



REPORT ON BROKER – ORIGINATED LENDING

**RESULTS OF A SURVEY OF AUTHORISED DEPOSIT-TAKING INSTITUTIONS,
UNDERTAKEN BY THE AUSTRALIAN PRUDENTIAL REGULATION
AUTHORITY**

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EXECUTIVE SUMMARY

This paper presents the results and analysis of a survey of Australian Authorised Deposit Taking Institutions (ADIs) into broker-originated lending, undertaken by the Australian Prudential Regulation Authority (APRA). The motivation for the survey is to provide an “official” estimate of the size of the broker-introduced loan market, as well as gauge common industry practices with the view to assisting ADIs in implementing best practice risk management. Our main findings are:

- A total of 56 institutions use brokers to originate loans. This represents 25% of institutions by number, but 96% of institutions on an asset-weighted basis.
- The use of brokers is set to increase in the next 12 months (with an additional 25 institutions planning to use brokers for the first time and 38% of institutions currently using brokers intending on increasing their rate of broker usage).
- As at June 2002, ADIs held approximately 802,000 loans originated by brokers with an aggregate dollar value of \$86.6 billion.
- Broker-originated loans are most prominent in the housing loan market, accounting for 23% (\$76 billion) of total housing loans outstanding. Few banks use brokers for personal loans.
- Positive aspects of most ADI’s common practices regarding broker-originated lending are: having an accreditation process in place, using a management information system to track and identify broker-introduced loans, internal review of broker-originated loans, keeping records of rejected broker-introduced loan applications, and not accepting business from non-contracted brokers.
- Negative aspects of most ADI’s common practices regarding broker-originated lending are: no limits on exposures to individual brokers or aggregate broker-introduced business, basing broker’s remuneration solely on volume of business generated, and having no recourse to the broker if a loan becomes impaired.
- Approval rates on broker-introduced loan are generally lower than non-broker-introduced loans.
- Based on average origination and trailing commissions on housing loans, we estimate the present value of total commissions to be 1.14%, which equates to over \$800 million in commissions paid by ADIs to brokers.
- It is too early to tell whether broker-originated loans are higher risk. A large number of institutions did not report impaired assets rates on broker-originated loans. This may be due to inadequate tracking of broker-originated loans and/or the recent introduction of brokers at some ADIs.

1. BROKER-ORIGINATED LENDING

The Australian Prudential Regulation Authority (APRA) has observed that Authorised Deposit Taking Institutions (ADIs) have become increasingly reliant on broker-originated lending. This increased reliance on brokers is evident in terms of both the number of ADIs using brokers¹, and the proportion of lending business generated through brokers relative to traditional origination and distribution channels. Broker-originated lending has the potential to provide significant cost advantages and growth opportunities for ADIs, however there are also potentially significant additional risks that need to be managed. It is vital that ADIs understand these costs and benefits.

To increase knowledge of the broker-introduced loan market and to assist ADIs in managing the associated risks, APRA has undertaken a survey of all ADIs. The data collected from the survey is presented in this report and provides the first “official” estimate of the size of the broker-introduced loan market, details common industry risk management practices, the responsibilities of brokers, and the commission structures used in the Australian ADI industry.

1.1 Objectives

The main objectives of the study into broker-originated lending are to:

- Gain an insight into industry practices and examine whether significant differences exist between the banking and non-banking sector
- Examine the standard of risk management practices implemented by ADIs for broker-originated lending
- Disseminate the findings to industry for feedback and comment

¹ A “broker” is defined as “Any third party whose main function is to originate and/or manage a loan on the behalf of a lender for which they receive monetary compensation”.

1.2 Survey Sample and Design

In designing the survey questions, a pilot survey was sent to ten institutions. Feedback from the survey respondents and analysis of data received from the pilot led to a substantial revision and improvement in design of the survey. In August 2002, final surveys were sent to all Australian owned banks, subsidiaries of foreign banks, credit unions and building societies. The survey contained 20 questions covering topics related to risk management and lending practices, the magnitude of broker-originated lending and commission structures.

2. SUMMARY OF THE BROKER SURVEY DATA

The results of the survey are summarized in Tables 1 to 5, which are attached to the end of this report.

2.1 Survey Details

Table 1 records some basic statistics concerning the survey. In total, surveys were sent to 238 institutions. The response rate across all institutions was 93%, with all sub-sectors above 90%. The responding banks account for 99% of total bank assets, responding credit unions account for 92% of total credit union assets, and responding building societies account for 96% of total building society assets. The extremely high response rate, by both number of institutions and asset size, suggests that the results of the survey are representative of industry practice.

A total of 56 institutions stated that they use brokers to originate loans (14 banks, 34 credit unions, and 8 building societies). This represents approximately 25% of all ADIs. Furthermore, 25 institutions plan to use brokers for the first time in the next 12 months, illustrating the likelihood of further growth in the market.

Table 1 also displays the aggregate size (both in terms of dollar value and number of loans) of the broker-originated loan market. The total dollar value of broker-originated loans outstanding as at June 2002 is \$86.6 billion. As expected, banks dominate the market with approximately 96% of the total dollar value of broker-originated loans.

The total dollar value of broker-originated housing loans is \$76.3 billion, which represents roughly 23% of all housing loans made by ADIs. Broker-introduced housing loans account for 23% of banking industry housing loans, 2% of credit union housing loans, and 35% of building society housing loans. The total dollar value of broker-originated commercial loans is \$9.9 billion, which equates to 6% of commercial loans made by ADIs. Building societies rely heavily on brokers to generate commercial loans, with 48% of building society commercial loans being generated via brokers. Broker-introduced commercial loans only account for 5% of commercial loans made by banks and 7% of commercial loans made by credit unions. For all ADIs, broker-introduced personal loans account for only 1% of total personal loans, with little variation across the sectors.

As at June 2002 banks held approximately 765,000 loans made through brokers, the majority in the housing loan category (489,000). For credit unions, the most common form of broker-originated loan is personal loans (12,000) while building societies tended to use brokers more heavily in the housing loan market (19,000). In total, for all ADIs, there were approximately 802,000 broker-introduced loans outstanding as at June 2002. Together with the total dollar value of \$86.6 billion, this underlines the significance of the market, and the due attention to it that is required.

The average loan sizes for personal loans and housing loans are similar across banks, credit unions, and building societies at \$9,000 and \$149,000 respectively. However, the average commercial loan is only \$39,000 for banks while it is over \$300,000 for both credit unions and building societies (CUBS). It should be noted however that the broker-introduced commercial loan book for the banks is dominated by a few banks which have a large number of small equipment finance loans. If these banks are omitted from the

sample, the average commercial loan made by banks would be comparable in size to that made by other ADIs. We did not omit banks with a large volume of equipment finance loans from the analysis, as it would grossly understate the total volume of broker-introduced commercial loans made by banks.

2.2 Broker Usage Statistics

In Tables 2a and 2b we divide the market into bank loans and credit union and building society loans respectively. We are interested in looking at averages across institutions rather than the aggregate values displayed in Table 1. Comparing the banks against the CUBS, we can see that the use of brokers to introduce loans has been only a recent development for CUBS with the average institution using 13 brokers for 3-4 years. The average bank has been using brokers for almost 10 years, and currently deals with 740 brokers. Interestingly all banks use brokers for housing loans and all but one bank for commercial loans, but only three institutions use brokers for personal loans. This is perhaps due to the small loan size of personal loans, greater use of credit cards, and the increased automation of this line of business.

Over the period since broker-introduced loans were originally accepted, the average bank has ceased dealing with (ie removed) 70 brokers. This number (as with the mean) is influenced by a small number of ADIs that rely heavily on brokers, hence the median figure of 16 is likely to be a more accurate reflection of industry practice. As expected, the average credit union or building society has removed just 4 brokers, indicative of the smaller number of brokers used, and the shorter time period brokers have been operating in these sub-sectors.

Unfortunately, it is not possible to form a ratio of brokers removed to total brokers used, as data on brokers removed refers to the time period since brokers were originally introduced, whereas the total number of brokers is as at June 2002. As we shall see in Table 3 (common practices), the primary reasons for removing a broker are poor quality of business and general lack of business generated.

Broker-introduced loans at an average bank comprise \$5.2 billion in housing loans, \$727 million in commercial loans, and \$94 million in personal loans. This compares to broker-introduced loans at an average credit union or building society with \$91 million in housing loans, \$24 million in commercial loans, and \$4 million in personal loans.

The average loan size is comparable across the institution types. On average commercial loans are the largest, followed by housing loans and personal loans. It is important to note that the large discrepancy in average commercial loan size for banks between Table 1 (\$38,630) and Table 2a (\$329,500) is, as noted earlier, due to the fact that aggregate averages calculated in Table 1 are heavily influenced by a few institutions with very large broker-introduced commercial loan portfolios which are dominated by small equipment finance loans.

2.3 Common Industry Practices

We incorporate many of the qualitative characteristics of the broker-introduced loan market into Table 3. Essentially this details a list of common practices that occur amongst those institutions that have a presence in the market. From the table we can see that 91% of ADIs use a management information system to track and identify broker-introduced loans, the majority (85%) have more than 90% of their loans independently reviewed (by their own staff) as well as always keeping records of rejected broker-introduced loan applications (75%). These results suggest that a minority of institutions place too much reliance on brokers to assess loans, and inadequately track and assess broker-introduced loans. Independent loan review is necessary to ensure the ADI's credit standards, are being applied to assess and approve loans, and should therefore be a fundamental element of risk management.

Approximately 60% of ADIs have an accreditation process in place for broker approval, and the majority of institutions (68%) do not accept business from non-

contracted brokers. These numbers are lower than what may have been expected, and indicate that there is a high proportion of ADIs doing business with brokers, about whom they have relatively little knowledge.

The five most common features of the accreditation process are: whether the broker has professional indemnity insurance, the broker's management style and capabilities, the level of the broker's experience and knowledge, a credit history check of the broker, and broker reputation. These qualitative factors are clearly important in the broker approval process, and suggest the need for ADIs to have clearly defined benchmarks and practices on what constitutes adequate experience, an acceptable management style and objective measures or procedures for determining a broker's reputation.

In addition to initial broker accreditation, ongoing review of brokers is an important element of risk management, with 41% of ADIs stating that they review their list of approved brokers at least twice a year, with the majority of the remaining institutions performing a review once a year. A natural consequence of broker review is that brokers may be removed from the ADI's list of accredited brokers. The three most common reasons for ceasing business with a broker are: (i) poor quality of business generated (59%); (ii) lack of business generated (44%); and fraud (24%). With poor loan quality and fraud risk being largely broker specific, rather than borrower specific, this suggests that risk management should extend to exposure limits on individual brokers or brokers generally. However, according to the survey 91% of ADIs do not impose any limits on exposures to individual brokers and 89% do not impose any limits on exposures to their aggregate broker-introduced business.

Approximately 75% of ADIs never allow brokers to initiate/undertake collateral valuations on their behalf. Only 25% of institutions have recourse to the broker if a loan becomes impaired, which generally takes the form of a cessation of the trailing commission. Most ADIs (82%) do not require the broker to take any action if a loan becomes impaired, which is not surprising as ADIs should at this point ensure their own problem loan and loan recovery procedures are being followed. Of those that do require

action, the two most common directives are for the broker to reassess the borrower's financial position and to liaise with the borrower. The weakness of these directives suggests that in practice ADIs rely on their own procedures when a loan becomes impaired.

Over half of the institutions (53%) base the broker's remuneration solely on the volume of business generated, providing brokers with an incentive to generate loan volume without appropriate regard for risk. With such an incentive structure it is critical that ADIs have procedures in place to ensure their own credit assessment standards are rigorously applied to broker-introduced loans.

Finally, the size of the broker market is set to increase. Not only are 15% of those institutions currently not using brokers planning to start using brokers, but 38% of the ADIs currently using brokers are planning on increasing their use of brokers, and less than 5% of institutions replied that they were planning to decrease their broker usage over the coming 12 months. The expected growth gives added weight to the argument for ADIs to allocate sufficient resources to ensure their risk management framework effectively manages risks associated with broker-introduced lending.

2.4 Loan Approval Rates

Table 4 displays the approval rates for broker-introduced loans across all institution types and compares the approval rates to non-broker introduced loans. Generally the results are comparable, although approval rates are lower for broker-introduced loans than the respective line of business on the non-broker side. ADIs that have less than 10 broker-introduced loans or started using brokers for a particular business line in 2002 are omitted from the sample. This is due to the fact that approval rates based on very small samples of business are unreliable, with some ADIs reporting approval rates of 0% and 100%.

The mean approval rate for broker-introduced personal loans is 43%, which is considerably lower than the 63% approval rate on non-broker introduced personal loans. Housing loans have the highest mean approval rate at 69% for broker-introduced, and 77% for non-broker introduced loans. To examine the variation in loan approval rates across ADIs, Table 4 contains approval rates for institutions at the 25th percentile, median and 75th percentile. The inter-quartile range (25th to 75th percentile) for broker introduced commercial loans is 59% to 79%, 30% to 58% for personal loans, and 61% to 90% for housing loans. In general there is slightly greater dispersion in loan approval rates for broker introduced loans relative to non-broker introduced loans.

2.5 Commissions

Commissions on broker-introduced loans are presented in Table 5. Commissions are reported in three categories: Origination, Trailing, and Combined. The average origination fee across all institution types is 0.51% for commercial loans, 0.77% for personal loans, and 0.57% for housing loans. There is small variation in housing loan origination commissions, with an inter-quartile range of 0.50% to 0.65%. Conversely, the variation in commercial loan and personal loan origination commissions is relatively high. The inter-quartile range for commercial loans is equal to 0.32% to 0.65%, and 0.40% to 1.00% for personal loans.

Trailing commissions tend to be far smaller in magnitude, however this is expected given that trailing commissions are generally paid annually over a given period, either the term of the loan or fixed number of years. The average trailing commission for commercial loans is 0.17%, 0.06% for personal loans, and 0.23% for housing loans. For each loan category, there is very little variation in trailing commissions paid by ADIs to brokers. For the majority of ADIs, trailing commissions paid on broker-introduced housing loans range from 0.21% to 0.25%, and from 0.0% to 0.25% on commercial loans. For the most part, trailing commissions are not paid on broker-introduced personal loans.

The combined commission presented in Table 5 is simply the sum of the origination and trailing commission. No attempt is made in Table 5 to either amortise the origination commission over loan maturity or to calculate the present value of the trailing commissions. Hence, the combined commissions in Table 5 should be viewed as conservative estimates of total up-front commissions. To illustrate, for a \$100,000 housing loan, the present value of the average 0.23% trailing commission, assuming annual trailing commissions are paid for 3 years, and a 10% discount rate, would be approximately \$572 or 0.57%. Adding the origination commission of \$570 (0.57% x \$100,000), this equates to a total up front commission of \$1142 (1.14%). Alternatively, this may be viewed as an overall annual commission of 0.46% per annum payable over three years. Based on these assumptions, total brokerage commissions on housing loans may currently be valued at roughly \$832 million (1.14% x \$73 billion). Extending the assumed period over which trailing commissions are paid or decreasing the discount rate would result in higher commissions.

3. CONCLUSIONS

The results of the survey confirm that broker-introduced lending is a significant and growing source of loan origination in Australian ADIs. In aggregate, broker-introduced loans accounted for 23% of total housing loans outstanding as at June 2002, 6% of commercial loans and 1% of personal loans, summing to a total of \$86.6 billion. There are some interesting and significant differences across the sub-sectors of ADIs. As a percentage of loans outstanding, building societies are most reliant on brokers, with more than a third of housing loans being broker-introduced and almost half of the commercial loan book being sourced through a broker. While banks source almost a quarter of their housing loans through brokers, very few commercial loans or personal loans are broker-introduced. Credit unions are presently the least frequent users of brokers. However, significant growth in broker-introduced lending is likely to occur in the 2003 financial year, with 22 credit unions planning to use brokers for the first time.

Common industry risk management of broker-introduced lending includes the ability to identify and track broker-introduced lending on information systems, independent review of broker-introduced loans, formal contracts with brokers and broker accreditation criteria, and regular review of approved brokers. Somewhat surprisingly, few institutions place limits on the volume of business accepted from an individual broker or from brokers in aggregate. This may reflect the view that once the loan is made, the credit risk exposure is with the ultimate borrower and not the broker. This approach however ignores the possibility of increased operational risk exposures arising from reliance on brokers. For example, the fraudulent activity of a single broker may extend to a wide range of otherwise largely unrelated loans.

Reflecting the potentially greater risk associated with broker-introduced loans, loan approval rates are slightly lower on broker-introduced loans than non-broker-introduced loans. Moreover, broker remuneration is largely based on volume of business generated rather than quality of business, providing an incentive for brokers to generate large volumes of loans with less regard for risk than the ADIs. The common use of trailing commissions may be viewed as an attempt by ADIs to align more closely the incentives of brokers with the incentives of ADIs, since riskier loans and loans that are more likely to be refinanced will result in lower commissions paid to brokers.

Based on average origination and trailing commissions on housing loans, we estimate the present value of total commissions to be 1.14%, which equates to over \$800 million in commission paid by ADIs. The accounting treatment of these commissions, whether they are expensed or capitalised, has potentially important implications for the capital adequacy of ADIs.

Table 1 – Survey Details

Summary of the Survey of Broker-Originated Lending by Australian Authorised Deposit Taking Institutions. Data is estimated as at June 2002.

	Banks	Credit Unions	Building Societies	ALL
Number of Surveys Sent	25	199	14	238
Number of Responses (% Response Rate)	23 (92%)	185 (93%)	13 (93%)	221 (93%)
Response Rate By Total Industry Assets	99%	92%	96%	98%
Number ADIs Using Brokers	14 (61%)	34 (18%)	8 (62%)	56 (25%)
Aggregate Dollar Value of Broker-Introduced Loans				
<i>Commercial Loans</i>	\$9,452m	\$65m	\$366m	\$9,884m
% of Overall Commercial Loan Market	5%	7%	48%	6%
<i>Personal Loans</i>	\$282m	\$116m	\$4m	\$402m
% of Overall Personal Loan Market	1%	2%	1%	1%
<i>Housing Loans</i>	\$73,428m	\$302m	\$2605m	\$76,336m
% of Overall Housing Loan Market	23%	2%	35%	23%
Aggregate Number of Broker-Introduced Loans				
<i>Commercial Loans</i>	244,713	173	1,119	246,005
<i>Personal Loans</i>	31,280	12,071	468	44,359
<i>Housing Loans</i>	489,393	2,836	18,955	511,184
Value-Weighted Average Broker-Introduced Loan Size				
<i>Commercial Loans</i>	\$38,630	\$376,910	\$327,260	\$40,180
<i>Personal Loans</i>	\$8,850	\$9,620	\$8,590	\$9,060
<i>Housing Loans</i>	\$150,040	\$106,640	\$137,440	\$149,330
Number of ADIs planning to use brokers for the first time in the next 12 months	1 (11%)	22 (15%)	2 (40%)	25 (15%)

Table 2a - Broker Usage Statistics (Bank sub-sample)

	Mean	Median	Minimum	Maximum	N
Number of Years Using a Broker					
<i>Commercial Loans</i>	10.2	7.0	<1 year	27.0	13
<i>Personal Loans</i>	9.7	1.0	1.0	27.0	3
<i>Housing Loans</i>	7.6	6.5	2.0	15.0	14
Number of Brokers Used	740	418	57	2980	14
Number of Brokers Removed	70	16	2	344	14
Value of Broker-Introduced Loans					
<i>Commercial Loans</i>	\$727m	\$339m	\$25m	\$2,228m	13
<i>Personal Loans</i>	\$94m	\$51m	\$24m	\$207m	3
<i>Housing Loans</i>	\$5,245m	\$4,979m	\$80m	\$15,600m	14
Number of Broker-Introduced Loans					
<i>Commercial Loans</i>	18,824	1,399	18	110,557	13
<i>Personal Loans</i>	10,607	11,032	2,331	18,457	3
<i>Housing Loans</i>	34,957	27,045	400	113,740	14
Average Broker-Introduced Loan Size					
<i>Commercial Loans</i>	\$329,500	\$216,100	\$20,200	\$1,430,600	13
<i>Personal Loans</i>	\$10,600	\$10,300	\$2,700	\$18,800	3
<i>Housing Loans</i>	\$163,500	\$140,600	\$96,100	\$311,100	14

Table 2b - Broker Usage Statistics (CUBS sub-sample)

	Mean	Median	Minimum	Maximum	N
Number of Years Using a Broker					
<i>Commercial Loans</i>	3.4	2.0	<1 year	21.0	18
<i>Personal Loans</i>	3.2	2.0	<1 year	26.0	31
<i>Housing Loans</i>	4.0	3.0	<1 year	26.0	33
Number of Brokers Used	13	3	0	148	42
Number of Brokers Removed	4	1	0	29	41
Value of Broker-Introduced Loans					
<i>Commercial Loans</i>	\$24.0m	\$0.9m	0	\$292.0m	18
<i>Personal Loans</i>	\$3.9m	\$0.5m	0	\$29.0m	31
<i>Housing Loans</i>	\$90.9m	\$3.8m	0	\$1,185.0m	32
Number of Broker-Introduced Loans					
<i>Commercial Loans</i>	72	7	0	983	18
<i>Personal Loans</i>	418	20	0	3,318	30
<i>Housing Loans</i>	681	37	0	8,825	32
Average Broker-Introduced Loan Size					
<i>Commercial Loans</i>	\$297,300	\$181,300	\$38,000	\$672,800	16
<i>Personal Loans</i>	\$12,900	\$10,800	\$3,900	\$35,300	26
<i>Housing Loans</i>	\$106,400	\$102,400	\$7,600	\$216,500	27

Table 3 – Common Practices for Broker-Introduced Loans

Characteristic of Broker-Introduced Loan Market	Value
• Percentage of ADIs using a Management Information System to track/identify loans	91%
• Percentage of ADIs that have more than 90% of their loans independently reviewed	85%
• Percentage of ADIs that ‘always’ keep records of rejected broker-introduced loan applications	75%
• Percentage of ADIs that have an accreditation process in place for broker approval	
<i>Commercial Loans</i>	57%
<i>Personal Loans</i>	59%
<i>Housing Loans</i>	66%
• Percentage of ADIs that do not accept business from non-contracted brokers	68%
• Top 5 Characteristics used/examined in the Accreditation Process	
(i) <i>Existence of Professional Indemnity insurance</i>	61%
(ii) <i>Management Style and Capability</i>	58%
(iii) <i>Level of Experience and Knowledge</i>	58%
(iv) <i>Credit History Check</i>	55%
(v) <i>Reputation</i>	53%
• Percentage of ADIs that review their list of approved brokers at least twice a year	42%
• Top 3 Reasons for Removing a Broker	
(i) <i>Poor Quality of Business</i>	59%
(ii) <i>Lack of Business Generated</i>	44%
(iii) <i>Fraud</i>	24%
• Percentage of ADIs that never allow brokers to initiate collateral valuations	75%
• Percentage of ADIs that require the broker to take no action when a loan becomes impaired	82%
• Top 2 Actions required of broker for those ADIs requiring action when a loan becomes impaired	
(i) <i>Reassessment of Borrower’s Financial position</i>	56%
(ii) <i>Liaise and make contact with Borrower</i>	56%
• Percentage of ADIs where there is recourse to the broker if a loan becomes impaired	25%
• Percentage of ADIs where Broker remuneration is based only on volume of business generated	53%
• Percentage of ADIs that do not impose limits on exposures to individual brokers	91%
• Percentage of ADIs the do not impose limits on exposures to aggregate broker-introduced business	89%
• Percentage of ADIs (currently using brokers) planning to increase usage of brokers in next year	38%

Table 4
Loan Approval Rates at Australian ADIs

	Mean	25 th Percentile	Median	75 th Percentile	N
Approval Rate on Broker-Introduced Loans¹					
<i>Commercial Loans</i>	65%	59%	70%	79%	19
<i>Personal Loans</i>	43%	30%	45%	58%	20
<i>Housing Loans</i>	69%	61%	75%	90%	34
Approval Rate on Non-Broker-Introduced Loans					
<i>Commercial Loans</i>	65%	50%	68%	77%	24
<i>Personal Loans</i>	63%	51%	65%	75%	26
<i>Housing Loans</i>	77%	73%	81%	90%	39

1. ADIs that have less than 10 broker-originated loans or started using brokers for a particular business line in 2002 are omitted from the sample. This is due to the fact that approval rates based on very small samples of business are unreliable, with some ADIs reporting approval rates of 0% and 100%.

Table 5
Commissions on Broker-Introduced Loans Paid by Australian ADIs

	Mean	25 th Percentile	Median	75 th Percentile	N
Origination Commission					
<i>Commercial Loans</i>	0.51%	0.32%	0.50%	0.65%	29
<i>Personal Loans</i>	0.77%	0.40%	0.60%	1.00%	21
<i>Housing Loans</i>	0.57%	0.50%	0.60%	0.65%	46
Trailing Commission					
<i>Commercial Loans</i>	0.17%	0.00%	0.25%	0.25%	29
<i>Personal Loans</i>	0.06%	0.00%	0.00%	0.00%	21
<i>Housing Loans</i>	0.23%	0.21%	0.25%	0.25%	46
Combined Commission¹					
<i>Commercial Loans</i>	0.69%	0.50%	0.75%	0.90%	29
<i>Personal Loans</i>	0.83%	0.40%	0.75%	1.00%	21
<i>Housing Loans</i>	0.79%	0.75%	0.85%	0.90%	46

1. The combined commission is simply the sum of the origination and trailing commission. No attempt is made to either amortise the origination commission over loan maturity or to calculate the present value of the trailing commissions. Hence, the combined commission should be viewed as a conservative estimate of total up-front commissions. To illustrate, for a \$100,000 housing loan, the present value of the average 0.23% trailing commission, assuming annual trailing commission are paid for 3 years, and a 10% discount rate, would be approximately \$572 or 0.57%. Adding the origination commission of \$570 (0.57% x \$100000), this equates to a total up front commission of \$1,142 (1.14%). Alternatively, this may be viewed as an overall annual commission of 0.46% per annum payable over three years. Extending the period over which trailing commissions are paid or decreasing the discount rate would result in higher commissions.