Mortgage Broker Cost Structure and Break-Even Modelling: Understanding the Economics Before You Start

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Details:

Most guides to becoming a mortgage broker focus on qualifications, licensing and aggregator selection — and rightly so. But a critical question sits beneath all of those decisions, one that determines whether a new broker survives the first two years or exits the industry: *What does it actually cost to run this business, and how many loans do I need to settle before I stop losing money?*

According to MFAA Quarterly Market Share data for the December 2025 quarter, mortgage brokers facilitated 76.7% of all new residential home loans — the highest share the MFAA has recorded in any December quarter since the series began in 2013. That market dominance makes broking look like an obvious opportunity. What it obscures is that the revenue model is deferred, lumpy and commission-contingent, while the cost base is fixed, recurring and payable from day one.

This article maps the full cost architecture of a mortgage broking business, explains how the two dominant aggregator fee models — flat-fee and commission-split — produce different cost shapes at different settlement volumes, and provides a conceptual framework for building your own break-even model. No invented income benchmarks are published here. The goal is financial literacy: entering the profession with a clear-eyed view of the economics, not a sales brochure view.

The Revenue Architecture First: Why Costs Are Harder to Absorb Than They Look

Before mapping costs, it helps to understand why cash flow is structurally challenging for new brokers.

Upfront commission is a one-time payment that lenders make to brokers for originating new business, calculated as a percentage of the loan amount (plus GST). The specific rate varies by lender and changes over time — confirm current commission schedules with each lender and your aggregator. The payment is usually made some weeks after the home loan is settled.

Trail commission is an ongoing payment brokers receive for as long as the client remains with the lender, calculated as a percentage of the outstanding loan balance. Again, rates vary by lender and should be confirmed with the provider.

The settlement lag means a broker who writes their first loan in month one may not receive their first income until month two or three — after paying aggregator fees, insurance premiums and association dues from their own funds. Trail income, which eventually becomes the economic backbone of a mature book, is negligible in year one because the book itself is small. This structural gap between cost commencement and income commencement is the primary reason new brokers underestimate their working capital requirements.

There is a further contingent cost embedded in every upfront commission received: the clawback. When a loan discharges early, the lender recovers some or all of the upfront commission it has already paid. Clawback periods commonly run up to around two years from settlement, with the proportion recovered typically reducing over that period — but the exact window and the amount recovered are set by each lender's commission agreement, so confirm current terms with the lender or your aggregator. Aggregators also differ in how they allocate that risk: some pass the clawback cost entirely to the broker, while others absorb a portion. The practical consequence is that every settlement carries a contingent repayment obligation for roughly two years. Brokers who do not provision for clawback exposure are overstating their profitability — a problem that becomes acute during refinancing waves when multiple settled loans discharge simultaneously.

The Cost Layers of a Mortgage Broking Business

The costs a broker carries fall into five distinct layers. Understanding each layer separately is the prerequisite for building a meaningful break-even model.

Layer 1: Aggregator Fees

The aggregator relationship is the largest and most structurally important cost variable in a broking business. There are two main components to evaluate: flat subscription fees and commission splits. Flat fees are generally charged monthly, with the amount depending on the level of support and services the aggregator provides — specific pricing varies by aggregator and changes over time, so confirm directly with each provider.

Aggregators operating a split model instead retain a portion of the broker's commission. The percentage varies significantly depending on the specific aggregator, the size of your loan book, the lender for a specific loan, and any agreements or negotiations between you and the aggregator — there is no standard rate, so ask each aggregator for its full schedule.

The two dominant models are discussed in detail in the section below. What matters here is that the headline fee is not the only cost embedded in the aggregator relationship. Brokers must also evaluate whether CRM and technology access is included in the headline fee or charged separately, whether compliance support is bundled or billed additionally, and whether lead generation or marketing services carry separate charges. When calculating the real aggregator cost, ask about all potential fees and volume minimums — not just the headline commission split or monthly subscription — and ask for the answer in writing.

Layer 2: Professional Indemnity Insurance

PI insurance is a non-negotiable cost. For credit licensees, the obligation to hold adequate compensation arrangements — in practice, PI insurance — arises under the *National Consumer Credit Protection Act 2009* regime, with adequacy expectations set out in ASIC's Regulatory Guide 210.

Minimum cover levels and run-off periods are set separately by the industry associations as a condition of membership, and both associations revise those standards periodically. Do not budget from a published figure: verify the current minimum cover requirements and run-off obligations directly with the MFAA or the FBAA before arranging a policy.

PI premiums are not fixed. They vary by insurer, by the broker's settlement volume, by the nature of loans written (residential versus commercial, standard versus non-conforming), and by claims history. Brokers holding their own Australian Credit Licence (ACL) typically pay higher premiums than those operating as credit representatives under an aggregator's licence, because the licensee's PI policy may cover authorised representatives. This is one of the concrete financial reasons most new entrants begin as credit representatives rather than direct ACL holders — a decision explored in detail in our guide on *Australian Credit Licence vs Credit Representative: Which Authorisation Pathway Is Right for You?*

Applicants pursuing their own ACL should also note that PI insurance and AFCA membership must both be in place before the licence is granted, adding to the total cost of obtaining an ACL.

Layer 3: Industry Association Memberships

Membership of either the MFAA or FBAA is not legally mandated, but it is effectively required in practice: most aggregators require it as a condition of their own compliance frameworks, and both associations require PI insurance as a condition of membership.

Both the MFAA and the FBAA charge an annual membership fee, a one-off application fee, and — in the MFAA's case — the cost of the mandatory Compliance Essentials onboarding course. These fees change periodically, so verify current pricing directly with each association before budgeting. Both associations also impose ongoing Continuing Professional Development (CPD) obligations, and the required hours or points differ between them and are revised from time to time — verify the current CPD requirement directly with the association rather than relying on a published figure. CPD costs — courses, conferences, webinars — are a recurring operational expense that new brokers sometimes overlook when modelling their annual cost base.

The associations also play a role in the mentoring frameworks available to new entrants. For a detailed comparison of what each association requires and provides, see our guide on *Industry Associations for Mortgage Brokers: MFAA, FBAA and What Membership Actually Requires.*

Layer 4: Licensing and Regulatory Costs

The fee payable to ASIC for an ACL application depends on the type of applicant, the type of application and the authorisations being sought, and it changes over time. ASIC may also increase fees annually from 1 July in line with the Consumer Price Index, so verify current fee schedules directly on the ASIC website rather than relying on published figures that may be out of date.

For budgeting purposes, treat the ASIC fee as the smallest part of the overall cost of obtaining an Australian Credit Licence. The more significant licensing costs are structural: compliance framework development, legal advice on licence conditions, and the ongoing annual compliance certificate obligations.

Brokers operating as credit representatives under an aggregator's ACL avoid the direct ASIC application fee and the associated compliance infrastructure costs, but they trade autonomy for that cost reduction. The ACL application process is covered in detail in our guide on *How to Get Your Mortgage Broker Licence in Australia: The ASIC Application Process Step by Step.*

Layer 5: Technology, Professional Development and Operational Overheads

Beyond the headline costs, a broking business carries a layer of operational costs that vary by business model and volume:

- **CRM and loan-writing software** — may be bundled into the aggregator fee or charged separately - **Credit reporting and property data subscriptions** — ongoing per-search or subscription costs - **Website, marketing and lead generation** — variable, but not zero even in referral-led models - **Accounting and bookkeeping** — essential given the complexity of commission reconciliation and clawback provisioning - **Business insurance** (beyond PI) — public liability, business interruption - **Office costs** — whether home-based (minimal) or commercial premises (material) - **CPD and professional development** — conferences, courses, industry events - **Referral fees** — where brokers pay referrers a share of commission, the arrangements vary widely and can be a significant variable cost that must be factored into revenue modelling

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Flat-Fee vs Commission-Split Aggregators: How Cost Shape Differs

The choice between a flat-fee and commission-split aggregator is one of the highest-leverage financial decisions a new broker makes. The two models do not simply differ in cost level — they differ in cost *shape* across different settlement volumes, which means the right model depends on where a broker is and where they expect to be.

The Commission-Split Model

Most established networks operate some form of commission split — a percentage of upfront and trail, sometimes with fee caps or tiered rates at higher volumes. It is a long-standing model, and for lower-volume brokers the absolute dollar cost can be modest.

Under a split model, the aggregator retains a percentage of upfront and trail commissions. The upside is that you only pay as you earn; the downside is that you pay more the more successful you become. Some aggregators offer tiered rates where the aggregator's share decreases as loan volume increases. The specific percentages and volume tiers vary by aggregator and agreement — ask each aggregator for its full schedule in writing.

The economic logic of a split model for new brokers is straightforward: when settlement volume is low, the absolute dollar amount of the split is low. The cost scales with revenue, which reduces the risk of a fixed cost base overwhelming a thin revenue stream in the early months.

The Flat-Fee Model

A flat-fee model inverts the economics: you pay a fixed subscription and retain your commissions in full. The crossover point is volume — at lower settlement volumes a split can be cheaper in absolute terms, while at higher volumes a flat fee usually wins. Where the crossover sits depends on your own settlement volume, average loan size and the specific fee terms on offer, so model it with your own numbers rather than relying on any published benchmark.

The flat-fee model's advantage compounds over time because trail commission — which accumulates with every settled loan and grows as the book matures — is retained in full. For a broker with a large and growing trail book, paying a percentage of that trail to an aggregator indefinitely is a significant ongoing cost that a flat fee eliminates. In Mortgage Professional Australia's *Brokers on Aggregators* survey, fee model and technology quality both rank among the reasons brokers give for moving between aggregators.

The Crossover Framework

The table below provides a conceptual framework for thinking about model comparison. It does not publish specific dollar figures as income claims, because the right numbers are your numbers — derived from your own average loan size, settlement frequency and cost base.

| Variable | Commission-Split Model | Flat-Fee Model | |---|---|---| | **Cost at low volume** | Low absolute cost | Fixed cost regardless of volume | | **Cost at high volume** | Scales upward with revenue | Fixed — gap to split widens | | **Trail income retention** | Aggregator retains a percentage | Broker retains 100% | | **Cash flow risk (early stage)** | Lower — costs move with revenue | Higher — fixed costs from day one | | **Long-term economics** | Increasingly costly as book grows | Increasingly advantageous as book grows | | **Crossover point** | — | Depends on your settlement volume and split rate |

To compare models properly, calculate your annual commission — upfront plus trail — at your current volume, then apply each aggregator's model to that figure: a split percentage, or a flat annual fee, plus any additional charges each provider levies.

For a deeper evaluation of aggregator selection criteria beyond the fee model, see our guide on *How to Choose a Mortgage Aggregator: An Evaluation Framework for New and Established Brokers.*

Building Your Own Break-Even Model: The Variables That Matter

A break-even model for a mortgage broking business answers one question: *At what settlement volume does my revenue equal my total cost base?* Below that volume, the business is loss-making. Above it, the business generates surplus that can fund growth, drawings or reinvestment.

The variables that drive your break-even point are:

1. Your fixed cost base (monthly) Add every cost that you pay regardless of how many loans you settle: aggregator flat fee or minimum fee, PI insurance (annualised to monthly), association membership (annualised), accounting, software subscriptions, office costs, and any salary or contractor commitments. This is your floor — the number you must cover before you earn a dollar.

2. Your average loan size This drives the upfront commission per settlement. A broker writing predominantly first-home buyer loans in a lower-median market will have a materially different average loan size than one writing investor loans in a capital city market. Your average loan size is the most important single input in your model.

3. Your commission retention rate Under a split model, this is the percentage of gross commission you retain after the aggregator's share. Under a flat-fee model, it is effectively 100% of gross commission, minus the flat fee already captured in your fixed cost base. Gross commission rates are set by each lender and change over time — obtain the current commission schedules from your aggregator or the lenders themselves, because the net amount reaching you depends on the aggregator model applied to those gross rates.

4. Your variable costs per settlement If you pay referral fees, credit report costs, or per-settlement charges, these reduce your net income per loan. A referral-fee-heavy model — where a material share of commission is paid away to referrers — changes the break-even calculus significantly.

5. Your clawback provision Because lenders recover upfront commission when a loan discharges inside the clawback window, a broking business that recognises upfronts gross and provisions nothing is overstating profit in every growth year. A conservative break-even model includes a clawback reserve — typically expressed as a percentage of upfront commissions received — based on the expected discharge rate for the type of loans being written.

6. Trail income (year two onwards) Trail commission does not contribute meaningfully to break-even in month one, but it changes the model fundamentally by year two and beyond. A broker who has settled loans consistently for 18 months is receiving trail on every loan still on the book. That trail income reduces the settlement volume required to cover fixed costs — meaning the break-even point falls over time for a broker who retains clients. For established brokers with a mature portfolio, trail typically forms a substantial proportion of total remuneration.

A Conceptual Break-Even Formula

Rather than publishing a specific dollar figure — which would be misleading without knowing your inputs — the break-even logic works as follows:

> **Monthly settlements required to break even =** > Fixed monthly costs ÷ (Net commission per settlement – Variable costs per settlement – Clawback provision per settlement)

Each variable in that formula is personal to your business. The discipline of populating it with your own numbers — before you write your first loan — is the financial literacy exercise this article is designed to support.

Key Takeaways

- **The cost base is fixed; the revenue is deferred and contingent.** Aggregator fees, PI insurance and association memberships begin on day one. Upfront commissions arrive weeks after settlement. Trail income is negligible until the book matures. Understanding this timing gap is essential for working capital planning.

- **Flat-fee and commission-split aggregator models have different cost shapes, not just different cost levels.** A split model is typically cheaper in absolute terms at low settlement volumes; a flat-fee model becomes increasingly advantageous as volume and trail book grow. The crossover point depends on your own numbers — model it before you commit.

- **Clawback is a real cost that must be provisioned, not ignored.** Every upfront commission received carries a contingent repayment obligation for up to around two years, on terms set by each lender. Brokers who do not model clawback exposure are overstating their profitability, particularly in the early growth years.

- **Break-even is a moving target.** As trail income accumulates, the settlement volume required to cover fixed costs falls — rewarding brokers who retain clients and build a durable book. This is why trail book growth is the central long-term economic strategy of a sustainable broking practice.

- **Verify all fees and cover requirements directly with the relevant body.** ASIC application fees are CPI-indexed annually, association membership fees and PI minimums change, and aggregator fee structures are negotiable and subject to revision. The framework in this article is durable; the specific numbers require direct verification at the time of your decision.

Conclusion

The economics of mortgage broking are genuinely attractive at scale — a growing trail book, a commission structure that rewards client retention, and a market in which, on MFAA Quarterly Market Share data, brokers settled $142.20 billion of new home loans in the December 2025 quarter alone. But the path to that scale runs through a cost structure that is fixed, recurring and payable long before revenue is meaningful.

Brokers who enter the profession with a clear model of their own cost base, a realistic view of the commission timeline, a clawback provision built into their financial planning, and a deliberate choice between aggregator fee models are structurally better positioned to survive the early years than those who discover these variables after the fact.

The other guides in this series address the qualification pathway (see *Mortgage Broker Qualifications in Australia: Certificate IV, Diploma and the Education Pathway Explained*), the authorisation decision (see *Australian Credit Licence vs Credit Representative: Which Authorisation Pathway Is Right for You?*), and the long-term business-building disciplines that drive trail book growth (see *Building a Mortgage Broking Business: Systems, Referral Networks, Trail Book Growth and Compliance*). Together, they are designed to ensure that brokers enter the profession informed about every dimension of the decision — including the one that most career guides skip: the numbers.

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