

Embracing the future: Towards the safe and ethical use of AI for the mortgage and finance broking industry

An MFAA Discussion Paper

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Foreword



In May 2023 at the MFAA National Conference I was part of a panel session on innovation for mortgage and finance brokers. We were being asked about technology, in particular our views on what a broker could do to 'future proof' their business.

At the time ChatGPT was less than a year old, not even a toddler. Use of ChatGPT was emerging in different broking businesses to assist with automation and reducing the time to complete mundane processes.

Fast forward to July 2024 and the use of AI is accelerating all around us. Growth of AI has been exponential across many aspects of our lives and also in the mortgage and finance broking industry.

So – back to that panel. I responded saying maybe this was a good time to reframe our view on the future and technology – what if we looked forward and asked – rather than 'future proof' – what about 'future embrace'?

We're living in an environment that is shifting quickly. Even as I write this, I know AI tools and capabilities will be available to our members when this paper is published that we have not heard about. The pace of change is accelerating, and it is daunting – but also exciting.

The emergence of AI gives brokers the opportunity to adapt and improve their business and client experience like never before, without the reliance of broader significant technology investment – investment that has historically been made by lenders, aggregators or large industry participants.

I see a future – one that many of our members also see – where AI enhances the human interaction between a broker and their client, but never replaces the broker.

Coupled with the increased adoption of the Consumer Data Right (CDR) and Open Banking we will soon see a world where mortgage brokers, as trusted advisers, will have access to a significant amount of their clients' data readily. The industry has an exciting future in front of it.

In such a dynamic environment, and like any new technology, adoption of generative AI also requires consideration of guardrails to ensure the trust and confidence that brokers have built with Australian consumers and business owners is maintained and continues to grow. This is where our role at the MFAA comes into play.

In the ethos of 'future embrace' we look to provide guidance to our members that they can apply practically into their businesses, to take the first of many steps in a safe and ethical manner, to adopt AI. To be able to achieve significant productivity uplift to reinvest back into spending time with their clients – doing what they do best, helping their clients achieve their dreams and driving choice and competition.

It's important to note here that I do not think, and this is a sentiment shared by many of our members and the broader industry, that AI will ever replace the value a broker brings to their client – the human, and deeply personal relationship that only a broker can have with their client.

As we embark on this journey, we invite our members to join us in advancing responsible AI practices that prioritise the well-being of consumers and uphold the integrity of our industry.

I would like to thank David Bushby, CEO of the Commercial & Asset Finance Brokers Association (CAFBA) for his contribution to this discussion paper with respect to AI considerations specific to commercial and asset finance brokers.

Lastly, I would like to express my thanks to our members who took the time to share their experiences and insights for our research to write this discussion paper.

A handwritten signature in blue ink, appearing to read 'Anja Pannek'.

Anja Pannek,
CEO

Executive summary

The rapid evolution of Artificial Intelligence (AI) in recent years, particularly the advent of generative AI, has sparked widespread discussion about its role in various industries, including the mortgage and finance broking industry.

As AI capabilities have advanced, there has been a growing interest among mortgage and finance brokers, our members, to leverage these technologies to enhance their business operations and client experiences.

The growth in the use of AI within the mortgage and finance broking industry has presented the MFAA with an opportunity to provide support, guidance and education to its members on using AI, and using it in a safe and ethical way.

To inform this discussion paper, we conducted roundtables across Australia in May and June 2024 to gather insights from our members. We aimed to understand:

- how AI is currently being used in the mortgage and finance broking industry, including how our members were incorporating AI systems into their businesses, and the opportunities and challenges that AI presented to their respective businesses and industry as a whole
- how the core broker value proposition's relevance and strength can be maintained amidst AI disruption
- opportunities for the MFAA to provide ongoing AI education to members
- ethical implications of AI adoption in broking and the potential need for a principles-based framework to support AI use in the industry.

The core themes and observations that emerged from our roundtables were that:



Mortgage and finance brokers are increasingly adopting generative AI in their businesses, with some integrating it to enhance efficiency in client meetings, marketing and client communication while others have yet to use these tools.



There is strong demand for targeted 'micro' AI training among brokers, who also appreciated the opportunities to learn from each other through roundtables and panels hosted by the MFAA.



While AI offers opportunities to enhance the work that brokers do for their clients, members emphasised maintaining and retaining the deeply human element of a broker and ensuring AI does not replace their authentic voice.



Members raised concerns in relation to data privacy, bias, accountability, and the ethical implications of AI use as well as the increased risk of scams, clearly highlighting the need for industry guidance on the safe and ethical use of AI.

This paper is intended to:

- **promote discussion and reflection on the use of AI within the mortgage and finance broking industry**
- **provide insight into how brokers are considering the use of AI within their businesses**
- **provide practical guidance for mortgage and finance brokers when integrating AI into their businesses.**

Our role at the MFAA, as Australia's peak industry body is to support our members with a robust framework to guide their decision making, in the context of regulation, and sound and ethical businesses practises, with an eye to the future, regardless of the type of tool or its functionality.

In our view, the industry must balance leveraging the benefits of AI with maintaining the trust and confidence that brokers have built with their clients, through using AI wisely and with purpose so that it enhances but does not replace the true value of a broker – and that is the deep human connection between a broker and their client.

This paper also provides practical guidance to MFAA mortgage and finance broker members on the safe and ethical use of AI.

We intend to continue to monitor the evolution of this technology and its impact on industry and evolve this guidance as the use of AI and corresponding regulation evolves with it.

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While the potential in this field is enormous, our vigilance must be unwavering. The industry will look to you [as industry bodies] to lead the way.

Joe Longo, ASIC Chair¹

¹ Speech: *We're not there yet: Current regulation around AI may not be sufficient. A keynote address by ASIC Chair Joe Longo at the UTS Human Technology Institute Shaping Our Future Symposium, 31 January 2024.*

The broker value proposition

In discussing the role of AI in the mortgage and finance broking industry, it is essential to reflect on the role of the broker and the value a broker brings to their clients, to lending markets and to the broader economy.

This is because our view is that AI is not there to replace the broker, but instead to enhance the value a broker brings to the services they offer to their clients.

Mortgage and finance brokers are a critical component of the Australian economy, they are trusted advisers who provide both consumers and small businesses with essential access to credit.

According to our latest data, 74.1% of home loan borrowers now utilise a mortgage broker, reflecting a 14.7 percentage point increase since the introduction of the mortgage broker best interest duty in 2021.

The core of mortgage and finance broking lies in trust. Clients rely on their brokers not only for expert financial guidance but also for the responsible and ethical use of the resources they have at their disposal, including AI tools and systems to ensure their financial wellbeing.

Mortgage and finance brokers provide consumers and businesses with information about mortgage and finance products, acting as the first point of contact for many customers looking for a loan and assisting them to navigate the hundreds of available products and offer insights on the lenders with respect to service delivery, consumer satisfaction and product range.

Brokers help customers to apply for a loan in what is often an onerous and overwhelming process. They guide customers through the loan application process, reducing the time, stress and administrative burden associated with securing a loan by assisting customers in their selection of an appropriate product suited to their financial circumstances and needs.

Brokers also support their clients with their existing loans, reviewing their home loan interest rates and supporting their clients to reprice or refinance their existing home loans.

Importantly, our research highlights that brokers provide a deeply human experience in the support they provide to consumers and small businesses alike that can be enhanced, but not replaced by AI.

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“Authenticity is key. Too much AI can make interactions feel fake, and even friends can tell when posts aren’t genuine. ...[We] must focus on what we do best and how AI can help. It’s about staying real and leveraging AI to enhance, not replace, our strengths.”

Rebecca Wu, Buyers Choice

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“Banks have the resources to capture quick, easy business with AI, so we need to offer more value through comprehensive advice and strong relationships, not just better rates or fewer documents.”

Lauren Hall, Loan Market



Broker roundtable insights

In May and June 2024, the MFAA held member roundtables across Australia. At those roundtables, our members shared with us their desire to learn more about AI, expressed concerns about ensuring their client data and businesses were protected and importantly, that the value they bring to their clients through insight, empathy, experience and understanding remained at the forefront of the experience and outcomes they provided to their clients.

In total, over 75 members attended the roundtables, representing a cross-section of broker businesses ranging from single-broker offices to much larger broking businesses.

Collectively the roundtables explored the potential benefits of implementing AI in the broking industry, with the conversation highlighting the potential use of AI for automating repetitive tasks and enhancing business efficiency. Overall, the discussion centred around the challenges and risks associated with using open-source AI, including data management, privacy, cybersecurity, legal and ethical implications, and the need for clear guidelines that our members could turn to.



Core themes explored



Mortgage and finance brokers are increasingly using AI in their businesses

From the roundtables it was clear that mortgage and finance brokers are increasingly using generative AI in their businesses, however adoption was varied, with some businesses not using generative AI tools whatsoever to businesses that looked to technology partners to build models for the purposes of enhancing business efficiency.

Those that had adopted AI in their businesses noted the benefits in recording client meetings, automating marketing collateral, and streamlining client communication.

Many members highlighted the use of AI for language translation and also preparation of communication in a professional voice that they found more efficient. Members also noted that they are leveraging AI features incorporated within existing platforms they already use – from helping craft text messages to recording meeting notes.

Interestingly some members also highlighted that as broking businesses increasingly adapted to adopt AI into their businesses for a more seamless customer experience, equally lenders must do the same.

The rising adoption of AI highlights the industry's recognition of the transformative potential of enhancing efficiency. There was also a strong sentiment that those who haven't embraced this technology should do so to avoid being left behind.



"It saves time on repetitive tasks, potentially saving 10 minutes a day which adds up over a year.

The increased efficiency could mean managing three more clients daily, boosting revenue and productivity. It's about marginal productivity benefits."

Jordan Hagicostas, Aussie



"I think there's been a lack of urgency and importance placed on this issue, not just by our industry but by the general public.

This technological development should be treated like the introduction of computers in business.

It needs to be elevated in importance and recognised as a significant advancement. This shift in perspective is crucial for progress."

Reece Duthy, Aussie

Key observations

1. There are different levels of maturity in terms of the use of AI tools within broker businesses.
2. Those who had implemented tools within their respective businesses saw an uplift in efficiencies, with the main uses within broking businesses centered around marketing and client communications.
3. Members saw AI as having transformative potential across their businesses and the industry as a whole.

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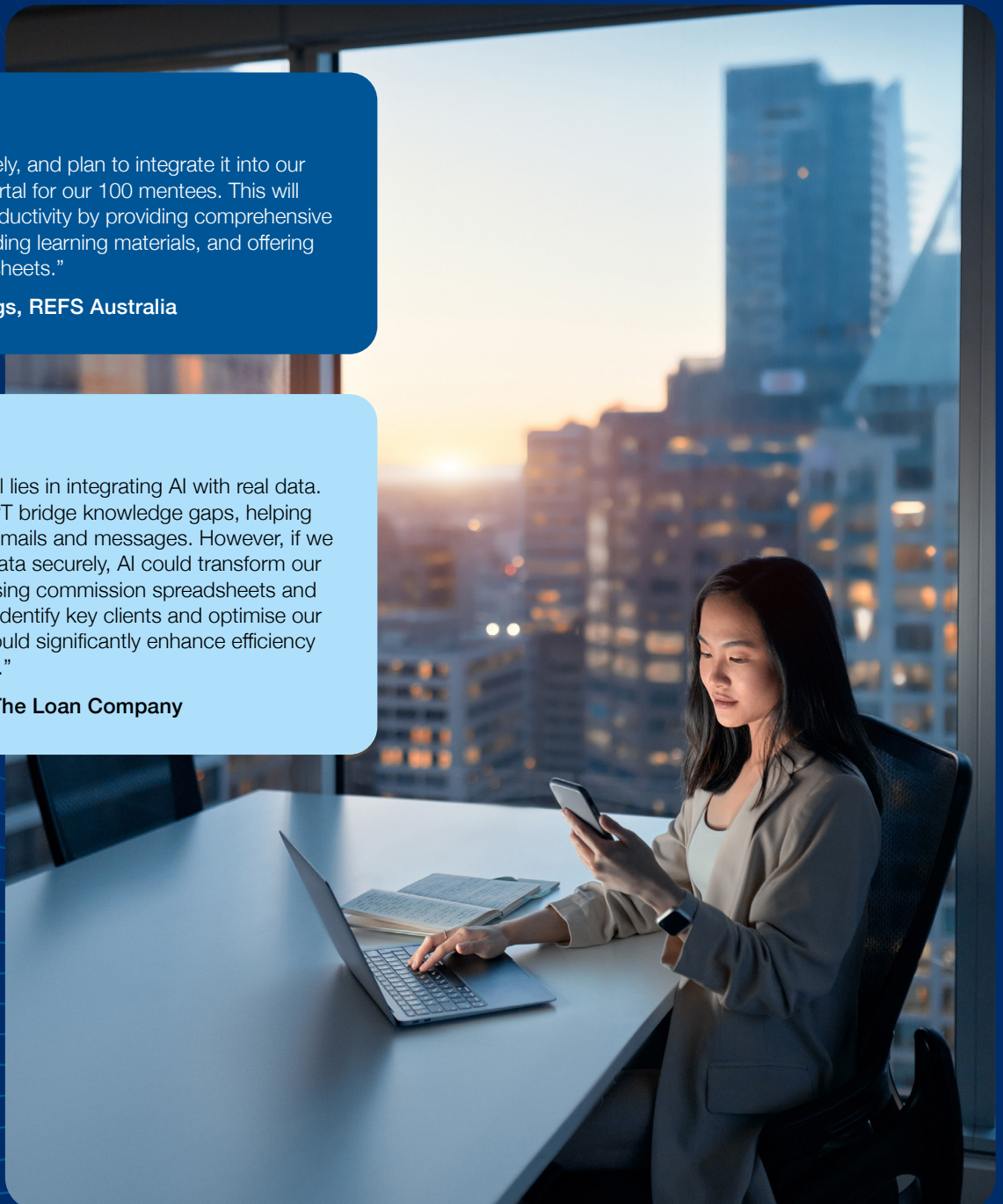
“I use AI extensively, and plan to integrate it into our online learning portal for our 100 mentees. This will enhance their productivity by providing comprehensive notes, understanding learning materials, and offering AI-generated tip sheets.”

Debbie Hutchings, REFS Australia





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“The real potential lies in integrating AI with real data. Tools like ChatGPT bridge knowledge gaps, helping us create better emails and messages. However, if we could input real data securely, AI could transform our industry by analysing commission spreadsheets and loan balances to identify key clients and optimise our outreach. This would significantly enhance efficiency and client service.”

Ashton Young, The Loan Company



Some of the platforms and AI tools brokers said they were using in their businesses are:

 Marketing and design		
Tool	What does it do	Brokers use it for...
 	Graphic design	Designing social media assets, presentations, documents and videos
   	Social media management	Social media scheduling, analytics, AI copy assistance
	Text to video with AI avatar	Creating marketing and instructional videos
	Screen recording	Creating marketing and instructional videos
	Generates AI voiceover from text	Creating marketing and instructional videos
 Writing and communications		
Tool	What does it do	Brokers use it for...
	Generates and edits written content based on prompts	Summarise content, create and edit content, language translation, create social media and marketing copy
	Integrates AI collaboration tools in Zoom	Summarise meetings and draft content such as emails, chat messages, meeting summaries, brainstorming notes
	Checks writing for spelling, grammar and punctuation corrections and suggestions	Refining written content for emails, social media or websites
  	Voice to text transcription	Summarising meetings
 Productivity		
Tool	What does it do	Brokers use it for...
	Automatically blocks time in calendar for tasks	Diary organisation, and help to plan daily tasks and priorities
	Allows clients to book appointments online	Marketing, appointment scheduling, calendar management
   	Tracks workflows to ensure tasks are completed on time, with the right people involved	Workflow management, task tracking, project management
	Helps with writing, brainstorming, distilling information	Refining content, finding information
	Helps with writing, brainstorming, distilling information	Refining content, finding information



Mortgage and finance brokers would like more information, training and education on using AI tools

There is a sentiment amongst our members that significant challenges exist with navigating and selecting AI tools. Not just the increasing number of tools available, but also obtaining the necessary skills to use these tools.

The roundtables explored a range of options for upskilling mortgage and finance brokers to use AI tools, with potential learning opportunities including micro-training modules, targeted webinars and simply learning by trial and error.

Many members also indicated that navigating the increasing number of AI systems, particularly open-source AI tools was confusing and complex for small broking businesses, with some members wondering if there was an opportunity for aggregators or the MFAA to refine a list of AI systems to recommend to brokers for use in their businesses.

Members also noted the value of learning from each other through roundtables and panels such as those hosted by the MFAA.

Those members who had low levels of AI adoption were significantly interested in hearing and listening from members more mature in their use of AI in their respective businesses, indicating that this sharing of knowledge gave them the confidence and incentive to trial AI systems within their own businesses as well as ideas on which tools would be beneficial to use.

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“Bite-sized training sessions are invaluable – they’re not overwhelming and help us take steps to make our businesses more efficient and safe.

Instead of long, two hour sessions, short, focused training each month allows us to learn gradually and effectively.”

Alison Stone, AS Financial

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“The abundance of choices and rapid tech evolution mean major changes can quickly become outdated. Established companies like Microsoft often incorporate new technologies into their platforms.

Eventually, AI will blend seamlessly into software, making it hard to distinguish.”

Danielle Monastra, Achievement Finance

Key observations

1. There was significant appetite for education and training for brokers on how to use AI, specifically targeted ‘micro’ AI training given the time poor nature of brokers.
2. As part of ongoing learning, and to increase uptake of AI systems within the industry, the MFAA has a major role to play in supporting cross-collaboration through further roundtables, workshops and broker panel sessions at professional development events.

Appendix 2 has a list of small business friendly AI courses that you can undertake to understand AI a little bit better.



Human-centricity explored

Some members raised concerns that the advent of AI risked replacing the broker through automation and increased digitisation.

While sentiment was that it was unlikely that AI would replace the unique broker proposition being the very human element and personalisation that only a broker can provide, there was some concern that the over-use of AI risked compromising

a broker's authenticity and the deeply human relationships between brokers and their clients.

There was a collective desire to seize the opportunity to leverage AI to streamline client communication while balancing the desire to preserve the broker voice and authenticity in client interactions.

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“This shift allows brokers to focus on their true value – offering advice, structuring plans, and understanding clients’ goals.

The routine legwork will increasingly be handled by AI, enabling brokers to be trusted advisers.”

Haydn Marshall, Lend Perspective

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“AI is valuable for our industry, helping bridge knowledge gaps through tools like Open Banking and data scraping, providing useful summaries.

However, it's crucial that we interpret and apply this information ourselves. Similar to how my doctor uses AI for efficiency but still consults personally, we should use AI to streamline processes, not replace personal interaction.”

Ashton Young, The Loan Company

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“I'm on the fence about AI. While it's beneficial, I worry about its long-term impact on the broking industry.

We must keep our services personal to maintain the value we add and ensure we don't automate ourselves out of a job.”

Darlene Neu, The Money Collective

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“The balance lies in using AI to enhance, not replace, human expertise.”

Nav Dharan, loansHub

Key observation

There was an overarching sentiment that AI has the potential to enhance but not replace the unique broker value proposition as a trusted adviser to their client.



Our members say that with opportunity comes risk

A significant roundtable discussion point related to the risks AI systems could potentially introduce into broking businesses. Across all roundtables, members raised concerns about:

- the predisposition AI tools may have to certain biases, hallucinations² and also accuracy in terms of output from AI systems
- information security, data integrity and information privacy when using AI platforms
- the use of information fed into AI systems to develop more sophisticated scams.

Generally, across all roundtables, cybersecurity risk featured heavily in discussions, with a key call out from roundtable participants being that all brokers should have clear cyber security risk processes in their businesses.

The theme around a lack of control of AI systems both in terms of the use of the information and data fed into AI systems and the generated output featured heavily in discussions.

Collectively roundtable participants agreed there was a significant need for the development of guidelines to support the use of AI systems by mortgage and finance brokers in their respective businesses.



“When using a platform that shares data, it’s crucial to understand the exposure and limitations regarding clients’ private information.

Clear guidance on this issue is essential to make informed decisions.”

Tanya du Preez, Affinitas Finance



“Our small team of brokers are not yet using AI. I’m very cautious due to client data safety concerns.

We will only adopt AI once it’s proven safe and compliant, which will make us late adopters.”

Steven Toomey, Port Lincoln Home Loans



“While AI offers many benefits, I have significant concerns about data security.

With frequent breaches, it’s crucial to know who holds the data, where it’s stored, and how it’s protected. Despite AI’s advantages, data security must be a top priority to prevent potential breaches.”

Keith Burns, Wealthfolio



“One of my concerns is bias in AI.

As AI reads client documentation and influences recommendations, the bias in these algorithms becomes critical.”

Richard Brown, Mortgage Choice

Key observation

Our members are not just supportive of, but expectant of the MFAA to provide them with a framework and guidance to support the safe and ethical use of AI within their businesses.

² Hallucinations are where an AI model perceives patterns or objects that are non-existent, creating nonsensical or inaccurate outputs.

The AI Regulatory Framework for mortgage and finance brokers

While AI can enhance and support both productivity and efficiency, governments and regulators around the world continue to be very concerned with the safe and ethical use of AI.

Some overseas jurisdictions, for example the [European Union](#), have introduced legislation around the implementation and use of AI.

The Australian regulator, the Australian Securities and Investments Commission (ASIC), has clearly stated there is a suite of current laws that apply to the use of AI by people and organisations in the course of providing access to financial products and services.

In essence ASIC has stated that “AI is not the wild west”³ in terms of regulation and consumer protections.

The Australian Government has launched a number of initiatives intended to establish a robust framework for the use of AI within the Australian economy.

These initiatives include:

1. The development of a voluntary Artificial Intelligence Ethics Framework. The Framework includes eight principles and guides businesses and governments to responsibly design, develop and implement AI.
2. Regulatory initiatives aimed at developing regulatory frameworks specifically tailored to AI technologies. These frameworks may address issues such as safety, accountability, bias mitigation, and data privacy.
3. Sector specific regulations in addition to overarching AI regulations, addressing AI use in areas such as healthcare, finance, transportation, and defence.

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All participants in the financial system have a duty to balance innovation with the responsible, safe, and ethical use of emerging technologies – and existing obligations around good governance and the provision of financial services don't change with new technology.

Joe Longo, ASIC Chair³

Furthermore, regulators have an expectation that peak industry bodies, such as the MFAA, will lead the development of principles around use of AI that are fit-for-purpose for the industries they represent. And we agree.

As this technology continues to reshape the landscape, we believe it is important for our members to have clear ethical guidelines and standards for AI usage, in context of the regulatory environment in which they operate.

We have developed a framework for the industry referencing pertinent existing regulations spanning credit laws, privacy legislation, anti-discrimination legislation and corporations laws.

By developing this framework that is tailored to this industry, we:

- aim to promote responsible innovation while humanely safeguarding consumer and end client interests. These principles will provide brokers with a framework for leveraging AI tools effectively, ensuring transparency, data privacy, and regulatory compliance.
- seek to uphold professionalism, trust, and integrity of the mortgage and finance broking industry, ultimately enhancing industry standards and fostering sustainable growth.

³ Speech: *We're not there yet: Current regulation around AI may not be sufficient.* A keynote address by ASIC Chair Joe Longo at the at UTS Human Technology Institute Shaping Our Future Symposium, 31 January 2024.

The Framework

The Framework comprises eight ethics principles and is based on the [Artificial Intelligence Ethics Framework](#) developed by the Department of Industry, Science and Resources.



Human, societal and environmental wellbeing

AI systems should benefit individuals, society and the environment.

What this means

When utilising AI systems, brokers must continue complying with their best interests duty and do all things necessary to ensure that business activities are engaged in efficiently, honestly and fairly as required under the NCCP Act.

Brokers must have regard to the possible individual and social impact of using AI systems to enhance customer experiences and facilitate informed decision-making.

Practical considerations

- Think about why you want to use AI. The process and the motivation should always be driven by obtaining good outcomes and what is best for your clients.
- Consider the long-term consequences of implementing AI systems as part your business. For example, increased efficiency might mean your employees have more capacity to deliver value to your clients in unique and more 'human' ways. You should think about how you want to realise and use this additional capacity.



Human-centred values

AI systems should respect human rights, diversity, and the autonomy of individuals.

What this means

Brokers should use AI systems that align with human values (for example, moral values) and rights (for example, legal rights).

AI systems designed, deployed or otherwise operated by brokers should be configured in a manner that is respectful, equitable and reasonable.

Practical considerations

• Know your AI.

Take the time to understand what functions are available on your AI system. If you purchase or subscribe to 'off-the-shelf' AI systems from third party vendors, read the reference material carefully and ask questions if anything is unclear to you.

Take time to understand the difference between free versus the paid version of your AI system – for example, differences in functionality, security, privacy and access to historical and current data and information.

• Some questions you may wish to ask include:

What functionalities and settings are available on my AI system (for example, privacy settings, will you let it use client data for machine learning / training)?

If I go and change existing configurations in my 'off the shelf' AI system, what is the impact of this in terms of output of the system?

How do I know if my AI system is not infringing on someone else's rights (for example, intellectual property rights)? This extends not just to your clients' information but also information you have access to from lenders, aggregators and other businesses. Do you have authority to input this information into AI and by default into the public domain?

• Respect your client's autonomy.

Not all clients will embrace AI and your clients should remain in control of whether AI is used with respect to the assistance you provide (it is possible some clients do not want anything to do with AI at all) and how much input they obtain from AI, if any

Consumers are becoming wiser to when they are communicating with AI and when content is AI generated, and this is often seen as a negative and AI overuse needs to be observed.



Fairness

AI systems should be inclusive and accessible and should not involve or result in unfair discrimination against individuals, communities or groups.

What this means

Brokers should ensure that AI tools are designed and implemented in a manner that promotes fair and inclusive access to mortgage products, without engaging in practices that result in unfair discrimination or bias.

Brokers must take proactive measures to mitigate bias in AI algorithms and decision-making processes, ensuring fairness and equity in mortgage lending practices. This includes regularly monitoring and auditing AI systems to identify and address any biases that may arise.

Brokers must continue to do all things necessary to ensure that their business activities are engaged in efficiently, honestly and fairly.

Practical considerations

- If you are designing your own AI system, ensure it is designed with inclusivity in mind, and has measures in place to identify and mitigate the risk of unfair discrimination or bias.
- If you use an open-source model, take reasonable steps to check it is free from bias.
- If you purchase or subscribe to 'off-the-shelf' AI systems from third party vendors, check with the vendor (or an external professional) how the AI system complies with the anti-discrimination laws in Australia.
- Don't assume implementation of AI is a set and forget exercise. The technology is constantly evolving, and so is the law. You should closely monitor developments that are relevant to your business.



Privacy protection and security

AI systems should respect and uphold privacy rights and data protection and ensure the security of data.

What this means

Brokers must uphold the highest standards of data privacy and confidentiality when leveraging AI technologies.

They should implement robust data protection measures to safeguard sensitive client information and comply with relevant privacy regulations, such as the Privacy Act and the Australian Privacy Principles (APPs).

Practical considerations

- Ensure you have an adequate privacy consent from your clients as you adopt a new AI system.
If you are designing your own AI system, this means you will need to carefully review what consent needs to be obtained. If you purchase or subscribe to 'off-the-shelf' AI systems from third party vendors, the relevant terms and conditions should be carefully reviewed.
- Assume any information you input into public AI systems / tools could become public. Don't input anything that could reveal classified, personal and otherwise sensitive information.
- When using AI systems, it is imperative to exclude any customer-specific or sensitive information from the interactions. Ensure that the AI system is programmed to disregard or anonymise any data that could identify individuals or compromise their privacy.
- If your AI system is used for collecting, using (includes holding) or disclosing personal information (for example, as part of your KYC obligations), you must consider what safeguards need to be in place.
- **Train your staff.**
AI is an evolving technology and adds difficulty to complying with what is already a complex set of obligations under the privacy laws. Consequences of non-compliance with privacy laws can be detrimental.
Maintain a concise protocol governing the use of AI systems chosen by your business. The protocol should be a guide for your staff on what to do / not do when using AI systems in day-to-day operations. For example, when do you need to obtain client consent?



Reliability and safety

AI systems should reliably operate in accordance with their intended purpose.

What this means

Brokers should conduct regular checks on their AI system to ensure it remains reliable, accurate and reproducible.

Brokers should conduct regular risk assessment on their AI system to ensure it is operating as intended, and the risk of unintended consequences are identified, mitigated and managed effectively.

Practical considerations

- Be proactive and ask: What could go wrong? Identify the risk of unintended consequences of using AI, and plan forward. Think about your current protocols and processes, and critically evaluate whether your business is ready to respond to these risks.
- For example, some questions you may wish to ask include:
 - Can my business continue serving the clients if the AI system abruptly goes down? What is my 'Plan B'? Are my staff overly reliant on the AI system?*
 - What statements, representations or other promises have I made to the clients about what my AI system can do (for example, through marketing material, in person or otherwise)?*
 - Does my AI system work as intended and hold true to these promises? How do I know if any of what I promised was not misleading, deceptive or otherwise incorrect?*
- Make sure that you have adequate cybersecurity risk controls in your business, including as a bare minimum enable multi-factor authentication on all devices, update software consistently, backup your information, use complex passwords and obtain cyber insurance.
- Conduct a regular quality assurance check. Get into a habit of sense checking any output that your AI systems produces for you and ensure the quality of your service remain consistent over time. Is your AI system holding up to your expectation when you first introduced it to the business?
- If your AI system depends on human input, think about how you can minimise human error so that it will produce consistently reliable output.



Transparency and explainability

There should be transparency and responsible disclosure so people can understand when they are being significantly impacted by AI, and can find out when an AI system is engaging with them.

What this means

Mortgage brokers should be able to explain what was used and how the AI tool came to its output.

Practical considerations

- Build trust and help clients to make informed decisions.
 - You should be transparent with your clients about whether, and how, AI is used in your decision-making process, and the types of data it analyses.
- Ensure how you utilise AI systems is consistent with what you tell your clients you do.
 - Protect your business and your clients from any unintended consequences such as privacy violation, misleading or deceptive conduct, patent or copyright infringement, and anything else that might not uphold MFAA's standards for members.
- Don't forget you are the ultimate decision maker.
 - AI should be a tool to help you make decisions in the best interest of your clients and taking into account your responsible lending obligations. Maintain professional scepticism and understand how AI reached the conclusion it did.



Contestability

When an AI system significantly impacts a person, community, group or environment, there should be a timely process to allow people to challenge the use or outcomes of the AI system.

What this means

Brokers should expect to be questioned and challenged about the use or output of AI in their decision-making process if the AI system has a significant impact on their clients. This could involve customers seeking access to information about the underlying algorithms and logics used, or how much human oversight is maintained.

Brokers should help build trust in the use of AI systems by proactively identifying where things can go wrong and taking steps to implement appropriate measures to respond to the unforeseen.

Practical considerations

- Be prepared to be questioned and challenged about the use or output of the AI system.
The responsibility lies with you to understand the AI systems you deploy even if you are using a system maintained by a third party vendor.
- If you are designing your own AI system, you should consider how you will deal with requests for information relating to the underlying algorithms and logics to allow others to do this.
- If you are designing your own AI system, conduct regular and independent audits of it.
Review and challenge whether the design and the operation of your AI system remains fit for your business. Promptly act on any finding or weakness identified.



Accountability

People responsible for the different phases of the AI system lifecycle should be identifiable and accountable for the outcomes of the AI systems, and human oversight of AI systems should be enabled.

What this means

Brokers should hold themselves accountable in the use of AI, provide clear explanations of how AI algorithms are applied in decision-making processes and be prepared to justify AI-driven decisions and any outcomes resulting from the use of AI systems.

Brokers should be able to demonstrate how they have complied with their obligations under the law, such as how specifically they have made inquiries and verified their clients' financial situation to a reasonable standard as part of the responsible lending conduct.

Practical considerations

- You should be able to explain, justify and take ownership of your recommendations and decisions.

Relevant regulations

- Anti-discrimination legislation.
- *Australian Securities and Investments Commission Act 2001* (ASIC Act)
- ASIC Regulatory Guides:
 - RG 273 Mortgage brokers: Best interests duty
 - RG 209 Credit licensing: Responsible lending conduct
- Australian Privacy Principles
- Australian Privacy Principles guidelines
- Copyright Act 1968
- Corporations Act 2001
- National Consumer Credit Protection Act 2009 (NCCP Act – includes the National Credit Code, best interests duty and responsible lending obligations)
- Privacy Act 1988

AI considerations specific to commercial and asset finance brokers

The integration of rapidly developing Artificial Intelligence (AI) capabilities in various sectors has significantly transformed business operations. This is especially so in the finance industry and the use of AI capabilities to improve efficiencies and deliver even better, or more consistent analysis and client outcomes, will only continue to increase in coming years.

The impact and potential of AI within the commercial and business lending sector, drawing parallels to its adoption in mortgage and finance broking, has the potential to significantly enhance commercial lending processes by optimising decision-making processes, enhancing customer experience, and increasing operational efficiency.

However, as noted by the MFAA in this paper, it is imperative to consider ethical implications and regulatory compliance to ensure responsible use of AI technologies.

Impact of AI on commercial lending

AI technologies are capable of streamlining and enhancing the efficiency of commercial lending operations. By automating repetitive tasks and enabling data-driven decision-making, AI reduces the time and resources required for loan processing. Key areas of impact include:

- **Credit assessment and risk management:** AI algorithms can analyse vast datasets to assess the creditworthiness of businesses more accurately and swiftly than traditional methods. Machine learning models predict potential risks, allowing lenders to make informed decisions and mitigate defaults.
- **Customer relationship management:** AI-powered tools improve client interactions by providing personalised recommendations and automating communication. Virtual assistants and chatbots handle routine inquiries, freeing up human resources for more complex tasks.
- **Fraud detection and prevention:** AI systems monitor transactions in real-time, identifying suspicious activities and potential fraud attempts. This enhances the security of lending processes and protects both lenders and borrowers.

These three areas also reflect the most likely use cases for AI in business lending from a specific commercial and asset broker perspective, particularly risk assessment, financial statement analysis and other insights into aspects of a client's business relevant to their finance needs.

However, finance broking is a craft as much as it is a career. The skills, knowledge, capabilities and understanding required to deliver the best client outcomes, require strong relationships and a personal understanding of the client and their needs.

This is the case for all finance brokers, but even more so for those brokers working to assist businesses with their finance needs. As such, the risks of over reliance on outputs from AI when analysing financial statements, without humans actually checking those outputs, and, just as importantly, without humans overlaying an understanding of less tangible but highly relevant factors such as the culture of the business, are real.

This alone strongly highlights the need for brokers to continue to focus on customer relationships and see AI as an enhancement to their productivity, not as an easy alternative to doing the work required.

Brokers also need to understand how banks and lenders are using AI in the assessment of business lending applications. We already know bank statements are analysed using AI by some non-bank lenders.

Getting an understanding of what the AI produces and looks for as key decision points will become increasingly important to the work of a broker; for example, end-of-day and end-of-month bank balance, cash in vs cash out, and so on.

A better understanding will assist brokers in knowing what factors are important when working with their clients and ensure that the information supplied to lenders will be in a format best able to be appropriately assessed by lenders' AI.

Threats

Broadly speaking, there is potential for less complex loans in business lending, such as low doc car loans, to be almost completely automated through AI.

Loans that require more of the 'craft', knowledge, experience and relationship building brokers offer, for example a complex commercial lend with multiple entities, for a complex project, refinance etc, will be much harder for an AI to complete and present as a comprehensive, fully considered application.

As such, deals 'below the line' present as a possible threat where AI could potentially undermine the income producing work currently being undertaken by brokers. These are 'easy' loans for a business to get and for a broker to write and AI does present as a real threat to that part of a commercial broker's business.

However, at the same time, use of AI for such deals has the potential to introduce significant efficiencies and speed up processes. So, a smart broker will utilise AI to streamline their business model, opening up more opportunity to work on more complex deals requiring a greater deal of human input and consideration.

The reality of AI assisting with less complex loans may also highlight the value of human input and expertise on more complex ones.

Ethical considerations and regulatory compliance

The adoption of AI in commercial lending necessitates a focus on ethical practices and adherence to regulatory frameworks. This paper examines these issues well. From a commercial broking perspective, key considerations include:

- **Data privacy and security:** AI systems must comply with data protection regulations, ensuring the confidentiality and security of sensitive business information. Implementing robust cybersecurity measures is essential to safeguard against data breaches.
- **Bias mitigation:** Lenders must address potential biases in AI algorithms to ensure fair and equitable lending practices. Regular audits and updates of AI models are necessary to identify and correct any discriminatory patterns.
- **Transparency and accountability:** Lenders should maintain transparency in AI-driven decision-making processes. Clients must be informed about the use of AI in their loan applications and have the right to challenge or question decisions.

Practical guidelines for integrating AI in commercial broking

To effectively integrate AI technologies, commercial and asset brokers should follow practical guidelines and this paper effectively sets out a number of practical considerations in its framework. But at its core, brokers should approach the use of AI adopting the following principles:

- **Start small and scale gradually:** Begin with small projects to test AI applications in specific areas of your business. Gradual scaling allows for the identification and mitigation of potential issues.
- **Invest in training and education:** Equip staff with the necessary skills to utilise AI tools effectively. Continuous learning and development programs are crucial to keep up with evolving AI technologies.
- **Engage with stakeholders:** Foster collaboration between AI developers, lenders, regulators, your industry association and customers. Engaging with diverse stakeholders ensures that AI systems are designed and deployed with a comprehensive understanding of their impact.

AI holds tremendous potential to revolutionise commercial and business lending, offering opportunities for enhanced efficiency, improved risk management, and superior customer experiences. Despite this, it is hard to see how AI can replace the personal, human understanding necessary to fully analyse and appropriately present deals of a complex nature to lenders. It will grow, however, to be an increasingly important part of the development of such deals.

Responsible and ethical use of AI is paramount to maintaining trust and integrity within the industry. By adhering to regulatory requirements and focusing on transparency, fairness, and accountability, brokers can harness the benefits of AI while safeguarding the interests of all stakeholders.



David Bushby,
CEO, Commercial & Asset Finance
Brokers Association

CAFBA

Commercial & Asset Finance Brokers
Association of Australia

Where to from here?



As iterations and innovation in AI continues, we will continue to not only monitor developments in AI and technology and their impact on our members and their clients, we will also provide support, education and most importantly, opportunities to leverage AI for the benefit of the industry.

This discussion paper underscores the importance of ongoing dialogue and collaboration among our members and industry stakeholders to address ethical dilemmas and ensure alignment between the evolving use of AI in industry, the regulatory landscape and client expectations.

To this end, we will create spaces for members to collectively engage, share knowledge and continue to develop this ethical framework as we embark on this journey together.

Additional resources

- Explore and connect with the National AI Centre through their [AI In Action for Business website](#) which offers a range of AI for business videos, use cases, learning modules and connections to AI solutions and services providers.
- Find out more about the Government's support for the development and adoption of trusted, secure and responsible AI on the [Department of Industry, Science and Resources website](#).
- Read the CSIRO and Gradient Institute report, [Implementing Australia's AI Ethics Principles: A selection of Responsible AI practices and resources](#) which includes practical guidance and considerations for business owners, such as ensuring that the system implementation is fit-for-purpose and delivers on the business's objectives.
- Check out the [suite of resources on AI governance from the Australian Institute of Company Directors](#), including an [SME AI governance checklist](#).

A list of small business friendly AI courses can be found in Appendix 2. A checklist for using AI can be found in Appendix 3.

Appendix 1

AI Quick Reference Guide

This table provides a quick reference to the different forms of AI and their descriptions

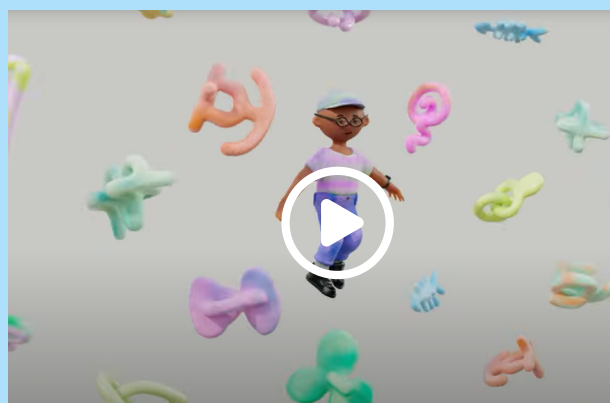
Type of AI system	Description
Machine learning	Models trained on pre-existing data to produce useful outputs on new data.
Expert systems	Systems using a knowledge base, inference engine, and logic to mimic human decision-making.
Natural language systems	Models that understand and use natural language and speech for tasks like summarisation, translation, or content moderation.
Facial recognition technologies	Systems that verify, identify, or analyse personal characteristics using facial data from photos or videos.
Recommender systems	Systems that suggest products, services, or information to users based on preferences, characteristics, or behaviour.
Automated decision-making systems	Systems that classify, analyse, and make decisions affecting people with little or no human intervention.
Robotic process automation	Systems that imitate human actions to automate routine tasks through existing digital interfaces.
Virtual agents and chatbots	Digital systems that engage with customers or employees via text or speech.
Generative AI	Systems that produce code, text, music, or images based on text or other inputs.
AI-powered robotics	Physical systems using computer vision and machine learning models to move and execute tasks in dynamic environments.
Open-source AI	Artificial intelligence technologies, algorithms, or frameworks whose source code is publicly accessible and can be freely used, modified, and distributed by anyone.
Predictive AI	The use of machine learning and large language models to identify patterns in past events and make predictions about future events.

What is Artificial Intelligence (AI)?

There are various types of AI tools, ranging from those that convert spoken language into text, to machine learning models that use algorithms to enable computers to learn from data and make predictions or decisions without being explicitly programmed, to generative AI models capable of creating new content such as images, text or video in response to prompts input by the user.

AI explained

This 4-minute video from the CSIRO provides a simple and immersive explanation of AI.



Appendix 2

A list of small business friendly AI courses

Resource	Description
<i>Introduction to AI</i>	This free 2.5 hour course from the Institute of Applied Technology and the CSIRO covers a range of foundational topics around understanding AI and practical applications.
<i>Microsoft AI School</i>	Provides free AI courses covering a variety of topics from introductory to advanced levels.
<i>Coursera</i>	Partners with leading universities and companies to offer courses in AI, machine learning, data science, and more. For example: <ul style="list-style-type: none">• AI For Everyone, a beginner-friendly course that provides a broad overview of AI, its applications, and how to get started.• Google AI Essentials, Learn from experts at Google and get essential AI skills to boost your productivity with Google AI Essentials.
<i>Udacity</i>	Offers nanodegree programs in AI and machine learning, including practical projects and mentorship.
<i>edX</i>	Provides online courses from top institutions in AI, data science, and machine learning.
<i>LinkedIn Learning</i>	Offers video courses taught by industry experts on AI, machine learning, and data analytics.
<i>Fast.ai</i>	Provides practical, hands-on courses on deep learning and machine learning for free.
<i>DataCamp</i>	Offers interactive courses on data science and AI, including practical exercises and projects.
<i>AI Governance for Directors: Exploring the challenges and opportunities</i>	A complementary webinar from the Australian Institute of Company Directors on how to manage risk and seize AI opportunities. It includes practical tips on how to assess management and what questions to ask and elements of responsible AI governance frameworks.
<i>AI is my co-pilot course</i>	A one-day course from the Australian Institute of Management to understand currently available AI tools, such as ChatGPT and MidJourney, and how to harness them to increase your personal productivity and impact at work.

Appendix 3

Using AI: A Checklist

So, you're ready to use Artificial Intelligence (AI) in your broking business? Here's a list of questions to support the effective and responsible use of AI for you and your team.

1	Define your purpose	<ul style="list-style-type: none">• Am I using AI to get better outcomes for my clients?• What am I hoping to achieve by using AI?
2	Understand your AI tools	<ul style="list-style-type: none">• Do I know how to maximise the features of my AI tools?• Do I need to ask for help to learn how to use AI tools?
3	Keep privacy front-of-mind	<ul style="list-style-type: none">• Are my privacy settings correct?• Am I removing any personal data before using AI tools?
4	Train your staff	<ul style="list-style-type: none">• Do my staff get regular training on how to use AI tools?• Do my staff have guidelines to refer to when using AI tools?
5	Beware of bias	<ul style="list-style-type: none">• Am I checking AI outputs for bias (e.g. gender, age, location)?• How might bias in the data used to train the AI impact the result?
6	Be the 'bookend'	<ul style="list-style-type: none">• Have I checked what I put into my AI tools for accuracy?• Have I checked my AI outputs for accuracy?
7	Be transparent	<ul style="list-style-type: none">• Have I told my clients I use AI for some tasks?• Have I given my clients a choice about how I use AI with them?
8	Be accountable	<ul style="list-style-type: none">• Am I confident I am making the final decision - not AI?• Can I defend my decisions when they are influenced by AI?

This checklist is intended as a guide only and is not a comprehensive list of considerations when using AI tools in your business. Users are solely responsible for ensuring their use of any tool or technology aligns with ethical principles, respects individual privacy, and complies with all applicable laws, regulations, and organisational policies.

You can find out more about AI in the Broker Toolbox in your MFAA member portal.

Appendix 4

MFAA Roundtable Participants

The MFAA extends its thanks to the following brokers who shared their time and insights regarding their, and their customers', experiences with AI in the broking process.

NSW

Andrew Stevens	Nectar Mortgages
Dean Inzitari	Loan Market
Debbie Hutchings	REFS Australia
Gary Fowler	Contour Finance
Haydn Marshall	Lend Perspective
Peter Clark	Finance Alternatives
Richard Brown	Mortgage Choice
Steve Tikellis	Excellence Home Loans
Todd Ilijasov	Klutch Finance Group

QLD

Agnes Broadbent	Loan Market
Brad Donnelly	Vision Finance Collective
Brendan Gilmour	Hudson Finance
Dave Hirst	Pandanus Finance
David Lynch	Our Broker
Harprit Kaur	Hamara Finance Services
Keith Burns	Wealthfolio
Mel Smith	Aussie Windsor
Mel Wright	Zest Mortgage Solutions
Nav Dharan	loansHub
Nikki Reid	Zest Mortgage Solutions
Rick Garner	Crew Financial
Scott Baker	Aussie
Tanya du Preez	Affinitas Finance
Tara Fox	Willett Finance
Tracy Kearey	Mortgage Advice Bureau

SA

Aaron Vogt	Preferred Finance
Alison Stone	AS Financial
Belinda Woodley	Aussie Prospect
Cathy Anderson	Mortgage Choice
Chris McGirr	180 Finance
David Picca	Alexander Financial Group
Emily Elkhoury	Phoenix Lending
Fred Morelli	Solid Finance
Jenna Devenport	Nectar Mortgages
Jordan Hagicostas	Aussie Prospect
Karen Goodrich	Goodrich Home Loans
Kerry Cleanthous	The Advisory Financial Services
Lee Barron	Fox Financial Solutions
Matt Ford	Finestream Capital
Matt Thomas	MoneyQuest Unley
Matthew Rose	Aussie Prospect
Monica Wandel	SA Finance Hub
Reece Duthy	Aussie Golden Grove
Sam Neville	Mortgage Choice
Sam Walker	Loan Market Vantage
Siobhan Cornelissen	Conscious Lending
Tiana Mason	Financia

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MFAA Roundtable Participants

The MFAA extends its thanks to the following brokers who shared their time and insights regarding their, and their customers', experiences with AI in the broking process.

VIC

Bernard Desmond	Blank Financial
Cara Julian	Brava Finance
Darlene New	The Money Collective
Eve Larosee	Elevate Capital
Kaushi Gunasekera	Mortgage Premiers
Manusha Rai	Universal Outsourcing
Melissa Robinson	Mr Mentor
Morgan Jewell	Penny Finance
Rebecca Wu	Buyers Choice
Richelle Janjatovic	Mecca Finance
Sadish Visvalingham	Premier Financial Advocates
Tripti Goyal	Trusted Financial Choice

WA

Amy Ferguson	Inca Mortgage Solutions
Ashton Young	The Loan Company
Christina Sun	Credit Express Finance
Danielle Monastra	Achievement Finance
Jodi Carle	Sterling Finance
Kerry Franklin	Wealth and Security Planners
Larry Hirsch	Charter Mortgage and Finance
Lucy Monastra	Achievement Finance
Rohan Kandiah	FiNEXT
Rose De Rossi	Diversifi
Simon Kahl	The Loan Company
Tracey Franco	FinanceCorp

Virtual Roundtable

Kirsty McKinnon	Flair Finance
Lauren Hall	Loan Market Edge
Matt Wright	MoneyQuest Dubbo
Mel Whelan	Mortgage Choice Katherine
Michelle Goody	Easy Loans
Michelle Lewis	Easy Loans
Steve Toome	Port Lincoln Home Loans
Tara Rockett	Rockett Finance Solutions

Appendix 5

About the MFAA

The MFAA is Australia's peak industry body for the mortgage and finance broking industry with over 15,000 members. Our members include mortgage and finance brokers, aggregators, lenders, mortgage managers, mortgage insurers and other suppliers to the mortgage and finance broking industry.

Over 97% of MFAA are mortgage and finance brokers, with three quarters of all mortgage brokers in Australia holding MFAA membership.

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



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