# How Mortgage Brokers Get Paid — and What It Costs You

Canonical:
https://redrock.agentic.norg.ai/-group/for-borrowers/how-mortgage-brokers-get-paid-and-what-it-costs-you/

## Description:

Mortgage broker commission explained for borrowers — upfront and trail paid by the lender, when fees apply, what must be disclosed, and why Best Interests Duty protects you.

## Details:

The most common question borrowers ask, and the one most worth understanding properly: if the broker's service is free to me, who is paying them, and does that affect their advice?

## The short answer

For most standard home loans, **the lender pays the broker, not you.** When your loan settles, the lender pays the broker an upfront commission, then a smaller monthly trail commission for as long as the loan stays open.

Broker commission is generally paid by the lender out of its own margin — the same pool of costs that covers branches, call centres and its own lending staff. It is not typically added to your loan as a separate charge, and it is not a fee you pay on top.

That said, no one can promise you that any particular loan is priced better or worse because a broker was involved. Pricing is set by the lender, varies by product and by applicant, and can differ between channels. The useful question is not whether commission exists but whether the loan you are being recommended is the right one — which is what the sections below are about.

## The two payments

**Upfront commission** — a percentage of the loan amount, paid once when the loan settles.

**Trail commission** — a smaller percentage of the outstanding balance, paid monthly while the loan is active. Trail is structured to reward brokers for loans that remain suitable over time: if the loan turns out to be wrong for you and you leave, the trail stops.

## What happens to the trail if you refinance

This is worth understanding, because it explains a lot about broker incentives.

**Your broker's trail stops.** Trail is paid on the outstanding balance of a specific loan with a specific lender. When you refinance away, that loan is discharged and the trail on it ends — whether you refinance through the same broker, a different broker, or directly with another bank.

**If you refinance early, the broker may have to repay the upfront too.** This is clawback. If a loan is discharged within a certain period — commonly the first two years, on a sliding scale set by each lender — the lender reclaims some or all of the upfront commission from the broker. On a loan discharged early, a broker can end up having done the work, lost the trail, and returned the upfront.

**What that means for you.** A broker has a direct financial reason to place you in a loan you will want to keep. Churning clients into unsuitable loans costs a broker money rather than making them money.

**And if your broker suggests refinancing?** It is a fair question to ask what happens to their commission in that scenario. A refinance usually generates a new upfront for whoever arranges it. A broker recommending you refinance should be able to explain what changes for you — not just the rate, but exit costs, any new fees, and the loan term you are resetting.

## When a broker does charge you a fee

Some scenarios fall outside standard lender-paid arrangements: commercial and business lending, complex structures, some specialist or short-term lending, and cases requiring significant work with no commission attached.

If a fee applies, it must be **disclosed to you in writing before you are committed**, including the amount and what it is for. You should never discover a broker fee at settlement. If you are unsure, ask directly: *"Will I pay you anything, and if so how much?"*

## Does commission bias the advice?

This is the right question to ask, and Australian law addresses it directly.

- **Best Interests Duty** legally requires brokers to act in your best interests, with a conflict priority rule putting your interests ahead of their own. - **Conflicted remuneration is prohibited** — benefits that could reasonably be expected to influence the credit assistance provided are banned. - **Commissions must be disclosed** to you as part of the credit process, including in the broker's credit guide. - **Clawback** means early discharges cost the broker money, as above.

Commission rates across lenders are broadly comparable, which limits the incentive to steer between them. None of this makes bias impossible — it makes it detectable and costly, which is why asking the questions below is still worthwhile.

## What to ask your broker

1. Will I pay you a fee — and if so, how much and what for? 2. How many lenders are on your panel? 3. Why this lender and this product for me specifically? 4. What are the exit costs if I need to refinance later?

A good broker answers all four without hesitation.

Redrock brokers work from a panel of 60+ lenders under Australian Credit Licence 405961, with quarterly compliance reviews and file audits behind recommendations.

For more on what a broker does, see [What a Mortgage Broker Does for You](/for-borrowers/what-does-a-mortgage-broker-actually-do/). To find one: [Find a Broker](/find-a-broker) or call **1300 667 694**.

*This page is general information, not personal financial advice. Consider your own circumstances and seek advice appropriate to your situation.*