstanding service to the MFAA Board over the past seven years and as Chair for the past four years. The success we have had and the Association we are today would not be possible without her unflappable support.

I would also like to acknowledge the MFAA Board members who have supported the MFAA team with insight and guidance over the past twelve months as we have adapted to changing circumstances.

Thank you to the MFAA team for another stellar year. Your efforts in continuing to support our members and steady the ship during the most trying of circumstances were truly exceptional.

But most of all, thank you to our members and this wonderful industry for your resilience and guidance to your customers in what truly was a fantastic FY21. It is your dedication and determination that will hold us in good stead for FY22.

Mike Felton
CEO

Board of Directors

Donna Beazley

Chair (Elected 2017, Appointed 2019) Director since 2014 (Elected)

Ms. Beazley is mortgage broker as part of the Oxygen Home Loans team, covering the Sutherland Shire area, Sydney NSW.

Donna has over 20 years' experience in the finance industry and has been a mortgage broker since 2004.

Qualifications: Diploma and Certificate IV in Finance and Mortgage Broking.

Donna is a member of the Nominations, Remuneration & Governance Committee of the MFAA.

Vladimír Malčík

Re-appointed 2020 (Appointed ARC Chair)

Mr. Malčík is an experienced director, chief financial officer and company secretary with broad background in finance, accounting and company secretarial practice in the public, private and not-for-profit sectors.

Vladimír brings important skills to the MFAA Board, including: corporate planning, strategy formulation and implementation, mergers, acquisitions, privatisations, company performance improvements and restructuring.

Vladimír is a Fellow of CPA Australia, the Australian Institute of Company Directors, the Institute of Chartered Secretaries in Australia and the Governance Institute of Australia.

Qualifications: Master of Business Administration, Graduate Diploma of Finance, Bachelor of Business (Accounting Major) and a Diploma Company Directors Course.

Vladimír also chairs the Audit & Risk Management Committee of the MFAA.

Rose De Rossi

Deputy Chair (Re-elected 2019),
(Elected Director)

Ms. De Rossi is a multi-award-winning finance broker who started her banking and finance career in 1985 with R&I Bank, now known as Bankwest. After 14 years in various management and lending roles, she became a finance broker with Choice Home Loans in 1999. In 2009 her agency rebranded to Diversifi Pty Ltd with co-director Tracey Lea Gilbert.

Prior to being elected to the MFAA Board in 2017, Rose was the President of the MFAA WA Perth Forum.

Qualifications: Diploma in Mortgage & Finance, Certificate IV in Mortgage Broking and a member of the Australian Institute of Company Directors (MAICD).

Rose is a member of the Nominations, Remuneration & Governance Committee of the MFAA.

Sarah Wells

(Elected Director)

Ms. Wells is an accomplished credit, risk and debt structuring professional. She has a national client base (with herself based in Perth) after a long and successful career in her hometown of Sydney.

Sarah has a national client base predominantly working between Melbourne, Perth and Sydney. Sarah's specialty is providing industry leading financing solutions for health and medical specialists.

Qualifications: Master of Management (Financial Management) from Macquarie Graduate School of Management, as well as both a Diploma of Finance Broking and Financial Planning and a Graduate of the Australian Institute of Company Directors (GAICD)

Sarah is a member of the Audit & Risk Management Committee of the MFAA.

Mark Haron

(Appointed Director)

Mr. Haron brings a wealth of knowledge across all aspects of mortgage broking and lending.

His vast experience and expertise spans strategic management, operations, sales, relationship management, compliance and governance.

After starting his career in the industry as a mortgage broker in 1996, Mr Haron became the CEO of aggregator FAST, before being appointed to the Connective Board of Directors in 2006.

As Deputy Chair of the Combined Industry Forum until April 2020, and ongoing involvement as a member of the Combined Industry Forum he is intimately acquainted with the industry's work to guide and implement reforms to improve customer outcomes. He also serves on the Nomination, Remuneration and Governance Committee.

Mr Haron is also a Board Director of LIXI and possesses strong relationships at the highest level with lender partners.

Kathryn Harrison

(Elected Director)

Ms. Harrison has been serving on Committees and Boards for more than 26 years, both at State and National level, having undertaken Treasurer and Chair roles.

Kathryn is a personal mortgage adviser based in Brisbane and operates a Smartline franchise with her husband, servicing clients across Australia.

Qualifications: Bachelor of Commerce (Accounting), a Diploma of Finance & Mortgage Broking Management, is a Justice of the Peace and a Graduate of the Australian Institute of Company Directors (GAICD).

Kathryn is a member of the Audit & Risk Management Committee of the MFAA.

Will Foster

(Elected Director)

Mr. Foster has acted as Director / Mortgage Broker at Foster Finance in Sydney for 16 years and has contributed to the finance broking industry through his service on the Combined Industry Forum (CIF) since 2017.

Qualifications: Bachelor of Commerce (Banking & Finance).

Will also chairs the Nominations, Remuneration and Governance Committee of the MFAA.

Caroline Jean-Baptiste

(Elected Director)

Ms. Jean-Baptiste is owner / manager of Mortgage Choice in Fortitude Valley, Brisbane with over 16 years' experience and has been Franchisee Chair of the Mortgage Choice Franchisee Advisory Council (FAC) since 2017.

Caroline has also been a Committee member of the Mortgage Choice National Marketing Committee and Marketing Think Tank for over 13 years.

Qualifications: Diploma of Finance (Mortgage Broking)

Caroline is a member of the Nominations, Remuneration & Governance Committee of the MFAA.

Advocacy Report

Introduction

The year ending 30 June 2021 continued a period of resilience across our industry and indeed our wider community.

Our industry, and the MFAA itself, was focused primarily on the implementation of the Best Interests Duty (BID) and remuneration reforms, and all the complexities that came with these changes, which required advocacy throughout the year.

Throughout FY21, the MFAA continued to advocate on behalf of members with “great consumer outcomes” as the Association’s guiding principle. We conducted extensive consultation with Government and various regulatory bodies in the lead-up to - and during - the implementation of remuneration reforms and the BID, on delays in lender turnaround times, and in relation to preparation for the last of the major changes resulting from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Hayne Royal Commission) commencing 1 October 2021.

Further to this, the Association represented the industry in discussions and submissions with both State and Federal Governments and regulatory bodies across the BID, Design and Distribution Obligations (DDO), the beginning of the Open Banking regime with the launch of the Consumer Data Right (CDR), proposed NSW Stamp Duty changes, and ongoing matters regarding remuneration, among many others.

In addition, the MFAA made a significant contribution to the ACCC report into Discharge Delays, with our comments quoted substantially throughout the report.

At the same time, the MFAA continued steadfast preparation for the further review of broker remuneration in 2022 by the Council of Financial Regulators and the ACCC to assess the impact of the regulatory changes made as a result of the Royal Commission. This will continue to be our focus in FY22, as broker remuneration - both upfront and trail commissions - will again be a key element of the review’s remit.

Alongside these major focus areas, the Association continued its regular consultation with a wide variety of stakeholders, including ASIC, Treasury, and with elected officials to highlight challenges faced by the industry, proactive changes being made to improve customer outcomes, and the positive contribution mortgage brokers make for their customers and our economy.

On top of this, our industry and wider community continued to be constrained by the effects of the COVID-19 pandemic, and the Association carried on with its efforts to ensure our members could continue to serve customers throughout the pandemic and ensuing lockdowns.

FY21 continued to show the importance of advocating for our industry and the merit in the Association’s advocacy efforts, as we focus on representing our members and demonstrate the value of broking to customers, competition and to our economy.

Following is more detail on the major advocacy focus areas for the MFAA during FY21.

Best Interests Duty (BID)

The Best Interests Duty came into effect on 1 January 2021 in what was, overall, a successful implementation due to the significant training and preparation undertaken by our industry and supported by strong consultation with ASIC in the lead up to the commencement.

While the BID implementation is largely in place now, the Association met regularly with the Australian Financial Complaints Authority (AFCA) with regard to BID over the course of FY21. As the BID is principles-based, there is an added level of complexity, and complaints to AFCA will necessarily rely on some subjective decision-making on a case-by-case basis through the assessment of an AFCA case manager.

To mitigate this risk, we engaged with AFCA to ensure industry alignment in interpretation and fairness in the way in which each BID matter is assessed, which was well-received by AFCA.

Throughout FY21, we have had numerous meetings with AFCA's leadership and case management teams. These were conducted to explain the history of our industry, the typical profile of a broker, industry reform, industry data, key areas of complexity in BID, and to talk through likely scenarios.

We believe all of our efforts on the BID have helped to drive industry alignment and a common understanding of what BID entails. And, despite some of these challenges in rolling out the legislation, it represents a positive in that every consumer who deals with a mortgage broker knows they are protected by this unrivalled higher duty, which provides yet another compelling reason to use a broker.

This increased assurance among consumers that engage a mortgage broker drives further trust, confidence and ultimately, market share, which is important in the lead-up to the 2022 review.

Hayne Royal Commission - Recommendation 1.6 (2.7, 2.8, 2.9)

The Hayne Royal Commission's recommendation 1.6 suggested mortgage brokers should have the same obligations with regards to information sharing and reporting of misconduct as financial advisers, as well as the same obligations to remediate the customer in the event of misconduct.

This expands into recommendations regarding Reference Checking (2.7), Breach Reporting (2.8) and Remediation (2.9). This legislation has been approved by the Senate and comes into effect from 1 October 2021.

It is the Association's view that because the legislation was necessarily implemented quite quickly, there are some issues that remained the topic of our dialogue with Government during FY21.

2.7 - Reference Checking

Recommendation 2.7 required that mortgage brokers' reference checking processes should be similar to those of financial advisers when moving within or between industries. The intent of this legislation is to ensure those responsible for misconduct cannot simply move between licensees and industries and then continue their wrongdoing.

The legislation involves a compulsory detailed reference from the referee licensee to recruiting licensee, that must be provided when a broker changes roles, with the licensee that provides the reference receiving qualified privilege against defamation action by the broker. We hope this will replace the current letters of separation process, which we believe at times has lacked transparency, consistency, and procedural fairness.

However, the Association identified that the legislation does not include aggregators where a broker operates under their own licensee, and that the legislation does not provide qualified privilege in this regard. This means aggregators are unlikely to participate, losing the value of this legislation as a "gatekeeper" function and diminishing the credibility that the mechanism is attempting to provide. Any defect that weakens the reference checking protocols poses a risk of those responsible for misconduct being able to simply change jobs with impunity, risking the reputation of our industry.

Remedying this requires a legislation change which Treasury have advised will not take place prior to legislation coming into effect on 1 October 2021. As such, the MFAA continues to consult with Government to find a solution to this issue, and dialogue with Treasury is ongoing. Meanwhile, training materials have been released to members to ensure a smooth transition to ensure compliance with this important legislation.

2.8 - Breach reporting

Recommendation 2.8 covers Breach Reporting to ASIC, requiring reporting to ASIC of a "reportable situation", defined as a significant breach of a core obligation by a licensee about a credit representative and by one licensee about another. Reporting also attracts qualified privilege.

The intent of breach reporting is partly to ensure that ASIC can actively identify and address misconduct in a timely manner. However, the MFAA believes there is also a significant opportunity to use this process to improve transparency in the financial services industry. Despite this, no copy of the report is made available to the aggregator or to the broker, and no qualified privilege is availed to the reporting party if it is shared, which in our view hinders the overall transparency and efficacy of breach reporting.

This is an issue that needs to be rectified, however it requires legislative change in order to do so. The MFAA will continue to work with Treasury during FY22 to remedy this.

2.9 - Remediation

Finally, Notifying, Investigating, and Remediating of Misconduct legislation commences in FY22. This legislation promotes confidence and trust in brokers and the industry at large. Consumers can feel comfortable in dealing with a mortgage broker with the knowledge that in the event of non-compliance or misconduct, they have recourse and will be remediated.

Through productive consultation with industry and Government, our main concerns relating to this legislation were alleviated.

Design and Distribution Obligations (DDO)

Commencing 5 October 2021, the DDO legislation, in essence, shifts consumer protection upstream into the product design phase. Lenders are required to produce a Target Market Determination (TMD) for each product - including credit products - stating what class of consumer the product is intended for. Distributors then need to distribute the product in accordance with the TMD and also report to the issuer on any complaints received in relation to the product, as well as significant dealings outside of the TMD. Both brokers and aggregators are seen as "distributors" and were potentially impacted by this legislation.

The MFAA has however been working hard to limit the impact on both brokers and aggregators, and while significant advancements have been made, the work continues into FY22.

Brokers

Given that brokers have a BID, a considerably higher duty than any obligation under DDO legislation, we did not deem it appropriate that brokers should be burdened with the additional obligation of ensuring distribution in accordance with the TMD.

When draft legislation was first released, financial advisers were categorised as "excluded conduct" due to personal advice they provided under their own BID. However, brokers were deemed to be included. To this end, the MFAA communicated with Treasury that mortgage brokers should also be considered as "excluded conduct" due to their BID, which we believe is more robust than that of financial advisers, due to its principles-based nature.

We contended that regulation was written in a manner that clearly sought to treat brokers as "excluded conduct", in that RG 274 makes it clear that credit is seen as a financial product, that arranging for a consumer to apply for a home loan would be considered retail product distribution conduct, and that personal advice is "excluded conduct". We are pleased to report that the intent of the legislation was indeed to consider mortgage brokers as "excluded conduct" meaning that brokers operating under a BID have streamlined obligations. We understand that Treasury is now working to rectify this, so that DDO legislation reflects this intent.

Aggregators

Under this legislation, aggregators were also seen as distributors, despite the fact that they generally have no direct contact with the consumer. In discussions with ASIC and Treasury, we argued that expecting an aggregator to meet a TMD is an impossible task and would likely result in the task reverting to brokers.

Aggregators are considered to be distributors due to the role their systems play in the submission process, however following various discussions with ASIC and Treasury, it is our understanding that under the second part of the "excluded conduct" definition, aggregators have the opportunity to be categorised as an "excluded dealing", which is arranging for the implementation of another person's personal advice.

In short, both brokers and aggregators will be considered distributors. Brokers will likely fall under the category of "excluded conduct", due to personal advice. To the extent that an aggregator assists in arranging the implementation of the broker's personal advice then such conduct will likely also be considered "excluded conduct" giving aggregators the opportunity of streamlined obligations in relation to the implementation of a mortgage broker's personal advice.

Consumer Data Right (CDR)

The Consumer Data Right allows consumers to access and benefit from the data held about them. In banking, this is referred to as “Open Banking”, and is aimed at benefitting consumers by allowing more informed decisions. Open Banking aims to provide standardisation and safety in the way information is handled.

It is important that brokers have access to Open Banking data, so that our industry is not disadvantaged. The CDR rules initially had overly onerous data security requirements that made it almost impossible for brokers to become Accredited Data Recipients. As such, the MFAA has made in excess of 10 submissions to the ACCC and Treasury over the past three years.

In our view, none of the proposed solutions over those years were suitable. However, in March 2021, we had a constructive meeting with Treasury in which the systemic importance of brokers being included in CDR was recognised. It was proposed that brokers as regulated trusted advisors, be allowed to receive data from CDR, but with encryption.

On 30 April 2021, in a pleasing result for our industry, it was announced that the rules regarding CDR were to be changed, with a draft consultation paper to be made available in early FY22. The MFAA will continue to engage with Treasury to ensure that brokers are appropriately included in CDR.

Lender turnaround times

Lender turnarounds have been among the most challenging issue our industry has faced in FY21 and it remained a priority for the MFAA as we engaged with many brokers, aggregators, lenders, regulators and Government on this vital issue.

The CEOs of the major banks appeared before the Standing Committee on Economics in April 2021, reporting that turnaround times for the major lenders through their branch network ranged from 2-5 days, whilst turnarounds through the mortgage broker channel ranged from slightly longer than branch turnarounds to a maximum average of 12 days. This did not correlate to industry data at the time which showed a median of 23 days for approvals through the broker channel by the major lenders.

These sorts of discrepancies in turnaround times make it difficult for our industry to compete. To this end, the MFAA proactively elevated the dialogue to the Standing Committee on Economics, Treasury, relevant Ministers and the ACCC.

Following our meeting with representatives of the Standing Committee, we are aware that further questions were posed to a number of major lenders, the responses to which served to confirm that a notable differential existed.

We have also remained in close dialogue with lenders, many of whom have made significant changes to broker channel resources and processing over the year which has resulted in noticeable and rapid improvements across the industry. We are clearly not at parity, but it is heartening to see this issue heading in the right direction following the elevated attention this matter has received.

We will continue to work with brokers, aggregators, lenders, regulators and Government on this important issue to ensure we can achieve a long-term resolution. Plainly, our position will continue to be that customers with similar levels of complexity attached to their applications should not receive different service levels based on the channel they choose to engage lenders with.

We have been vocal in our criticism, but as the tide begins to turn, we commit to being vocal in acknowledging improvement.

Discharge Delays

During FY21, we received reports that many lenders were taking 15 or more business days to discharge a mortgage when a loan is being repaid or refinanced, and in some cases, 40 days. This is a long-standing issue, which has now begun to receive the appropriate level of attention.

The MFAA's views expressed to the ACCC's Home Loan Price Inquiry were quoted heavily throughout its report released in November 2020 which recommends a maximum 10 business day completion period and a standardised Discharge Authority form.

Looking ahead

The MFAA has invested significantly back into the Association - and grown the membership base - to bolster cash reserves for future defence of the industry. We believe we are well-equipped with the data to approach the forthcoming review in 2022 with some confidence. Work undertaken over the past two years leaves the Association and industry well prepared for a review of mortgage broker remuneration.

Advocacy is at the core of our Association. During FY21, we continued constant engagement in open dialogue with regulatory bodies and elected officials, and we believe we have made appropriate strides as an industry to protect our overall integrity. This is in no small part due to the cohesion and strength of our membership and the information our members give us each year to use in representing the industry.

As an Association, our advocacy efforts can only be as good as the data our members are producing, and so our pleasing progress should be celebrated amongst our wonderful industry.

However, we must not lose focus. As an industry, we need to strive to continue our unrivalled consumer outcomes. Our industry will continue to face scrutiny, but we welcome the challenge to continually prove the merit, professionalism and success of our broker industry.

As we look forward to the review in 2022, we reflect on all we have been able to achieve in FY21. We know that as an industry, our robust advocacy and professional members will rise to whatever FY22 throws our way, as the world and our economy emerges from the effects of the global pandemic into a new era for the MFAA, our industry and our nation.

MFAA submissions lodged during FY21 included:

Jul 2020	ACCC	CDR Rules - Draft rules that allow for accredited collecting third parties
Jul 2020	AUSTRAC	ML/TF Risk Assessment of the Non-Bank Lending & Financing sector
Jul 2020	ACCC	ARCA Principles of Reciprocity and Data Exchange (PRDE)
Aug 2020	Treasury	Home Builder Feedback
Aug 2020	Treasury	Supplementary submission 2.7 Reference Checking
Aug 2020	NSW Small Business Commissioner	Discharge Delays and VOI
Oct 2020	ACCC	Consumer Data Right - Expansion Amendments Trusted Advisors
Nov 2020	Treasury	Consumer Credit Reforms
Nov 2020	Treasury	Conflicted Remuneration in relation to Top-ups
Jan 2021	ASIC	CP333 Reference Checking and Information Sharing
Jan 2021	APRA	APS 220 Credit Standard
Feb 2021	ASIC	Addendum to Consultation Paper 311 - Internal Dispute Resolution
Feb 2021	Treasury	Senate Economics Legislation Committee Inquiry
Feb 2021	ASIC	CP335 Consumer Remediation
Feb 2021	Treasury	Deferred Sales for Add-on Insurance
Mar 2021	Treasury	CDR Division - consultation meeting
Mar 2021	NSW Treasury	Property Tax Reform - Stamp Duty
Mar 2021	Treasury	Review of AFCA
Apr 2021	Treasury	Breach Reporting Regulations
Apr 2021	AFCA	AFCA's Engagement Charter
Jun 2021	ASIC	CP340 - Breach Reporting and related obligations

Membership Services Report

Membership

As of 30 June 2021, the MFAA had 13,750 members, representing brokers, aggregators, lenders, mortgage managers, mortgage insurers and other key industry participants. This diversity and strength of our membership allows us to focus on the long-term interests of our members, and to consider the well-being of the entire industry that sustains all of our members.

During the year, 1,726 new members joined the MFAA, with all new members invited to attend an MFAA welcome and orientation session, specifically designed to assist their professional development and business planning.

Our purpose is:

"to advance the interests of our members through leadership in advocacy, education and promotion".

Membership Snapshot

Our members are experienced finance brokers with 68 percent having worked in the industry for five years or more, while 37 percent have been in the industry for more than a decade.

Percentage of MFAA members according to years in the industry

Membership Services

In addition to our work in advocacy, the MFAA also strives to assist members to develop and grow their businesses successfully by providing a range of member services.

This year there were some noteworthy achievements to highlight. First, the professional assistance and support provided by our Business Development and Membership teams to the many new brokers joining the MFAA. Despite the ongoing complexity of different state-based COVID-19 restrictions and the necessity for alternative working arrangements for our team at certain points of the year, their commitment and dedication to helping our members establish themselves and their businesses was unwavering.

Second, the design and delivery of an enhanced professional development program that included a virtual conference held over four weeks, virtual PD events, virtual commercial and equipment finance training, regular webinars, virtual accidental counsellor and domestic violence training and virtual Excellence Awards.

Finally, the new online education resources developed for members, including the Best Interests Duty training to assist members in understanding the compliance obligations that took effect from 1 January 2021.

Membership of the MFAA provides members with access to these benefits, along with access to other business resources and tools. Our team develops, delivers and enhances all membership services in consultation with our members, eliciting feedback and suggestions for ideas and improvement.

Professional Development

The MFAA supports enhanced professionalisation of the mortgage and finance industry, and our Code of Practice sets out professional standards that protect customers, provide assurance and drive trust, confidence and recognition within the community.

Whilst the MFAA continues to advocate and represent members across various industry reforms, we also continue to advocate for self-regulation. This includes an industry code of practice, and we continue to lead the industry in designing relevant and timely education and professional development for our members.

The key focus of the MFAA this year was to educate and inform members about industry reforms - including the Best Interests Duty - and to provide members with access to professional development content that was engaging and relevant to their businesses.

In addition, we maintained our MFAA Community initiatives which included Opportunities for Women initiatives, as well as education and training for brokers to assist and support vulnerable customers, including those affected by domestic violence.

Finally, the MFAA actively participated in various consultation meetings as part of a professional review undertaken by PWC Skills Australia of mortgage broking education standards and the quality of training, which is delivered by Registered Training Organisations. A primary objective of this review is to identify and recommend improvements to education standards, qualifications, and the delivery of training to industry participants.

The MFAA will continue to work closely with PWC Skills Australia and the Registered Training Organisations as they update and enhance their Certificate IV and Diploma education programs in the 2021/22 period.

Virtual National Conference

To help strengthen and improve professionalism of the industry, each year the MFAA holds five State Conferences during May and June, previously known as the MFAA National Roadshow. However, due to the COVID-19 pandemic restrictions on public gatherings and social distancing guidelines in place, the State Conferences were postponed and replaced with the MFAA Virtual Conference, beginning in late August and extending over four weeks.

The theme for the virtual conference was “Succeeding in the New Era”. The conference was designed specifically to inspire and motivate members, and to provide practical knowledge and skills to help them succeed in the new era. A range of outstanding speakers featured on the program including Simon Sinek, Mark Mathews, Dr Bronwyn King and Peter Switzer.

The virtual conference was provided free to members, with new speakers each week aligning to the following themes:

- Week 1: Your World
- Week 2: Your Industry
- Week 3: Your Business
- Week 4: Your Self.

With more than 5,800 registrations, thousands of our members were provided with new knowledge and skills to help them deal with change, learn new ideas and maintain their motivation, and were inspired to walk away knowing they can succeed in the new era.

Best Interests Duty

In keeping with our commitment to ensure all members were compliant and aware of their obligations under the Best Interests Duty, we released a Mortgage Broker Best Interests Duty and Conflict Priority Rule education module in October 2020. The materials were developed in collaboration with our partner law firm, Dentons, after extensive consultation with ASIC.

The 30-page module and accompanying assessment was compulsory for all MFAA members and had to be completed in addition to their aggregator's education requirements.

As part of the MFAA's proactive engagement with ASIC we distributed six ASIC updates on the Best Interests Duty and related reforms. These updates were developed as we received feedback from members and consulted with ASIC to obtain necessary clarity on the regulations.

A marketing guide was also produced for members to use in their own marketing material. It included 50 positive statements mortgage brokers could use when communicating with consumers and examples of how they could be used across a variety of communication channels.

Virtual National PD Event

In March 2021, we replaced seven face-to-face capital city PD Events and a number of regional PD Events with a single virtual national PD Event, due to the uncertainty of interstate travel restrictions and lockdowns associated with the COVID-19 pandemic. This virtual event was delivered free to members and provided updates on the economy, property market and consumer behaviour. With more than 2,800 registrations nationally, our members took away practical knowledge and skills to help them plan their start to 2021.

Commercial and Equipment Finance Education

The MFAA held an education and training program that was delivered virtually over three separate sessions in March 2021 for brokers looking to learn and update their knowledge and skills in commercial and equipment finance.

The program featured interactive sessions designed to help attendees understand and apply the skills and knowledge required to competently approach enquiries relating to:

- Business finance: including business purchases, working capital and short-term business loans
- Vehicle and equipment finance
- Commercial premises purchases and development finance.

The program was well received with 296 registrations.

Excellence Awards

Every year the MFAA celebrates the achievements and excellence of our members.

As in 2020, we held five virtual State Excellence Awards in June 2021, with all the State award winners going through as finalists to the National Excellence Awards in July 2021. Where possible, some states held viewing events of the virtual stream which were well received and appreciated by members and sponsors.

Finalists were recognised in categories including customer service, newcomer, regional finance broker and residential finance broker. As part of MFAA's initiative to promote diversity and inclusion in the finance broking industry, this year two new national awards were introduced - the Diversity and Inclusion Program Award and Diversity Champion Award.

Entries to all awards were of an exceptionally high standard and the events provided a unique opportunity to celebrate the excellent outcomes and services mortgage brokers provide to their communities and customers. There were 24 awards covering individual, business, aggregator and lender awards.

MFAA in the community

We maintained our key corporate social responsibility initiatives this year which included 'Opportunities for Women' and 'Accidental Counsellor: Customers in vulnerable circumstances – domestic and family violence'.

Opportunities for Women

Since 2018, the MFAA has brought together industry representatives to explore the reasons why women remain under-represented in the mortgage and finance industry. The MFAA continued to demonstrate its ongoing commitment to the growth and sustainability of the finance broking industry with the launch of the third Opportunities for Women report on International Women's Day.

As a result of the report and the feedback we receive through the annual survey, this program is moving towards delivering initiatives that promote diversity and inclusion in the industry. This year it included the introduction of two new National Excellence Awards as mentioned earlier in this report and a series of 'Champions of Diversity' stories. The stories celebrate diversity and focus on the rich and varying experiences of both women and men in the industry – their challenges, hurdles, and the opportunities they have experienced – in order to help others in their own journey.

The MFAA would like to thank Jane Counsel as the subject matter expert who has helped guide the initiative's bespoke framework and develop a unique set of solutions for the industry. With Jane's assistance, the reports look at some of the strategies required to encourage greater diversity and inclusion in the industry and is available for download from the MFAA website.

Accidental Counsellor: Customers in vulnerable circumstances – domestic and family violence

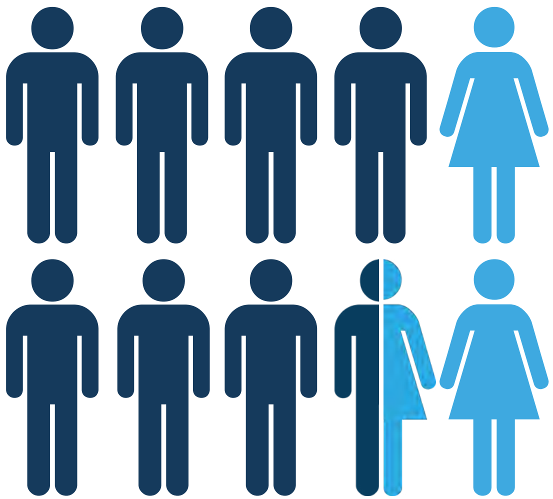
During 2020, there was an increase in domestic and family violence cases across Australia. In response to this problem, and the fact that brokers play a part in identifying and dealing with customers in vulnerable circumstances under the Banking Code of Practice (BCOP), the MFAA ran a series of virtual events during Domestic Violence Awareness Month in May 2021.

Developed and delivered by Accidental Counsellor Training, the session focused on:

- raising awareness
- reducing stigma
- increasing the safety of customers in domestic and family violence situations.

The MFAA delivered a total of six Accidental Counsellor virtual events, with 290 members registering.

Membership Demographic



72% Males 28% Females

Forums

Member Forums

Throughout the year, Member Forums were held in metropolitan and regional areas, providing members with an opportunity to network with their industry peers and the Association. The Forums allowed members to discuss and raise important matters to them and their local community.

Depending on COVID-19 restrictions at a state level, these forums were a mix of virtual and face-to-face events. These forums were well attended at both levels with members keen to reconnect with their peers, particular at the face-to-face meetings. A key highlight was the increase in engagement and participation from members at the virtual events held. During the year, Member Forums were held in Adelaide, Brisbane, Darwin, Melbourne and Perth, and also in various regional areas.

National Advisory Forums

For many years, the MFAA has relied on its established National Forums to assist constituent engagement by members of specific industry sub-sectors. These Forums do not form part of the MFAA's formal governance and are advisory in nature. They create a critical link between the various sectors of third-party intermediated lending in Australia, providing a significant and important way for members to shape and influence the industry. The objective of the Forums is to enhance member processes with a view to boosting efficiency, which will ultimately result in improved customer outcomes.

The MFAA is very appreciative of the effort, time and commitment provided by these Forum members as they consider significant issues and discuss potential resolutions to challenges facing the entire industry. Each Forum ensures that its discussions and positions do not breach competition obligations.

National Lenders, Aggregators and Compliance & Regulatory Forums

These Forums are critical in providing the Association with perspectives from broker members, lenders and aggregators on significant issues that affect the industry, members and consumers. The issues discussed and the feedback derived from these meetings are key to informing the content and direction of the MFAA's advocacy efforts throughout the year.

National Lenders Forum

The National Lenders Forum comprises twelve lender members, four from the major banks and eight from smaller bank and non-bank lender members which distribute their products through intermediaries. During 2020-21, the Forum was presided over by Mark Middleton of Teachers Mutual Bank and Aaron Milburn as Deputy. The Forum held six meetings over the financial year.

Forum members over the period were:

Mark Middleton (President) - *Teachers Mutual Bank*
Aaron Milburn (Deputy President) - *Pepper Money*
Andres Agudelo - *Westpac*
Cory Bannister - *La Trobe Financial*
Darren McLeod - *Beyond Bank*
Glenn Gibson/Ray Esho - *ING*
John Skilbeck – *AMP Banking*
Matthew Patterson – *ME Bank*
Paul Brick - *ANZ*
Simon Duffy/Troy Fedder - *CBA*
Steve Kane/Nicole Triandos - *NAB*
Stewart Saunders - *Heritage Bank*

National Aggregators Forum

The National Aggregators Forum provides a platform for the larger aggregation groups to review and discuss issues facing the industry as a whole and to assist the MFAA in dealing with challenges, formulating positions and considering potential solutions and their consequences. Anja Pannek of Plan presided over the Forum, which met six times during the 2020-2021 financial year.

Forum members over the period were:

Anja Pannek (President) - *PLAN*

Mark Hewitt (Deputy President) - *AFG*

Brad Wood - *Astute Financial Management*

David Smith - *Aussie*

Gerald Foley - *National Mortgage Brokers*

John Kolenda - *Finsure*

Mark Haron - *Connective*

Rob Ryan - *FAST*

Sam Boer - *Smartline*

Sam White - *Loan Market*

Sean Preece - *VOW/YBR*

Stephen Moore - *Choice Aggregation*

Susan Mitchell - *Mortgage Choice*

Will Lockett - *Specialist Finance Group*

National Compliance & Regulatory Forum

The National Compliance & Regulatory Forum was established for members to share experiences, knowledge and intelligence on compliance matters for the mutual benefit of all members. Its objectives include determining industry best practice and consistent standards relating to legislative and regulatory compliance with a view to adoption of these standards across the industry as businesses and licensees believe is appropriate and meets their needs. Shirley Elliot of AFG presided over the Forum, which met six times during 2020-2021.

Forum members over the period were:

Shirley Elliot (President) - *AFG*
Tim Donahoo (Deputy President) - *MoneyQuest*
Andrew Pawlikowski/Tanja Maliszewski - *REA Group*
Craig Hill - *Smartline*
Daniel Oh/Erminia Doca - *Connective*
David McQueen/Kirsty Cuzens/William Jewitt - *Loanmarket*
Don Campbell/Elizabeth Kelly - *Aussie*
Elise Ivory/Jon Denovan - *Dentons Lawyers*
Evan Bromiley – *Uno Home Loans*
Greg Ashe/Liam Brown - *QED Risk*
Jaydyn Loveridge/Marcia Wise – *NAB*
John Hutchinson – *VOW/YBR*
Julian Wills – *Finsure*
Phillip Chant – *AMP*
Ruth Thomas – *Purple Circle Financial Servivces*
Scott Stierli - *Mortgage Choice*

During 2020-21, these three Forums discussed key issues, including:

- The recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and their impact on mortgage broking
- The broker 'Best Interests Duty', including the Regulatory Guidance and education requirements for brokers
- The Information Sharing - Reference Checking, Breach Reporting and Remediation industry reforms
- The Design and Distribution Obligations of financial products
- Consumer credit reforms and responsible lending obligations
- Industry living expense standards for data exchange
- Lender service level agreements and discharges
- Lender assurance programs for Aggregation services
- The Consumer Data Right and Open Banking framework and accreditation of brokers to access data and information
- Consumer remediation and the Compensation Scheme of Last Resort

- AFCA matters pertaining to preparations necessary for the implementation of industry reforms such Best Interests Duty
- Banking Code of Practice and vulnerable customer education and processes for brokers to obtain support from key lender contacts and the protocols for elevation of domestic violence & financial abuse cases
- Fraud detection
- The continuing work of the Combined Industry Forum
- The development of a Mortgage Broking Industry Code
- The First Home Loan Deposit Scheme and First Home Buyers access
- The NSW Property Tax Reforms
- Electronic conveyancing and ARNECC changes to VOI
- COVID-19 including face to face ID management, hardship and mortgage repayment deferrals, Government stimulus, mental health issues, and professional development during restrictions and ensuring that mortgage broking was defined by Government as an essential service.

National Equipment and Commercial Finance Forum

The National Equipment & Commercial Finance Forum, presided over by George Obeid of Judo Bank, and co-chaired by Malcolm Withers of Pepper Money, met three times over the year and has been actively involved in a number of relevant issues affecting the sector, including:

- Training and education for finance brokers
- MFAA Diversity and inclusion program
- Commercial lending environment and trends
- Matters pertaining to regulated and unregulated lending
- Women's finance broker forum
- Advice and support for SMEs
- MFAA PD Commercial Panel.

Forum members include:

George Obeid (President) - *Judo Bank*

Malcolm Withers (Deputy President) – *Pepper Money*

Aaron Greffenius - *Loan Market Picton*

Alex Brgudac - *Prospa*

Brendan Guthrie - *BSG Mortgages & Finance*

Chris Slack - *Platform Consolidated Group*

Cristian Fedrigo - *GetCapital*

David Coyner - *Tin Roof Financial Services*

Graeme Porter - *Australian Broker Services*

Greg Hearn - *Greg Hearn Financial Solutions*

Jean-Pierre Gortan - *Simplicity Loans & Advisory*

John Kolyvas - *ING*

Mhairi MacLeod - *Astute Ability Finance Group*

Michael Budge - *Bayside Finance*

Ray Slack - *Macarthur Finance & Capital*

Rob Ryan - *FAST*

National Mortgage Managers Forum

In July 2020, the National Mortgage Managers Forum was re-established, and Joanna James from Mortgage Ezy was elected as President and Doug Daniell was elected as Deputy President.

The Forum provides a platform for the Mortgage Managers to review and discuss issues facing the industry and to assist the MFAA in dealing with challenges, formulating positions and considering potential solutions and their consequences. The Forum met seven times during the 2020-2021 financial year and considered many matters during that time including:

- Key objectives of the Forum
- Education and training for Mortgage Managers and brokers
- Promotion of Mortgage Managers and their value proposition
- Membership admission criteria for Mortgage Manager membership of the MFAA
- The Best Interests Duty, including the Regulatory Guidance and education requirements for brokers
- The Information Sharing - Reference Checking, Breach Reporting and Remediation industry reforms
- The Design and Distribution Obligations of financial products
- Representation at the Combined Industry Forum
- AFCA matters pertaining to preparations necessary for the implementation of industry reforms such Best Interests Duty and AFCA Cube reporting.

Members of this Forum include:

Joanna James (President) – *Mortgage Ezy*

Doug Daniell (Deputy President) – *Mortgage Mart of Australia Pty Ltd*

Dorene Lee – *AAA Financial Corporation Pty Ltd*

Glen Spratt – *Mortgageport Management Pty Ltd*

Jeffrey Lee – *Vast Capital Pty Ltd*

Melissa Ashcroft – *AAA Money*

Luc McKell – *Revas Financial Services*

Mark Attard – *Gremarc Pty Ltd*

Murray Cowan – *Better Mortgage Management Pty Ltd*

Richard Kirby – *Australian Loans & Mortgages Pty Ltd*

Ross Taylor – *Synergy Home Loans Australia Pty Ltd*

Tanya White – *AxisWealth Group*

Regulatory Roundtables

Prior to the onset of the COVID-19 pandemic, the MFAA would hold Regulatory Roundtable meetings in all states inviting members to discuss matters of key interest relating to various regulatory initiatives. This year, due to travel restrictions, a virtual Regulatory Roundtable was held in March 2021.

MFAA CEO Mike Felton and GRACosway Managing Partner Richard King facilitated the roundtable discussions on draft regulatory developments and key legislation reforms, and provided an update on the Combined Industry Forum's progress. The Regulatory Roundtables provide members with an excellent opportunity to engage directly with the MFAA on important regulatory and industry matters.

MFAA Tribunal

The MFAA Tribunal is chaired by Hank Spier, a former ACCC CEO and experienced lawyer, while Michael Terceiro, also an experienced lawyer, is the Tribunal's Deputy Chairman. A three-person Tribunal is formed to deal with each alleged misconduct matter by the appointment of the Chair, or Deputy, and two senior Association members, generally brokers who may not be conflicted and who have demonstrated substantial knowledge and experience.

Each Tribunal acts on matters including alleged member breaches of the MFAA Code of Practice, Constitution and/or Disciplinary Rules. The disciplinary regime is designed to improve the public perception of the industry through the Association's self-regulatory disciplinary process, authorised by the ACCC and recognised and endorsed by ASIC.

While ASIC takes high-level action on financial services and credit sector breaches, the Tribunal will additionally act on alleged member misconduct breaches of ethics, fairness, professional conduct and honesty. After careful review of a number of misconduct allegations over the financial year 2020-21, the MFAA Tribunal ordered the expulsion of five members from the Association and suspension of two for misconduct.

The MFAA particularly thanks those members who served pro bono on these Tribunals during the past financial year. Each has volunteered their expertise and knowledge and often a great deal of time and effort in often complex and challenging matters. Those people were:

- Craig Green
- John Carson
- Mark Lewis
- Milan Chetkovich
- Peter Catramados.

Financial Report

ARC Chair's Report

Dear Members

I present the MFAA annual financial report for the financial year ended 30 June 2021, as Chair of the Board's Audit and Risk Management Committee (ARC) and as an independent appointed Director to the Board.

I am pleased to report that management with the full support of the Board successfully implemented a set of strategic key objectives and have strengthened the Association's financial position, whilst maintaining essential services for members during a challenging period.

This year, due to the COVID-19 pandemic, it was necessary for the Association to adapt our professional development program to deliver a series of virtual events, which required the engagement of professional production studios, new event platforms and quality keynote speakers. This was achieved without any extraordinary additional expenses and the Association was able to deliver the virtual conference to members free of charge.

The ongoing advocacy efforts of the MFAA were sustained and further supported by the MFAA engaging additional professional legal expertise to assist management in the review of draft legislation and regulations, and also assist in the development of formal MFAA responses to mitigate potential adverse regulatory outcomes associated with the various industry reforms.

Financial Performance and Position

The MFAA delivered an operating surplus of $917,105 (2020: $491,780) for the year ending 2021.

This is an excellent result and reflective of prudent financial decisions being taken during a period of economic uncertainty and a global pandemic that has had far reaching implications.

Revenues for the year increased by 5% on last year at $8,345,299.

- Membership revenue increased by 6% on last year, explained by improved membership growth and retention compared to the prior year
- Membership admin fees increased by 41% on last year, explained by strong membership growth and new brokers entering the market
- Professional development income increased by 32% on last year, explained by increased enrolments in online education and new members completing compliance training
- Member Services revenue increased by 35%, explained by increased online loan calculator sales and sponsor support for the MFAA newcomer program
- There was no marketing and merchandising income in FY21, explained by the cancellation and postponement of events due to COVID-19 and the related sponsorship revenue deferred to FY22

- Advertising and public relations increased by 121% due to increased digital advertising sales
- The MFAA importantly registered and was eligible for the Government Stimulus packages due to COVID-19, which accounts for $299,500 of revenue.

Despite the uncertainties associated with the COVID-19 pandemic, MFAA management prudently managed costs throughout the year, which were modestly lower compared to last year at $7,428,194. These results are primarily explained by a 5% increase in employee benefits, 4% increase in depreciation and amortisation charges, 92% increase in interest paid on leases and an 11% reduction in other operating expenses. The reduction in other operating expenses is further explained by a 16% decrease in administration costs, a 2% increase in virtual events expenses, 22% increase in marketing & advertising expenses, 51% decrease in expenses related to the disciplinary process, 31% decrease in other expenses and a 15% decrease in legal fees.

As of 30 June 2021, the MFAA is in a sound financial position with net assets of $1,571,000, up by 140% compared to last year. The Association maintains a prudent working capital and reserves as reported in the Statement of Financial Position, vital for the ongoing future support of the mortgage broking industry.

Role of the Audit and Risk Management Committee

The ARC Committee is not a policy making body. The objectives of the Committee are to assist the Board of Directors in the financial oversight and governance of the MFAA, and the exercise of due care, diligence and skill in relation to:

- financial management, including review of financial performance against plan
- enabling the board to effectively deal with its responsibilities for risk
- assuring the quality of internal and external reporting of financial and non-financial information
- application of accounting policies
- the internal control system
- the risk management system
- the performance management system
- business policies and practices
- protecting the assets of the MFAA
- compliance with applicable finance related laws, regulations and standards
- overseeing the external audit function
- promoting an ethical culture throughout MFAA
- provision of an effective, impartial, confidential and objective whistle-blower pathway that is deliberately separate from the management of MFAA.

Financial Controls and Risk Management

During the year, management prudently managed the finances of the Association, notwithstanding the ongoing challenges created by the COVID-19 pandemic. The wellbeing and safety of staff continues to be a primary concern of the Board and our various Committees during this time. Management has maintained remote working arrangements for staff over the past twelve months and has proactively managed a set of effective mitigating controls as part of business continuity plans across all aspects of the Association's operations.

A key highlight during the year was management's monthly financial reporting to the Board and the ongoing proficient management of the organisation's policies. These policies are part of an enterprise risk management framework, which strengthen the corporate governance of the Association and improve the effectiveness of corporate, strategic and operational risk controls and reporting to the Board. I am pleased to report that the External Auditors have audited the 2021/22 Financial Statements of the Association and provided an unqualified audit report.

The ARC is well placed to maintain and oversee compliance obligations and risks through the implementation and validation of effective policies, frameworks and process controls with the involvement of Board and management.

Finally, I would like to thank my fellow Directors who serve on the ARC Committee, Kathryn Harrison and Sarah Wells, and management for their contributions and ongoing support.

Vladimír Malčík
ARC Chair

Directors' Report

The directors present their report on the Mortgage & Finance Association of Australia ('the Association' or 'MFAA') for the year ended 30 June 2021.

Directors

The directors of the Association in office during the financial year until the date of this report are as below. Directors were in office for the entire period unless otherwise stated. Number of Board Meetings attended of possible meetings is noted against each director.

	Directors' Meetings	
	Number attended	Number eligible to attend
Donna Beazley	7	9
Vladimír Malčík	9	9
Rose De Rossi	9	9
Sarah Wells	9	9
Kathryn Harrison	8	9
Mark Haron	9	9
William Foster	9	9
Caroline Jean-Baptiste	9	9

Principal activities

The principal activities of the Association during the year were:

(a) Representing members on regulatory affairs, including the Combined Industry Forum, new legislation and regulation stemming from the Royal Commission recommendations. This centred around the introduction of the Best Interests Duty, but also across remuneration, information sharing and reporting of misconduct, lender turnaround times and support for members and customers as the effects of the pandemic continued to disrupt Australian life.

(b) Delivering professional development services including a virtual national conference, industry research publications, enhanced online education resources, National and State Excellence Awards and Professional Development Events for members' benefit.

(c) Increasing member professional standards via professional development programs and ensuring compliance with MFAA Code of Practice and MFAA Disciplinary Rules for the benefit of consumers; and

(d) Raising the MFAA profile with stakeholders and consumers.

(e) Representing members during the COVID-19 pandemic to ensure the essential activities of Mortgage and Finance Broking were recognised and able to continue during COVID-19 restrictions, thereby enabling brokers to provide critical services and support to consumers.

(f) Providing an enhanced series of virtual professional development workshops and online training designed to equip mortgage brokers with the knowledge and tools to support vulnerable customers and to raise community awareness of the social and personal impacts of domestic and family violence and the support available to those affected.

Ongoing Strategies, Objectives and Performance Indicators

The Strategic Pillars and Objectives of the association include:

1 Advocacy, promotion and member engagement: Shaping and influencing

Objectives

a) Enhance, build and maintain effective relationships with government, regulators, media and other key stakeholders;

b) Vigorously advocate on behalf of the mortgage broking industry and educate stakeholders about the broker value proposition;

c) Inform consumers and other stakeholders about the stringent professional standards set by the MFAA and the mortgage broking industry;

d) Consult and engage with members via Regulatory Roundtables, Member Forums, National Forums, MFAA communications and other means; and

e) Provide government and regulators with credible and persuasive submissions that are in the best interests of our members and the industry.

2 Education, training and events: Enabling and informing

Objectives

a) Set industry benchmarks in education, professional standards and professional development programs;

b) Deliver events that provide relevant education to enhance the success of our members and underpin the professional recognition of our industry; and

c) Acknowledge and celebrate the professional achievements of our members at State and National Excellence Awards.

3 Professionalism and sustainability: Building confidence and trust

Objectives

a) Maintain and improve the MFAA Code of Practice and professional standards of our industry;

b) Continue to implement corporate governance improvements that best serve the interests of MFAA members;

c) Attract new members to join the industry's premier industry body; and

d) Provide frameworks that support our corporate social responsibility objectives and the delivery of industry-wide community engagement.

4 Membership services and support: Developing and strengthening

Objectives

a) Deliver business building skills, tools and support services to enhance the success of our members;

b) Provide industry benchmarking data, information and reporting to our members; and

c) Be a hub of valued information for finance brokers.

5 Monitor and evaluate emerging opportunities and threats: Protecting and nurturing

Objectives

a) Identify, monitor, evaluate and effectively respond to emerging opportunities and threats;

b) Collaborate with other industry associations where appropriate; and

c) Stay at the forefront of industry developments.

Key performance indicators used by the Association

The Association measures its own performance through the use of both quantitative and qualitative benchmarks. The benchmarks are used by the directors to assess the financial sustainability of the company and whether the company's short and long-term objectives are being achieved.

The KPIs set for the Association for the year ended 30 June 2021 were:

a) Success of advocacy and lobbying is measured against the Board's assessment of the appropriateness of the legislation for members' purposes, regulatory submissions and outcomes for industry.

b) Membership engagement in Professional Development Education and Events.

c) Performance to budget.

d) Membership growth and retention.

Corporate information

This financial report covers the Mortgage & Finance Association of Australia as an individual entity.

The Mortgage & Finance Association of Australia is a company limited by guarantee, incorporated and domiciled in Australia.

Registered office and principal place of business is:

Mortgage & Finance Association of Australia
Suite 9.02, Level 9, 124 - 130 Pitt Street
Sydney, NSW 2000

Members' Liability

The liability of the Members is limited.

Members' Contributions

Every member undertakes to contribute to the assets of the Association if it is wound up while the member is a member, or within one year after the member ceases to be a member, for:

a) The payment of the debts and liabilities of the Association, contracted before the member ceased to be a member;

b) The expenses of winding up the Association; and

c) The adjustment of the rights of the contributories among themselves.

The amount of the contribution under Members' Contributions above must not exceed $10.00 per member in any circumstance.

Review of operations

The performance of the Association, as represented by the results of the operations was as follows:

	2021 $	2020 $
Total comprehensive income for the year	917,105	491,780

The Association's comprehensive income for the year was $917,105 (2020: $491,780).

Following on from the previous financial year's decrease in membership, the current financial year saw a net increase of 3.68% (2020: decrease of 2.81%).

Accordingly, total national membership of the Association as at 30 June 2021 was 13,750 (2020: 13,262).

The total number of employees as at 30 June 2021 was 25 (2020: 24).

A summary of revenues and results by significant segments is set out below:

	Segment revenues		Segment results	
	2021 $	2020 $	2021 $	2020 $
Operations:				
Membership	6,848,755	6,478,883	6,798,449	6,366,464
Administration	612,374	561,425	(5,639,142)	(5,753,303)
Professional Standards:				
Events	327,959	319,561	(363,494)	(356,134)
Professional development courses	532,211	401,965	513,576	384,385
Marketing & Communications:				
Marketing/merchandising	-	181,964	(325,826)	(88,696)
Publishing - print & digital advertising	24,000	10,850	(66,458)	(60,936)
Total Revenues/Results	8,345,299	7,954,648	917,105	491,780

Insurance of officers

During the year, the Association paid an insurance premium to insure the directors of the Association for professional indemnity and office bearers' liability, association reimbursement and entity insurance.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Association, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Association. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

COVID-19 implications

Financially COVID-19 had some material implications for the Association. Although only $24,506 additional operational spending were incurred, Federal and State Government funding of $299,500 were received in the form of stimulus grants and $29,457 from State Governments in the form of payroll tax relief. A number of face to face regional Professional Development Events, State Conferences and Excellence Awards were cancelled this financial period due to COVID-19 gathering restrictions enforced by the Federal Government. These events were however replaced with virtual PD Events, virtual Excellence Awards and the MFAA's Virtual Conference.

New Accounting Standards Implemented

The Association has implemented two new Accounting Standards that are applicable for the current reporting period.

AASB 2020-4: *Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions* and AASB 2018-6: *Amendments to Australian Accounting Standards – Definition of a Business*. These standards listed did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Furthermore four amendments to existing accounting standards have been noted.

AASB 2018-7: *Amendments to Australian Accounting Standards – Definition of Material*. This amendment principally amends AASB 101 and AASB 108 by refining the definition of material by improving the wording and aligning the definition across the standards issues by the AASB.

AASB 2019-3: *Amendments to Australian Accounting Standards – Interest Rate Benchmark*. This amendment amends specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by interest rate benchmark reform.

AASB 2019-5: *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*. This amendment adds a disclosure requirement for an entity intending to comply with IFRS Standards to disclose the information specified on potential effects of IFRS Standards that have not yet been issued by AASB.

AASB 2019-1: *Amendments to Australian Accounting Standards – References to the Conceptual Framework*. This amendment amends Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of Conceptual Framework for Financial Reporting by the AASB.

Non audit services

The Association may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Association are important.

Details of the amounts paid or payable to the auditor (Hall Chadwick) for audit and non audit services provided during the year are set out below.

The board of directors has considered the position and is satisfied that the provision of the non audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

i) All non audit services have been reviewed by the board of directors to ensure they do not impact the impartiality and objectivity of the auditor,

ii) None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the Association, acting as advocate for the Association or jointly sharing economic risk and rewards.

Audit services

During the year, the following fees were paid or payable for services provided by the auditor of the Association and its related practices:

	2021 $	2020 $
Hall Chadwick:		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	29,800	29,000
Tax compliance services	8,165	3,500
Other services	10,823	17,100
Total remuneration for services	48,788	49,600

Auditor's independence declaration

Copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 44.

Signed in accordance with a resolution of the directors.

Donna Beazley
Chair

Vladimír Malčík
ARC Chair

Sydney
13 October 2021

Auditor's Independence Declaration

HALL CHADWICK (NSW)

MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA
ABN 62 006 085 552

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Mortgage & Finance Association of Australia. As the lead audit partner for the audit of the financial report of Mortgage & Finance Association of Australia for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Hall Chadwick

HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

DREW TOWNSEND
Partner
13 October 2021

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www.hallchadwick.com.au

Statement of Profit or Loss and other comprehensive income

	Notes	2021 $	2020 $
Revenue	5	8,345,299	7,954,648
Expenses			
Depreciation, amortisation & impairment expenses	6(a)	(358,771)	(346,726)
Employee benefits expenses	6(b)	(4,439,941)	(4,215,491)
Other expenses	6(c)	(2,568,474)	(2,868,832)
Interest paid	6(d)	(61,008)	(31,819)
Total expenses		(7,428,194)	(7,462,868)
Surplus before income tax		917,105	491,780
Income tax expense	7	-	-
Surplus attributable to members of the Mortgage & Finance Association of Australia		917, 105	491,780
Other comprehensive income		-	-
Total comprehensive income for the year		917,105	491,780

The above Statement of Profit or Loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	8	8,009,694	6,061,428
Trade and other receivables	9	26,625	160,130
Other current assets	10	300,667	314,963
Total current assets		8,336,986	6,536,521
Non-current assets			
Property, plant and equipment	11	57,621	65,210
Intangible assets	12	282,939	100,757
Right-of-use assets	13	1,015,419	1,303,881
Other non current assets	14	200	200
Total non-current assets		1,356,179	1,470,048
Total assets		9,693,165	8,006,569
LIABILITIES			
Current liabilities			
Unearned revenues in advance	15	3,630,609	3,404,989
Trade and other payables	16	2,885,480	2,139,840
Lease liabilities		270,405	243,353
Employee provisions	17	463,928	443,965
Total current liabilities		7,250,422	6,232,147
Lease liabilities		815,225	1,085,630
Employee provisions	18	56,518	34,897
Total non-current liabilities		871,743	1,120,527
Total liabilities		8,122,165	7,352,674
Net assets		1,571,000	653,895
EQUITY			
Retained Surplus		1,571,000	653,895
Total Equity		1,571,000	653,895

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

	Retained Surplus $	Total $
Balance at 1 July 2020	653,895	653,895
Comprehensive Income		
Surplus for the year attributable to the members of the association	917,105	917,105
Other comprehensive income	-	-
Total comprehensive income attributable to the members of the association for the year	917,105	917,105
Balance at 30 June 2021	1,571,000	1,571,000

The above statement of changes in members' funds should be read in conjunction with the accompanying notes.

	Retained Surplus $	Total $
Balance at 1 July 2019	185,227	185,227
Cumulative adjustment upon adoption of new accounting standards – AASB 16 and AASB 1058	(23,112)	(23,112)
Balance at the beginning of the financial year restated	162,115	162,115
Comprehensive Income		
Surplus for the year attributable to the members of the association	491,780	491,780
Other comprehensive income	-	-
Total comprehensive income attributable to the members of the association for the year	491,780	491,780
Balance at 30 June 2020	653,895	653,895

The above statement of changes in members' funds should be read in conjunction with the accompanying notes.

Statement of cash flows

	Notes	2021 $	2020 $
Cash flows from operating activities			
Membership subscriptions received (inclusive of goods and services tax)		7,193,358	6,633,575
Receipts from customers (inclusive of goods and services tax)		2,233,406	1,746,231
Payments to suppliers and employees (inclusive of goods and services tax)		(6,966,988)	(7,032,789)
Interest received		37,756	87,371
Interest paid		(61,008)	(31,819)
Net cash flows generated from operating activities	22	2,436,524	1,402,569
Cash flows from investing activities			
Payments for intangible assets and property, plant and equipment		(244,904)	(46,763)
Net cash flow used in investing activities		(244,904)	(46,763)
Cash flow from financing activities			
Repayment of finance lease liabilities		(243,354)	(222,074)
Net cash flows used in financing activities		(243,354)	(222,074)
Net increase in cash and cash equivalents		1,948,266	1,133,732
Cash and cash equivalents at beginning of the year		6,061,428	4,927,696
Cash and cash equivalents at end of the year	8	8,009,694	6,061,428

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements for the year ended 30 June 2021

1. Corporation Information

The Mortgage & Finance Association of Australia is a company limited by guarantee incorporated in Australia. The financial statements cover the Mortgage & Finance Association of Australia as an individual entity, incorporated and domiciled in Australia.

The financial report of the Mortgage & Finance Association of Australia for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors on 13 October 2021.

2. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

(b) Revenue recognition

Revenues are recognised to depict the transfer of promised services to members in an amount that reflects the consideration to which the Association expects to be entitled in exchange for those services. The terms of the contract and all relevant facts and circumstances are considered. The Association includes the use of any practical expedients, consistently to contracts with similar characteristics and in similar circumstances. However, as a practical expedient, the Association may apply this principle to a portfolio of contracts (or performance obligations) with similar characteristics where reasonable expectations are that the effects on the financial statements would not differ materially from applying this principle to the individual contracts (or performance obligations) within that portfolio.

The following specific recognition criteria must also be met before revenue is recognised:

i) Subscription

Membership subscriptions are amortised over 12 months since renewal date and relevant revenue recognised as revenue in the year to which the service relates with the unearned portion deferred to the subsequent year.

ii) Sponsorship

When the Association receives sponsorship, it assesses whether the contract is enforceable and has sufficiently specific performance obligations in accordance with AASB 15.

When both these conditions are satisfied, the Association:

- identifies each performance obligation relating to the sponsorship
- recognises a contract liability for its obligations under the agreement
- recognises revenue as it satisfies its performance obligations.

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the Association:

- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

If a contract liability is recognised as a related amount above, the Association recognises income in profit or loss when or as it satisfies its obligations under the contract.

iii) Education/Professional Development

Revenues are recognised when received, which is the point at which the Association has control of the monies and has earned the revenue.

iv) Events

Revenues are deferred when received and recognised as revenue when the event occurs.

v) Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

All revenue is stated net of the amount of goods and services tax.

(c) Income tax

The Mortgage & Finance Association of Australia is a non profit organisation for taxation purposes. Accordingly, the Association's mutual income is not subject to income tax while non mutual income (such as interest income) in excess of specified levels is subject to tax at prescribed rates.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in members' funds are also recognised directly in members' funds.

(d) Leases

The Association as lessee

At inception of a contract, the Association assesses if the contract contains a lease or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Association where the Association is a lessee. However all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Association uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Association anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(e) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient has been applied as specified in AASB 15.63.

Classification and subsequent measurement

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit and loss.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit and loss

On the basis of the two primary criteria, being:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset is subsequently measured at amortised cost when it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset is subsequently measured at fair value through other comprehensive income when it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and the fair value through other comprehensive income's measurement condition are subsequently measured at fair value through profit and loss.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the company no longer controls the asset (i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment

The company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (e.g. amount due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The company used the simplified approach to impairment, as applicable under AASB 9.

Recognition of expected credit losses in financial statement

At each reporting date, the company recognised the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. An amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (e.g. loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

(g) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Term deposits held with financial institutions with maturity dates more than three months but not more than 12 months from date of acquisition are held as cash equivalents for the purpose of meeting short term commitments rather than for investment purposes.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impairment. Trade receivables are due for settlement between 30-60 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment provision is recognised when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of receivables. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

(i) Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 6(a) for details of impairment).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Plant and equipment that have been contributed at no cost or for nominal cost are recognised at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is available for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Useful Life
Plant and equipment	3 - 5 years

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

(j) Intangible assets

(i) Software

Software has a finite useful life and is carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight-line method to allocate the cost of software over it's estimated useful life of 4 years.

(ii) Website costs

Costs in relation to web sites are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase of a website are considered to be an expense. Cost incurred in building or enhancing a website, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits which is 4 years.

(iii) Trademarks

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(k) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature are not discounted.

These amounts represent liabilities for goods and services provided to the Association prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Employee benefit on costs

Employee benefit on costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(m)Recoverable amount of non current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in the net profit or loss in the reporting period in which the recoverable amount write down occurs.

The expected net cash flows included in determining recoverable amounts of non current assets are not discounted.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(o) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the company retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period, in addition to the minimum comparative financial statements, must be disclosed.

(p) New and Amended Accounting Policies Adopted by the Association

Initial adoption of AASB 2020-04: *COVID-19-Related Rent Concessions*

AASB 2020-4: *Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions amends* AASB 16 by providing a practical expedient that permits lessees to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and, if certain conditions are met, account for those rent concessions as if they were not lease modifications.

Initial adoption of AASB 2018-6: *Amendments to Australian Accounting Standards – Definition of a Business*

AASB 2018-6 amends and narrows the definition of a business specified in AASB 3: *Business Combinations*, simplifying the determination of whether a transaction should be accounted for as a business combination or an asset acquisition. Entities may also perform a calculation and elect to treat certain acquisitions as acquisitions of assets.

AASB 2018-7: *Amendments to Australian Accounting Standards – Definition of Material.*

This amendment principally amends AASB 101 and AASB 108 by refining the definition of material by improving the wording and aligning the definition across the standards issues by the AASB.

AASB 2019-3: *Amendments to Australian Accounting Standards – Interest Rate Benchmark.*

This amendment amends specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by interest rate benchmark reform.

AASB 2019-5: *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia.*

This amendment adds a disclosure requirement for an entity intending to comply with IFRS Standards to disclose the information specified on potential effects of IFRS Standards that have not yet been issued by AASB.

AASB 2019-1: *Amendments to Australian Accounting Standards – References to the Conceptual Framework.*

This amendment amends Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of Conceptual Framework for Financial Reporting by the AASB.

The standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(q) New and Amended Accounting Policies not yet Adopted by the Association

AASB 1060: *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*

The AASB has issued AASB 1060 which defines the disclosure requirements for Tier 2 general purpose financial statements, as defined by Australian Accounting Standards, and serves as a replacement for the existing Reduced Disclosure Regime.

AASB 1060 may be early-adopted and is mandatory for periods beginning on or after 1 July 2021 (and is mandatory for the Company's 30 June 2022 year-end).

The impact on the Association by this accounting policy has not yet been determined.

3. Financial Risk Management Objectives and Policies

The Association's principal financial instruments comprise receivables, payables, cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Association's operations. The Association has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Association manages its exposure to key financial risks, including interest rate and credit risk in accordance with the Association's financial risk policy. The objective of the policy is to support the delivery of the Association's financial targets whilst protecting future financial security.

The Board reviews and agrees policies for managing each of these risks as summarised below.

	2021 $	**2020 $**
Financial assets		
Cash and Cash equivalents	8,009,694	6,061,428
Net Exposure	8,009,694	6,061,428

Primary responsibility for identification and control of financial risks rests with the Audit & Risk Management Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below.

	Higher / (Lower)	
	2021 $	**2020 $**
Post Tax Profit		
+0.5% (50 basis points)	40,048	30,307
-0.5% (50 basis points)	(40,048)	(30,307)

Risk Exposures and Responses

(a) Interest rate risk

At balance sheet date, the Association had the following financial assets exposed to Australian variable interest rate risk that was not designated in cash flow hedges:

The Association's policy is to maintain sufficient cash and cash equivalents to fund its operations. The policy is to hold cash and cash equivalents with institutions that have "Approved Deposit Taking Institution" status. Annual budgets are approved by the Board and it is policy that cash reserves are sufficient to cover 6 months operating expenses.

The Board constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, and the mix of fixed and variable interest rates, where applicable.

The following sensitivity analysis is based on the interest risk exposures in existence at the reporting date.

Judgements of possible reasonable movements:

Significant assumptions used in the interest rate sensitivity analysis include:

Reasonably possible movements in interest rates were determined based on the Association's current mix of investments in Australia, relationships with finance institutions, the level of investment that is expected to be renewed as well as a review of the last two year's historical movements and economic forecasters' expectations.

(b) Foreign currency risk

As all transactions are denominated in Australian Dollars, the Association is not exposed to foreign currency risk.

(c) Price risk

The Association has no exposure to commodity and equity securities price risk.

(d) Credit risk

Credit risk arises from the financial assets of the Association, which comprise cash and cash equivalents, trade and other receivables. The Association's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance sheet date is addressed in each applicable note.

The Association trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Association's policy to securitise its trade and other receivables.

It is the Association's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that the Association's exposure to bad debts is not significant.

(e) Liquidity risk

Prudent liquidity risk management is maintained such that the Association maintains sufficient cash and cash equivalents to fund its operations. As a result, the Association is not subject to liquidity risk at the reporting date. A liquidity maturity analysis has not been prepared as there are sufficient cash and cash equivalents on hand to cover total liabilities.

(f) Fair Value of Assets and Liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the company at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the company's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

4. Significant accounting judgements, estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives.

The Association determines whether goodwill and intangibles with indefinite lives are impaired at least on an annual basis in accordance with accounting policy stated in note 2(j)

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and lease terms (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary. Depreciation charges are included in note 11.

Impairment of non-financial assets other than goodwill

The Association assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Association estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. When the carrying amount of an asset or the cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

5. Revenue

	2021 $	2020 $
Revenue from operating activities		
Membership subscriptions	6,785,997	6,432,238
Membership admin fees	198,845	140,872
Member services	62,758	46,645
Professional development income	532,211	401,965
Events income	327,959	319,561
Marketing & merchandising income	-	181,964
Advertising & public relations	24,000	10,850
Interest	41,878	70,351
Government stimulus packages	299,500	278,500
Other revenue from ordinary activities	72,151	71,702
	8,345,299	7,954,648

6. Expenses

	2021 $	2020 $
(a) Depreciation, amortisation & impairment expenses:		
Depreciation	(37,476)	(52,736)
Depreciation right-of-use assets	(288,462)	(224,065)
Amortisation	(27,398)	(69,925)
Assets written off	(5,435)	-
	(358,771)	(346,726)
(b) Employee benefits expenses:		
Wages & Salaries	(3,658,894)	(3,504,501)
Defined contribution superannuation expense	(317,160)	(303,539)
Other employee benefits & statutory taxes	(463,887)	(407,451)
	(4,439,941)	(4,215,491)

Note: Defined contribution superannuation expenses include contributions to multi-employer defined contribution plans and self-managed superannuation funds.

	2021 $	2020 $
(c) Other expenses:		
Administration	(1,060,160)	(1,266,006)
Advertising and public relations	(90,458)	(71,786)
Member services	(50,307)	(112,419)
Disciplinary process	(90,000)	(182,606)
Professional development	(18,634)	(17,580)
Events	(691,452)	(675,695)
Legal fees	(139,459)	(164,539)
Marketing expense	(325,826)	(270,660)
Rental expense on operating leases - short term lease expenses	(102,178)	(107,541)
	(2,568,474)	(2,868,832)
(d) Interest paid		
Interest on leases	(61,008)	(31,819)
	(61,008)	(31,819)

7. Income tax expense

	2021 $	2020 $
Numerical reconciliation of income tax expense to prima facie tax payable		
Surplus / (deficit) before income tax expense	917,105	491,780
Tax at the Australian tax rate of 27.50% (2019: 27.50%)	238,447	135,240
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Income not taxable	(1,979,669)	(2,014,151)
Deductions not allowed	1,631,650	1,892,353
	(109,572)	13,442
Tax losses not brought to account	109,572	(13,442)
Income tax expense	-	-

Tax Losses

The association has accumulated tax losses of $7,767,295 to 2020 that may be treated as an allowable deduction against assessable income derived in future taxable income years. The utilisation of carried forward tax losses would be subject to certain carry forward loss rules.

Deferred tax assets have not been recognised in respect of these tax losses as they arise as a result of the Not-for-Profit status of the association where tax is assessable only on non-mutual income. Whilst that tax status continues it is unlikely that these tax losses will be realised in the future.

8. Current assets — Cash and cash equivalents

(a) Deposits at call

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

The deposits are bearing floating interest rates between 0.30% and 0.80% (2020: 0.65% and 1.60%).

(b) Reconciliation to statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2021 $	2020 $
Cash at bank and in hand	1,588,187	1,657,479
Deposits at call	6,421,507	4,403,949
	8,009,694	6,061,428

9. Current assets — Trade and other receivables

	2021 $	2020 $
Trade receivables	26,625	160,130
Allowance for expected credit losses 9(a)	-	-
Net trade receivables	26,625	160,130

(a) Allowance for expected credit losses

Trade receivables are non-interest bearing and are generally on 30-60 day terms.

The Association applies the simplified approach to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all accounts receivable. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due. The expected loss provision as at 30 June 2021 is determined as follows and incorporates forward looking information.

2021	Expected Credit Loss Rate %	Carrying Amount $	Allowance for Expected Credit Losses $
Not past due	-	14,225	-
30 days past due	-	3,300	-
60 days past due	-	-	-
90 days past due	-	9,100	-
		26,625	-

2020	Expected Credit Loss Rate %	Carrying Amount $	Allowance for Expected Credit Losses $
Not past due	-	49,500	-
30 days past due	-	-	-
60 days past due	-	-	-
90 days past due	-	110,360	-
		160,130	-

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables.

10. Current assets — Other current assets

	2021 $	2020 $
Event deposits	155,470	94,931
Pre-paid expenses	130,443	123,792
Revenue accrued	14,754	96,240
	300,667	314,963

11. Non-current assets — Property, plant and equipment

	2021 $	2020 $
Year ended 30 June		
Opening net book amount	65,210	88,713
Additions	29,887	29,233
Depreciation charge	(37,476)	(52,736)
Closing net book amount	65,210	88,713
As at 30 June		
Cost	241,670	242,962
Accumulated depreciation	(184,049)	(177,752)
Net book amount	57,621	65,210

12. Non-current assets — Intangible assets

Year ended 30 June 2021	Work in Progress	Software & Website $	Trademarks & Intangible Assets $	Total $
Opening net book amount	-	44,062	56,695	100,757
Additions	209,425	-	5,590	215,015
Disposals	-	-	(5,435)	(5,435)
Amortisation charge	-	(27,398)	-	(27,398)
Closing net book amount	209,435	16,664	56,850	282,939
At 30 June 2021				
Cost	209,425	1,340,701	56,850	1,606,976
Accumulated amortisation and impairment	-	(1,324,037)	-	(1,324,037)
Net book amount	209,425	16,664	56,850	282,939

Year ended 30 June 2020	Software & Website $	Trademarks & Intangible Assets $	Total $
Opening net book amount	98,857	54,295	153,152
Additions	15,130	2,400	17,530
Disposals	-	-	-
Amortisation charge	(69,925)	-	(69,925)
Closing net book amount	44,062	56,695	100,757
At 30 June 2020			
Cost	1,349,221	56,695	1,405,916
Accumulated amortisation and impairment	(1,305,159)	-	(1,305,159)
Net book amount	44,062	56,695	100,757

13. Non-current assets — Right of use assets

The Association's lease portfolio includes office equipment and buildings. These leases have an average of 4 and 5 years as their lease term.

There is no option to extend the property lease of the Association for another term. In order to extend the Association's lease period for a third 5 year term it will most likely involve the same level of negotiations which occurred during the second term which included the alternative of potentially moving to a new premises. There were no extension options for equipment leases and these will be replaced at the end of the term. These clauses provide the Association opportunities to manage leases in order to align with its strategies. All of the extension or termination options are only exercisable by the Association. The extension options or termination options which were probable to be exercised have been included in the calculation of the Right of use asset.

i) AASB 16 related amounts recognised in the statement of financial position

Right-of-use assets	2021 $	2020 $
Leased building	1,373,920	1,473,233
Accumulated depreciation	(389,277)	(213,806)
	984,463	1,259,427
Leased equipment	54,713	54,713
Accumulated depreciation	(23,937)	(10,259)
	30,776	44,454
Total Right-of-use assets	1,015,419	1,303,881
Movement in carrying amounts:		
Leased buildings:		
Opening balance	1,259,427	-
Addition	-	1,373,920
Depreciation expense	(274,784)	(114,493)
Net carrying amount	984,643	1,259,427
Leased equipment:		
Opening balance	44,454	-
Addition to right-of-use asset	-	54,713
Depreciation expense	(13,678)	(10,259)
Net carrying amount	30,776	44,454
Total Right-of-use assets	1,015,419	1,303,881

ii) AASB 16 related amounts recognised in the statement of profit or loss	2021 $	2020 $
Depreciation charge related to right-of-use assets	288,462	224,065
Interest expense on lease liabilities	61,008	31,819
Short-term leases expense	102,178	107,541

14. Non current assets Other non current assets

	2021 $	2020 $
Rental and other bonds	200	200

15. Current liabilities Unearned revenues in advance

	2021 $	2020 $
Unearned membership subscriptions	3,571,516	3,363,000
Unearned loan calculator subscriptions	59,093	41,989
	3,630,609	3,404,989

16. Current liabilities - Trade and other payables

	2021 $	2020 $
Trade payables	404,648	282,332
Other payables	2,480,832	1,857,508
	2,885,480	2,139,840

Fair Value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

Trade payables

Trade payables are non-interest bearing and are normally settled on 30 day terms.

Other payables

Other payables are non-trade payables, are non-interest bearing and have an average term of three months.

17. Non-current liabilities — Provisions

	2021 $	2020 $
Annual leave	308,251	269,566
Long service leave	155,677	174,399
Employee benefits	463,928	442,965

18. Non-current liabilities - Provisions

	2021 $	2020 $
Long Service Leave	56,518	34,897

19. Remuneration of auditors

The auditor of the Association is Hall Chadwick (NSW)	2021 $	2020 $
Amounts received or due and receivable by Hall Chadwick for:		
- the audit of the financial report of the Association	29,800	28,500
- tax compliance services	8,165	5000
- other services	110,823	10,469
	48,788	43,969

20. Contingencies

Contingent liabilities

Guarantees

Guarantee given in respect of lease amounting to $232,337 (2020: $232,337), secured over a cash deposit held at a financial institution. This guarantee may give rise to a liability if the obligation under the terms of the lease subject to the guarantee is not met.

21. Related party transactions

(a) Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2021 and 2020 are set out below. The key management personnel are the 8 directors (2020:8), one chief executive officer (2020:1) and 3 department heads (2020:3) of the Association. These individuals have been determined to have the greatest authority for the strategic direction and management of the Association.

	2021 $	2020 $
Short-term benefits	1,619,928	1,455,339
Post-employment benefits	110,080	101,626
Long-term benefits	57,525	27,857
	1,787,533	1,584,822

22. Cash flow statement reconciliation of surplus after income tax to net cash inflow from operating activities

	2021 $	2020 $
Surplus for the year	917,105	491,780
Depreciation and amortisation	358,771	346,726
Change in operating assets and liabilities		
Decrease / (Increase) in receivables & other receivables	103,192	(59,275)
Increase in prepayments	(36,877)	(45,529)
Decrease / (Increase) in accrued income	81,486	(68,588)
Increase in unearned revenues in advance	225,620	49,823
Decrease in other operating assets	-	500
Increase in payables	745,643	639,372
Increase in employee provisions	41,584	47,760
Net cash from operating activities	2,436,524	1,402,569

23. Events after balance sheet date

There have been no significant events occurring after balance sheet date which may affect either the Association's operations or results of those operations or the Association's state of affairs.

Directors' Declaration

In accordance with a resolution of the directors of the Mortgage & Finance Association of Australia, we state that in the opinion of the directors:

a) the financial statements and notes of the Association are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards and the *Corporations Regulations 2001*; and

(ii) giving a true and fair view of the Association's financial position as at 30 June 2021 and of its performance, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Association will be able to meet any obligations or liabilities to which they are, or may become subject to.

On behalf of the Board

Donna Beazley
Chair

Vladimír Malčík
ARC Chair

Sydney
13 October 2021

Independent Auditor's Report to Members

HALL CHADWICK (NSW)

MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA
ABN 62 006 085 552

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA

Opinion

We have audited the financial report of Mortgage & Finance Association of Australia, which comprises the statement of financial position as of 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of Mortgage & Finance Association of Australia is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Association's financial position as at 30 June 2021 and of its performance for the year then ended; and
(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's responsibility section of our report. We are independent of the Association in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporation Act 2001, which has been given to the directors of the Association, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA
ABN 62 006 085 552

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information in the Association's annual report for the year ended 30 June 2021 but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Association are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australia Accounting Standards and the Corporations Act 2001 and for such internal control as directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

HALL CHADWICK (NSW)

MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA
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- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hall Chadwick

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