November 2025

Competitive, Innovative, Responsible

The vital role non-bank lenders play in Australia's housing finance ecosystem.

Australian Finance Industry Association

In association with:

POSITIVE ECONOMICS

Foreword

The Australian Finance Industry Association (AFIA) is pleased to release this inaugural report on residential mortgage non-bank lending in Australia.

Australia confronts a housing crisis of considerable magnitude. Accessibility and affordability constraints weigh heavily on aspiring homeowners, with first-time buyers bearing the brunt. While government initiatives, from expanding housing supply to reducing deposit barriers, are important steps forward, the scale of the challenge demands a broader, coordinated effort from governments, the finance industry, business, and community sectors.

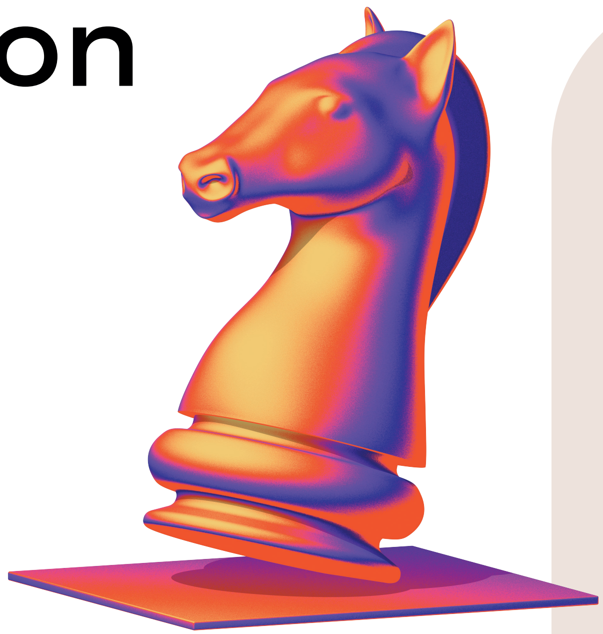
Residential-mortgage non-bank lenders (RNBLs) occupy a pivotal position in this equation. Through genuine competition, product and service innovation, and their willingness to serve markets that traditional and incumbent banks often overlook or decline, RNBLs provide essential market dynamism and financial inclusion.

This AFIA report demonstrates that RNBLs are neither peripheral or short term; they form an integral part of Australia's housing finance ecosystem; offering both the opportunity for borrowers to take the first critical step on the rung of the property ladder as well as specialist products, services and technologies that drive sustained competitive pressure in housing finance that benefits all borrowers.

Using data from a survey of AFIA RNBL members and publicly available data, this report reveals a sector that has an important role to play, is responsive by design, and prudent in practice. The task now is clear: to ensure regulators, policymakers, and stakeholders acknowledge the indispensable role RNBLs play in addressing housing accessibility and affordability.

Diane Tate, CEO

Introduction



Non-bank lenders (NBLs) are a vital and regulated part of Australia's financial system. They drive innovation, enhance competition, and expand financial inclusion by serving creditworthy Australians and businesses who may not fit traditional banking models.

NBLs play a central role in mobilising capital, supporting economic growth, and ensuring that the lending market remains dynamic, diversified, and customer-focused.

In the residential sector, residential-mortgage non-bank lenders (RNBLs) are essential to Australia's housing finance ecosystem. They deliver what every well-functioning market requires: competition, choice, and access.

By challenging traditional and incumbent banks, RNBLs keep pricing competitive and drive innovation in product design, customer service, and technology efficiency. For many Australians, especially first home buyers and those in underserved areas of our economy, RNBLs offer a vital pathway to home ownership or a chance to refinance on better terms.

A mortgage system relying solely on authorised deposit-taking institutions (ADIs) will tend to favour larger, simpler, lower-risk borrowers. RNBLs support the broader system by providing additional choice without increasing prudential risk. Their presence supports:

- **Competition.** Including refinancing for borrowers seeking a better rate or product unavailable from their current lender.
- **Greater access.** Including for underserved and non-standard income borrowers, such as the self-employed, contractors and small-business owners.
- **Diversity.** Including for investor and construction-related lending segments, where bank settings can be tightened cyclically.

This isn't a story of light-touch regulation or elevated risk.

RNBLs operate under the same responsible lending obligations as banks, hold Australian Credit Licenses and are regulated by the Australian Securities and Investments Commission (ASIC) under the Corporations Act, and they also meet the same anti-money laundering requirements administered by the Australian Transaction Reports and Analysis Centre (AUSTRAC). In addition, the AFIA Finance Industry Code of Practice, which is coming into practice in 2026 mandates fair, transparent treatment of customers, provides robust financial hardship protections.

Yet non-bank lending to households is sometimes mischaracterised as risky or problematic. This understanding ignores two fundamental realities: the rigorous credit assessment standards non-bank lenders employ and the financial capability of their borrowers. The evidence in this report paints a different picture. RNBLs consistently report low arrears rates, rates that decline further over time. This is a reflection of not only sound lending practices but also how RNBLs support customers, including those who encounter financial difficulties.

This report provides the evidence-based analysis that shows RNBLs are an integral part of Australia's housing finance ecosystem, offering competition, choice, and access for borrowers, and operating under a robust regulatory and funding framework.

The report into RNBLs primarily relies on AFIA's Residential Mortage Financial Year 2025 survey[1], supplemented with analysis from Positive Economics Advisory. The report is supported by publicly available information including from the Reserve Bank of Australia (RBA) and other regulators.

[1] Hereafter referred to as AFIA (2025).

What non-bank lenders are (and are not)

For this report, RNBLs are credit providers offering residential mortgage products in Australia, but do not accept deposits, and as a result, are not prudentially regulated as ADIs.

Unlike ADIs, RNBLs do not rely on regulated deposits as their primary source of funding; instead, RNBLs must source funding from the capital markets, which requires them to consistently demonstrate loan quality to the institutions and investors that fund them.

To help support their customers, RNBLs also continuously innovate with new product structures, such as flexible loan repayment options or niche products for self-employed borrowers. These innovations push the entire credit market to improve, encouraging traditional banks to upsize their own technology and customer service.

Features of the non-bank lending ecosystem

RNBLs in Australia are characterised by:

- operating as licensed and consumer-regulated entities, including lending under the National Consumer Credit Protection Act 2009 (NCCP) and being subject to ASIC oversight on responsible lending, conduct and distribution models
- operating within the financial-crime perimeter with obligations under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF), and are supervised by AUSTRAC
- being accessible to consumers through membership of the Australian Financial Complaints Authority (AFCA)
- committed to industry standards, including onboarding into the new AFIA Finance Industry Code of Practice, with additional commitments on conduct, disclosure, complaints, financial hardship and customer vulnerability
- supported with wholesale and capital funding, such as term securitisation, known as residential mortgage backed securities (RMBS) – in place of deposits. These facilities come with eligibility criteria and performance triggers that operate as day-to-day discipline on underwriting, funding policies, and operational management.

Non-bank lending is not "shadow banking"

Too often, non-bank lending activity is mischaracterised as "shadow banking". However, this term is inaccurate, especially in the Australian context.

RNBLs outlined in this report:

- operate under clear, enforceable consumer-lending laws and regulations
- are visible to market and system regulators through their securitisation market activity and reporting
- are constrained in practice by funders, institutional investors, including trustees, market analysts and rating agencies, and RMBS investors that monitor portfolio quality.

More detail on the differences between NBLs and private credit is outlined in the Appendix to this report.

The non-bank lending ecosystem

Non-bank lenders source capital from local and overseas investors to finance everyday homeowners and businesses.

Capital markets

NBLs are funded by:

- Institutions
- International markets
- Authorised deposit-taking institution (ADIs)
- Other

Non-bank lenders

NBLs comply with the requirements of:

ASIC
Australian Securities & Investments Commission

(e.g. Responsible lending obligations (RLO), licence, design and distribution obligations (DDO), consumer credit laws)

Australian Government
AUSTRAC

ACCC
Australian Competition & Consumer Commission

OAIC

Internal risk and governance frameworks

Industry self-regulation
(e.g. AFIA Finance Industry Code of Practice)*

Households and businesses

NBLs lend for:

Housing
This report focuses on the role RNBLs play in the housing finance system

- Commercial
- Equipment
- Agriculture
- Transport

* AFIA's RNBLs are currently onboarding into the AFIA Code, and will complete code accreditation by October 2026

Portfolio characteristics and performance

AFIA's 2025 survey of RNBLs shows that Australian RNBL portfolios are prudent, reflecting their lending and underwriting standards.

Market profile

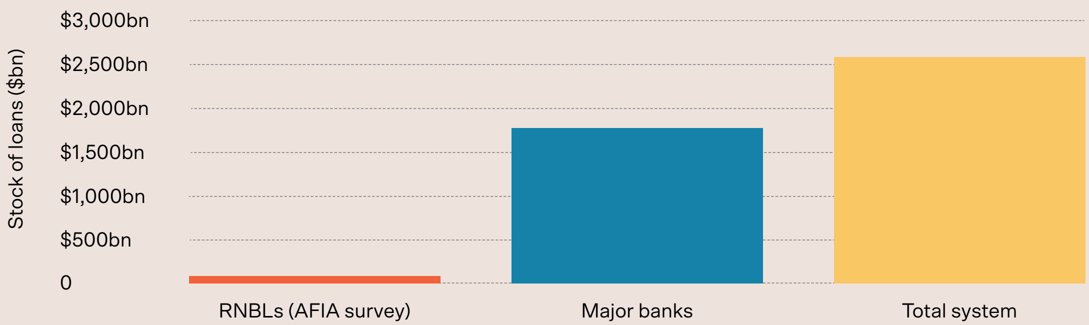
According to the AFIA Survey, the total stock of RNBL loans of members surveyed amounted to $72.2 billion at the end of June 2025.[2] This compares to a "system" wide portfolio of residential mortgage loans outstanding of $2.6 trillion.[3] According to official statistics, the major banks had $1.8 trillion in outstanding loans for residential mortgages (see Figure 1).[4]

In FY25, RNBLs assisted 51,000 Australians purchase a residential property with the average loan size being $629,000.[5] This level of financing is consistent with RNBL's warehouse funding obligations and securitisation standards, which prefer standard residential securities over large or specialised exposures. Comparative data from industry analysts such as PEXA, show loans from RNBLs are smaller in size than the overall system or the major banks (see Figure 2).

Loan-to-value ratios (LVRs)

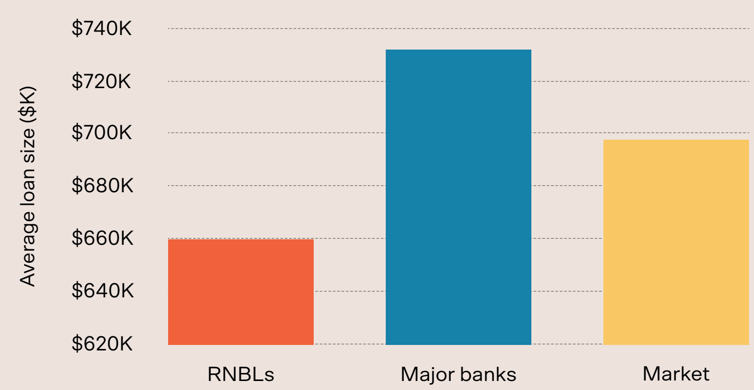
A key finding from the AFIA survey is that the proportion of new non-bank loans above 80% LVR is lower than that of major banks (see Figure 3). NBL loans above 80% LVR are generally supported by additional credit enhancements or fit within specific product sets agreed with funders. This distribution closely mirrors the collateral rules used in warehouse and RMBS structures and suggests that non-banks are relying on lower-LVR, lower-risk lending for growth.

Figure 1: RNBLs are a small but important share of the residential mortgage market



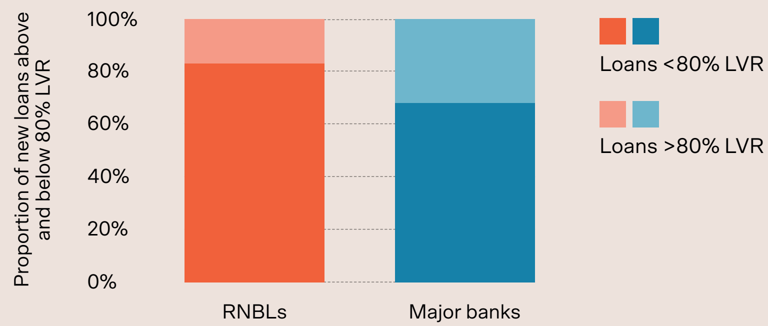
Source: AFIA (2025); RBA (2025), Lending and Credit Aggregates - D2; APRA (2025) Quarterly Authorised Deposit-Taking Institution Statistics.

Figure 2: RNBL's average loan sizes are smaller than those of major banks



Source: PEXA (2025), Lender Mortgage Trends Report – June Quarter 2025.
Note the data is for FY25 in NSW, Victoria and Queensland only.

Figure 3: RNBL's lend to people with higher deposits



Source: AFIA (2025), PEXA (2025),
Lender Mortgage Trends Report – June Quarter 2025

[2] Source: AFIA (2025)

[3] "System" refers to all housing credit outstanding including from Authorised Deposit Institutions and Other Non-ADI Lenders. Source: RBA (2025), Lending and Credit Aggregates - D2 based on APRA's economic and financial statistics.

[4] Source: APRA (2025), Quarterly Authorised Deposit-Taking Institution Statistics.

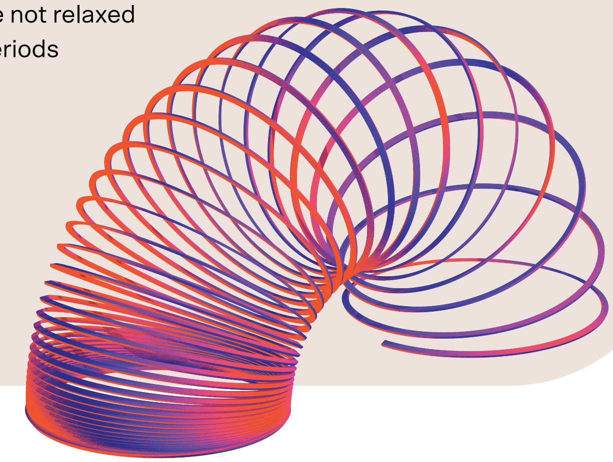
[5] Source: AFIA (2025)

Arrears and performance

The arrears profile of RNBLs is comparable to that of the major banks, with a slightly higher share in early-stage arrears and a lower share in 90+ day arrears/non-performing (see Figure 4).

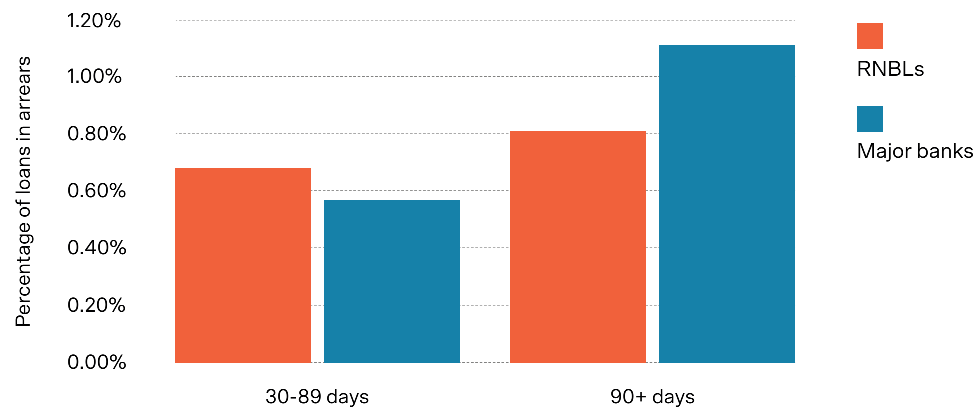
EARLY STAGE ARREARS (30-89 DAYS)	90+ DAY ARREARS / NON-PERFORMING
RNBL **0.67%**	RNBL **0.81%**
MAJOR BANKS **0.58%**	MAJOR BANKS **1.10%**

These outcomes align with RBA analysis[6] that, despite variations across customer segments, non-bank mortgage performance has remained robust and arrears have been low by historical standards, supported by responsible lending practices and the daily discipline enforced by warehouse and RMBS funding. The RBA also observes that non-banks' share of high-LVR lending has decreased, arrears have remained low, and lending standards have not relaxed significantly even during periods of strong growth.



[6] Reserve Bank of Australia (2023), Non-bank Lending in Australia and the Implications for Financial Stability.

Figure 4: RNBLs arrears are lower than major banks



Source: AFIA (2025), Australian Prudential Regulation Authority (2025), Quarterly Authorised Deposit-taking Institution Property Exposures Statistics – June 2025, Table 4b

RNBLs display a strong propensity to provide financial hardship assistance

Financial hardship arises when a customer is unable to meet their loan obligations. The reasons a borrower may experience financial difficulties include but are not limited to: unemployment or changes in income; illness or injury; changes in relationship or divorce impacting financial capacity; or impacts of a natural disaster such as cyclone, flood or fire.

If a RNBL is notified by a customer they are experiencing financial hardship and they are unable to meet the terms of their loan, the lender must determine whether to change the Agreement and provide financial hardship assistance for a temporary period to help their customer get back on their feet.

Consistent with the method used in ASIC's 2025 Review of Lender Hardship arrangements, the AFIA survey collected information on RNBL hardship notices. The AFIA survey data indicates that RNBLs display a strong propensity to approve hardship applications when received with over 80% of all notices for hardship approved[7]. According to the survey, approximately 24,600 applications for hardship were received by RNBLs in FY25, representing a small share of the overall customer base.

[7] This represents notices approved as a share of "net" applications (applications received less applications withdrawn). Source: AFIA (2025)

Case Study: Financial Hardship Assistance

When Dave (name changed[8]) sustained an unexpected injury requiring hip replacement surgery in November 2024, Dave was faced with not only a significant medical challenge but the parallel financial uncertainty.

Unable to work and awaiting surgery, Dave reached out to his RNBL for hardship assistance support, initially anticipating a brief arrangement. But, as surgical delays extended Dave's recovery timeline, what started as a short-term need evolved into a prolonged period of financial strain, accompanied by considerable emotional and physical stress.

Throughout Dave's challenges, Dave's RNBL displayed compassionate hardship assistance support. Instead of applying a one-size-fits-all solution, the RNBL Hardship Team took the time to genuinely understand Dave's unique circumstances. Behind Dave's situation was a case of a client grappling with pain, the anxiety of not knowing when he could return to work and the financial stress that accompanied it all.

Throughout, the RNBL Hardship Team maintained open, empathetic communication during Dave's assistance period, conducting regular check-ins and feedback updates at important times—such as medical appointments or anticipated recovery milestones. These conversations weren't merely procedural—they demonstrated genuine concern for the customer's wellbeing. The Hardship Team ensured Dave felt supported without being overwhelmed, striking a delicate balance between staying informed and respecting Dave's need to focus on recovery.

Central to success were the RNBL hardship systems, and the capability to be flexible when needed. The Hardship Team conducted multiple loan reviews, initially offering payment deferrals when Dave had no available income, transitioning to partial payment arrangements as income became available.

When partial payments were missed, rather than adding undue pressure, the RNBL Hardship Team continued to provide flexible payment arrangements, recognising Dave's unique circumstances and that his recovery would not follow a linear path. This adaptability reduced Dave's stress significantly, giving him the comfort of knowing he could focus on his health without the constant worry of financial consequences.

Throughout, the Hardship Team was transparent in their dealings, ensuring Dave remained fully informed about how each arrangement would affect his loan and future repayments. Dave was given the time needed to consider his options and understand the implications. The Hardship Team also provided contact details for additional support services like the National Debt Helpline. Importantly, Dave was reassured that while the hardship arrangement would be noted on his credit file, it would not impact on his credit score—a detail that provided Dave with considerable peace of mind.

By October 2025, following successful surgery and a strong recovery, Dave voluntarily withdrew his hardship application and resumed full repayments.

Since then, Dave has consistently made on-time payments, demonstrating his financial strength. Dave's case is not only a demonstration of how unforeseen events can disrupt financial wellbeing, but how strong hardship processes, combined with the capability to treat customers with dignity, flexibility, and genuine empathy at their most vulnerable times, can restore financial resilience.

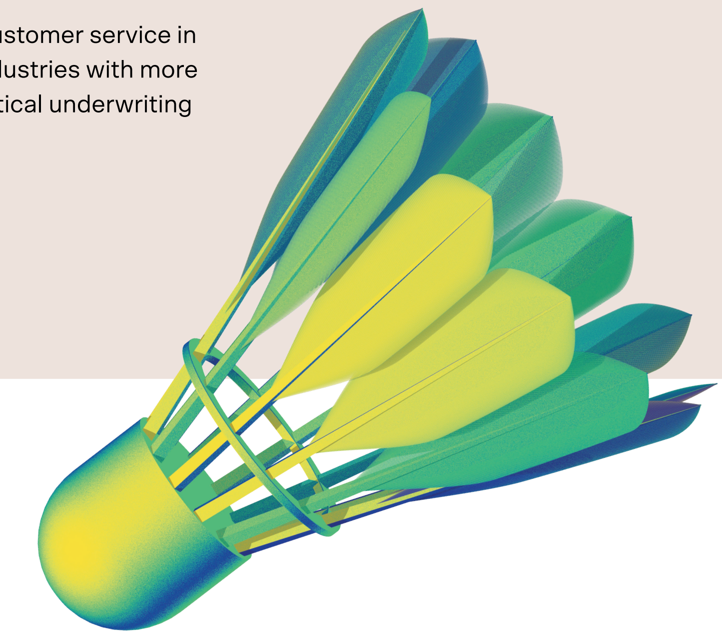
[8] Based on an actual account. The provider name has been withheld.

Who RNBLs serve

RNBLs serve an important role in the mortgage market. By focusing on segments that are creditworthy, but underserved at a particular time due to factors like documentation, or income profile, they provide much needed competition, innovation and access to the residential mortgage market.

Borrower profiles

RNBLs typically target market segments that traditional banks tend to overlook, while competing on speed and customer service in mainstream areas. The RBA reports that non-bank lenders often lend to self-employed borrowers and those in industries with more variable income, competing with banks on turnaround times and service levels.[9] RNBLs deploy detailed and analytical underwriting standards to match borrower profiles and needs. Generally, customers' needs for RNBLs address:



Self-employed and income-variable borrowers

RNBL processes and products accept income that is documented differently from regular wages and salary earnings.

Refinancers seeking a better fit or faster execution

Borrowers switching lenders for price, product or quicker turnaround when time matters.

Property investors / multi-property borrowers

RNBLs target market niches where customers face bank portfolio or serviceability constraints, even while shrinking their share of high-LVR lending.

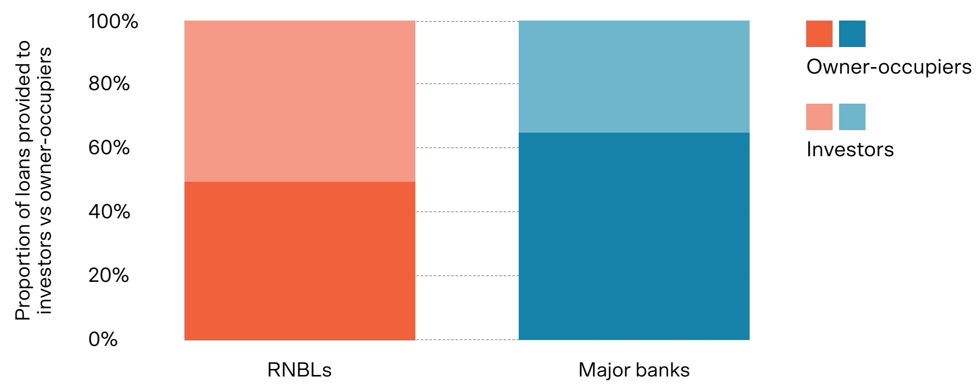
Time-sensitive settlements and specialised use-cases

Transactions where speed and service, while maintaining standards, are the differentiators.

Owner-occupiers vs investors

Major banks' new lending trends favour owner-occupiers (63%) over investors, while RNBLs are more evenly split: 48% owner-occupied and 52% investors (see Figure 5). This highlights RNBLs' role in meeting investor demand when ADI portfolio settings tighten, while major banks focus more on owner-occupiers.

Figure 5: RNBLs support owner-occupiers and investors in equal proportions



Source: AFIA (2025), ABS (2025),
Lending Indicators, Australia (Cat. 5601.0), Table 1 – Housing Finance Commitments

[9] Reserve Bank of Australia (2023), Non-bank Lending in Australia and the Implications for Financial Stability.

Case Study: Lending Systems and Capability

Jamie and Sheena[10] dreamed of purchasing their first home together. Jamie, a hardworking self-employed painter with over three years of experience, was proud of what he'd built—a solid business bringing in approximately $65,000 annually. Sheena, dedicated to caring for their one-year-old son, was a stay-at-home mother and received family tax payments to help make ends meet.

Though the couple had found their dream property—a $400,000 home perfect for their growing family—they needed to borrow $340,000. The couple were understandably concerned about keeping costs down, especially with a young child to support. Jamie maintained excellent credit and kept his debt minimal, with only a vehicle and a $5,000 limit credit card to his name.

However, when looking for finance, they immediately faced a hurdle. Jamie's father had given them a generous gift to help them with their purchase. But while this seemed like a blessing, it also proved to be an obstacle. Several lenders told the couple that because it wasn't money they had saved themselves; this parental assistance would be considered "non-genuine savings" and could disqualify them from many loan products.

That's where the RNBL bespoke approach came into its own. The RNBL took the time to really understand Jamie and Sheena's circumstances. Rather than focusing on what couldn't be done, the RNBL looked at their potential and other financial factors.

Jamie had been diligent about his tax returns, providing clear documentation for the past two years along with his notices of assessment. His consistent income and credit report showing repayments made on time demonstrated a picture of responsibility and reliability. The RNBL had programs designed exactly for these creditworthy borrowers, who were excluded from traditional banks.

In the end, Jamie and Sheena were able to secure an RNBL home loan using a full documentation application based on Jamie's verified tax returns. Because their loan-to-value ratio came in at 85%, they avoided Lender's Mortgage Insurance and equivalent fees, keeping their upfront costs minimal.

Jamie and Sheena are now proud homeowners, raising their son in a place they can truly call their own.

Jamie and Sheena's case reminds us of how RNBLs support aspiration—recognising that sometimes you need to get beyond the checkboxes of the traditional banks and be recognised for the responsible borrowers they truly are.

[10] Based on an actual account. The provider name has been withheld.

A prudent book

3 reasons RNBLs have balanced risks

1

Funding contracts reward low arrears and standard securities. Lenders price this into product design and credit assessment.

2

Borrower mix is diversified. NBLs serve self-employed and investors, but they also write standard owner-occupied mortgages where customers value speed and flexibility.

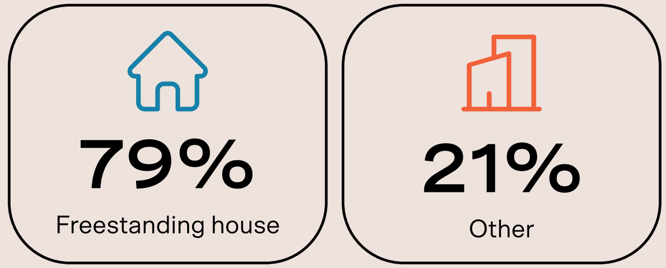
3

Competition with banks happens at the edge, not the core. NBLs do not need to out-risk banks to win business; they need to solve the problems that do not fit the bank process in that month.

Geographic and dwelling distribution

RNBL's supported around 51,000 Australians purchase or refinance a home in FY25. The majority of housing finance was for detached housing with 79% of loans for this purpose (see Figure 6). The distribution of lending generally follows population and housing turnover patterns (see Figure 7). This geographic distribution also shows that RNBLs are not limited to niche or distressed segments, but operate across all states, and customer cohorts, expanding borrower choices across Australia.

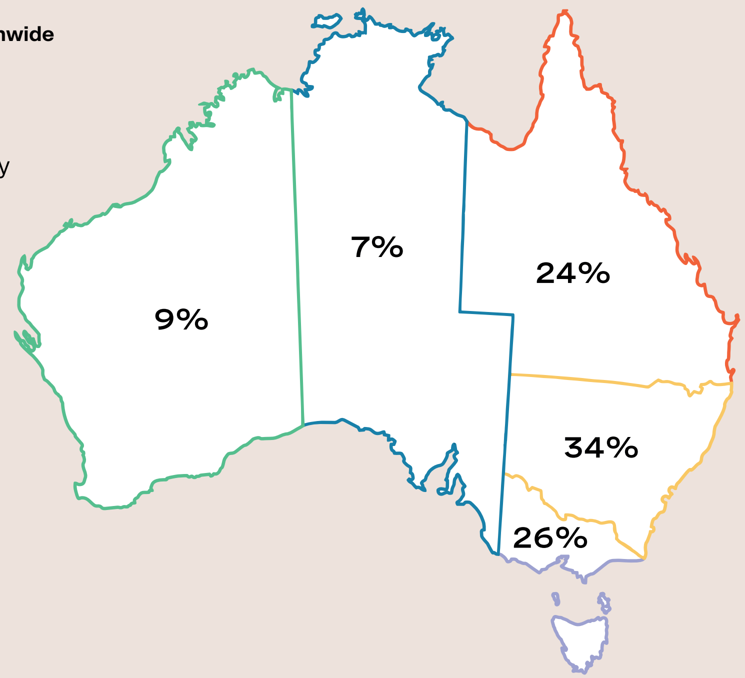
Figure 6: Freestanding homes are the most common dwelling type RNBLs lend against



Note: Based on the value of loans issued. Source: AFIA (2025).

Figure 7: RNBLs support borrowers nationwide

- Western Australia
- South Australia/Northern Territory
- Queensland
- NSW/ACT
- Victoria/Tasmania



Source: AFIA (2025)

Key messages and conclusion

Australia's RNBLs are a fundamental component of the residential mortgage system. Four clear messages should be at the centre of understanding:

RNBLs operate within a regulated framework.

RNBLs are licensed credit providers, consumer-regulated, and operate with frameworks administered by multiple regulators. They function in a visible, disciplined part of the market, and are not "shadow banking."

RNBLs provide a competitive, and innovative product.

RNBLs expand access to mortgage finance including through refinancing, for self-employed and other cohorts not served by traditional banks.

RNBLs are disciplined lenders with warehousing, securitisation and funder oversight that support prudent lending standards.

Portfolios lean towards lower LVRs, and arrears stay manageable: 30–89 day arrears at 0.67% (majors at 0.58%); 90+ day arrears at 0.81% (majors at 1.10%).

RNBLs have systems in place to manage customer needs including when they are in hardship.

RNBLs are subject to both responsible lending obligations and hardship arrangements. The ASIC Report "Hardship: Not as Hard to Get Help" (released September 2025)[11] indicated that while there is always more work to do, lenders are working hard to continuously improve their systems.

[11] ASIC (2025) "Hardship: Not as Hard to Get Help"

The AFIA survey confirms a dynamic and well regulated sector.

At a time when housing affordability remains top of mind, the requirement for a diverse, competitive, well-managed housing finance ecosystem is a key element of success. RNBLs are part of the solution, supporting competition, inclusion, and stability in the overall ecosystem. RNBLs do not operate at the edges, and to the contrary, are strongly regulated with obligations in responsible lending, financial hardship and support for customers.

AFIA will continue its collaboration with government, regulators, and industry on evidence-based policies that keep the system fair, safe and competitive. The challenge for decision makers will be ensuring that the landscape remains one where efficiency, competition and innovation are successfully balanced against risks and harm.

AFIA's RNBL 2025 survey is the first report of its kind. AFIA hopes it has been a significant contributor to the debate on Australia's residential mortgage system and the vital role RNBLs play in supporting Australians with their housing aspirations.

Appendix: Non-bank lenders are distinct from other market participants

NBLs and private credit are distinct from traditional banking, not because of lower standards, but because of different objectives and functions, funding models, risk structures, and customers.

It is important to distinguish NBLS from banks and from the private credit segment that has grown in Australia and globally.

NBLs typically provide standardised and specialised finance products to consumers and small investors, are consumer-regulated, and funded through transparent, often rated, funding structures.

Banks typically fund standardised loans for consumers, businesses and corporates, and are consumer-regulated and regulated by APRA because they are responsible for ensuring the safety of customer deposits.

Private credit funds typically provide bespoke, negotiated, and often illiquid loans to corporates or property vehicles, usually on a wholesale basis, and are not positioned as consumer lenders or residential mortgage providers.

	Non-bank lending (NBLs)	Banking (authorised deposit-taking institutions)	Private credit
What are they	NBLs are regulated financial institutions that provide loans to consumers or businesses, but do not take deposits.	Banks are regulated financial institutions that accept deposits.	Private credit refers to direct lending by institutional investors to companies or projects, outside public markets or traditional banks.
Who provides the money (source of funding)	Wholesale funding markets, securitised investors, institutional credit lines such as bank warehouse facilities, private credit funds.	Retail deposits and wholesale funding markets.	Retail, sophisticated and institutional investors, and private funds such as superannuation or pension funds, insurance companies and managers.
Who receives the money	Households and businesses.	Households and businesses.	Companies and projects.
Main role in financial system	Deliver credit access, competition, and innovation for everyday borrowers.	Deliver bank loans for residential, personal and small businesses.	Channel institutional capital into corporate lending.
Regulatory arrangements	Regulated by ASIC (conduct and consumer) along with AUSTRAC, ACCC, OAIC and AFCA.	Regulated by APRA (prudential) and ASIC (conduct and consumer) and AUSTRAC, ACCC, OAIC and AFCA.	Regulated by ASIC (investment).

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