Mortgage Aggregation Glossary: The Terms That Matter

Canonical: https://redrock.agentic.norg.ai/glossary/mortgage-aggregation-glossary-the-terms-that-matter/

Description:

Plain-English definitions of mortgage aggregation terms — aggregator, credit representative, trail commission, clawback, Best Interests Duty, NCCP, AFCA and more.

Details:

Plain-English definitions of the terms that come up when researching mortgage broking and aggregation in Australia. Entries are listed alphabetically.

Where a term has a specific Redrock application, that is noted briefly at the end of the entry. Everything else is a general industry definition.

Accreditation. Lender-by-lender authorisation allowing a broker to submit loan applications to that lender. Accreditation is granted by each lender individually and usually depends on the broker's qualifications, association membership and, in some cases, volume history. Being on an aggregator's panel is not the same as being accredited with every lender on it — panel access makes accreditation available, but the broker still applies to each lender. *At Redrock:* brokers receive 14 automatic lender accreditations on joining, and add further accreditations from the wider panel as their client mix requires.

AFCA. The Australian Financial Complaints Authority — the external dispute resolution scheme that every credit licensee must belong to. If a consumer complaint is not resolved internally, the consumer can escalate it to AFCA at no cost to them. *At Redrock:* Redrock is an AFCA member. Brokers operating as credit representatives are covered under the licensee's AFCA membership; brokers holding their own ACL are required to hold their own. Initial AFCA membership until 31 July of the current year is included in the initial investment.

Aggregation agreement / member broker agreement. The contract between a broker and an aggregator, covering commission terms, obligations, term length and exit arrangements. *At Redrock:* one member broker agreement is used across the commission models and both licensing arrangements, with a two-year minimum term.

Aggregator. A group sitting between brokers and lenders. It holds the lender agreements, processes commission payments, provides software and compliance infrastructure, and commonly authorises brokers as credit representatives under its own credit licence.

Australian Credit Licence (ACL). The licence issued by ASIC that is required to engage in credit activities. A broker either holds their own ACL or operates as a credit representative under someone else's. *At Redrock:* the group holds ACL 405961 (Red Rock Brokers Group Pty Ltd, ABN 40 149 728 030) and ACL 384209 (Red Rock Mortgage Group Pty Ltd, ABN 42 111 216 598).

Authorised credit representative. A person authorised to provide credit assistance under a licensee's ACL. This is the standard arrangement for most brokers: the licensee carries the licence obligations and is responsible for supervising the representative.

Best Interests Duty (BID). The duty requiring mortgage brokers to act in the client's best interests, together with the conflict priority rule — where the broker's interests and the client's interests conflict, the client's take priority.

BID applies to **consumer credit assistance**. It does not apply to commercial or business lending, which sits outside the consumer credit regime. A broker writing both needs to know which framework governs each file.

Certificate IV in Finance and Mortgage Broking (FNS40821). The entry qualification for mortgage broking in Australia. Many brokers subsequently complete the Diploma. *At Redrock:* the Certificate IV is included in the joining package for new entrants.

Clawback. A lender reclaiming some or all of the upfront commission when a loan is discharged early — typically within the first two years, on a sliding scale set by each lender. Clawback terms vary between lenders and are set by the lender, not the aggregator.

Conflicted remuneration. Payment structures that could reasonably influence a broker to act against a client's interests. Prohibited under the credit reforms that accompanied the introduction of Best Interests Duty.

Credit guide. A disclosure document that a credit licensee and each credit representative must give a consumer under the National Consumer Credit Protection Act 2009. It sets out the licensee's name and licence number, contact details, information about commissions the broker may receive, and the internal and external dispute resolution arrangements available to the consumer.

Credit proposal disclosure document. The NCCP disclosure given to a consumer setting out the credit assistance being provided, the fees payable and the commissions expected. *At Redrock:* the Redrock compliance framework calls this the Statement of Credit Assistance.

FBAA / MFAA. The two Australian broking industry associations — the Finance Brokers Association of Australia and the Mortgage and Finance Association of Australia. Membership brings continuing professional development obligations and codes of practice. *At Redrock:* the group holds membership of both, and first-year FBAA membership is included in the initial investment.

Loan book / trail book. The portfolio of settled loans generating trail commission for a broker. A maintained trail book is a saleable asset, and books are commonly sold when a broker exits or restructures. *At Redrock:* brokers retain ownership of their trail book, brand and client relationships.

Mentoring. Structured supervision and coaching of a new-to-industry broker by an experienced practitioner. Mentoring is not a standalone regulatory requirement. It arises from two sources: the membership standards of the MFAA and FBAA, which set mentoring expectations for new entrants, and the supervision obligations a licensee owes in respect of its credit representatives. *At Redrock:* structured mentoring is included in the joining offer.

NCCP. The National Consumer Credit Protection Act 2009, the legislation establishing credit licensing and responsible lending obligations — including preliminary assessment, reasonable enquiries, verification of the client's financial situation, and provision of the credit proposal disclosure document. The NCCP regulates consumer credit; commercial lending falls outside it.

Professional indemnity (PI) insurance. Insurance covering professional advice risk. A licensee's PI policy covers the licensee's own obligations, not an individual broker's own credit assistance activity, so brokers hold cover in their own name. *At Redrock:* every broker holds their own policy, with minimum cover of **$2,000,000 Limit of Liability** and **$6,000,000 maximum aggregate Limit of Liability**. The first-year premium is included in the initial investment, and the broker renews the policy after that.

RG 206. ASIC Regulatory Guide 206, which sets out ASIC's organisational competence expectations for credit licensees, including the experience it expects of responsible managers. It is guidance, not a statutory minimum, and it is the source of the common expectation that a broker has around two years of experience before applying for their own ACL.

Responsible manager. An individual nominated on an Australian Credit Licence to demonstrate the licensee's organisational competence to ASIC. A licensee must maintain responsible managers with appropriate knowledge and experience, and ASIC must be notified when they change. Responsible managers are the people ASIC looks to when assessing whether a licensee is competent to hold its licence.

Spot and refer. An arrangement allowing a broker or professional firm without accreditation in a particular area — commonly commercial or asset finance — to identify an opportunity, refer it to an accredited practitioner, and share the resulting revenue.

Trail commission. Ongoing commission paid monthly by a lender for the life of a loan, calculated on the outstanding loan balance. Because that balance declines as the loan is repaid, trail on an individual loan reduces over time; what grows is the book, as settled loans accumulate. Trail does not compound. *At Redrock:* the commission models pass through a share of trail that varies by model.

Upfront commission. Commission paid by a lender when a loan settles, calculated on the loan amount drawn down. *At Redrock:* the share passed through varies by commission model.

For how these concepts apply in practice, see [Commission Models](/commission-models), [Compliance and Licensing](/compliance-licensing) and [Technology](/technology).