

MORTGAGE MANAGER

# back to the future

Now that the Australian economy is beginning to recover from the GFC, consumers are returning their attention to alternatives to the major banks. As part of its series of co-published features, *MPA* asks four of the industry's leading mortgage managers to discuss what they will supply to satisfy this new demand

**C**ompetition green shoots are beginning to surface again in the mortgage industry, and returning borrowers are looking to the non-bank sector to provide an alternative to the dominant bank lenders – just as they did 15 years ago.

Accordingly, mortgage managers are responding by shoring up their value propositions: not only to customers, but to brokers as well. The early responders will surely get an advantage over the rest as the demand for innovation in a shell-shocked market gathers momentum.

In this issue, *MPA* profiles four leading mortgage management companies. We find out who they are, what they offer, and how they stand out from the 'also rans'.

## LOAN SERVICES AUSTRALIA

Loan Services Australia received its first loan application in August 2003, and now it is one of Australia's largest wholesale mortgage managers, operating from Parramatta in NSW employing 42 people and with a loan portfolio of almost \$2bn.

### Unique

The company's key point of difference is that it provides brokers and loan consultants with the ability to have control of – and deliver – a unique customer experience.

"We do this using our two key products – point-of-sale (POS) processing, powered by LSA Online," says Gus Mendez, director and chief executive officer at Loan Services Australia.

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- Gus Mendez



Gus Mendez

Mendez says that Loan Services Australia has re-engineered and automated standard industry processes to do in minutes what typically takes others weeks to do. "POS processing allows the user – which could be a broker, loan consultant or customer – to complete an application, as well as a large portion of the balance of the process such as issuing the loan agreements, online. It's what we call 'home loans in an instant'," says Mendez.

All Loan Services Australia's processes are powered by LSA Online – an automated loan origination system that has features like online application submission, instant approvals, credit scoring, CRA checks, real-time tracking and reporting as well as twenty-four/seven access to a virtual transaction file.

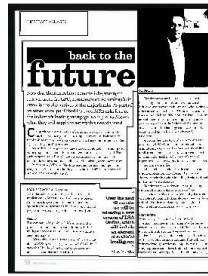
"Our business model provides access to our unique proposition via different distribution channels including white labelling, brokers, direct and online," says Mendez.

Mendez says Loan Services Australia's top rated product is its Advantage Rate Loan.

This he describes as a low-cost fully-featured variable rate loan with flexible repayment options, unlimited redraw and salary crediting facilities as well as phone and internet banking options.

### Competitive

Mendez says the benefit of dealing with a mortgage manager is "very simple" – for better service and to have more control. "Brokers that are fed up with sub-standard service from major lenders," he says, "should develop a relationship with a credible mortgage manager that delivers industry leading service at competitive rates. Our unique proposition allows brokers to have control over the customer experience. Imagine processing



a loan application in front of the customer, issuing loan agreements and having access to a customer file around the clock, on demand.”

In addition Mendez says that Loan Service Australia is continually improving, and, by ensuring its technology is industry leading, evolving its service proposition. “Over the next 12 months we will be releasing a new version of LSA Online, which will include an element of artificial intelligence. This will speed up the origination process even further,” he says.

**Real time technology**

Mendez says he is continually surprised at how many brokers use little to no technology still when originating loans.

And he’s not talking about simple sales tools like CRM platforms or application forms. “Submitting and delivering real time data is critical,” he says, “It is difficult enough in the current environment to get a customer in front of you, so don’t make it harder by dealing with a lender that wants you to fax supporting documents after submitting online. They have merely outsourced their data entry to you. You are always accountable to your customer, so take control.”

There is another element to the benefit of using an electronic delivery system. According to Mendez, the cost of origination can also be kept in check by taking advantage of the new technology. “If you haven’t changed your origination process in the last 24 months, given the changes in credit appetite, then the cost of dealing with unqualified prospects will simply mean new customers can be unprofitable for you.”

**FIRSTFOLIO**

Firstfolio has been providing Australian borrowers with competitive mortgage products since 2001.

Today it employs 71 head office staff in addition to its area directors and contractors. Firstfolio has offices in all eastern seaboard states, South Australia and Tasmania.

**Partners**

Firstfolio believes its point of difference is how it treats brokers as business partners, and

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 ”

- Brett Mansfield



Brett Mansfield

drives value through innovation and flexible solutions. This way, customers are provided with multiple application channels to choose from.

“Our brokers are offered competitive remuneration, a market-leading technology platform and an innovative and attractive approach to aggregation,” says Brett Mansfield, general manager for eChoice and Firstfolio’s wholesale lending.

The specialist mortgage and financial services company offers a full range of products, provided by multiple funders.

“Our most popular product is the New Loan Value home loan and the Options Plus home loan which provides our brokers with the capacity to vary commission rates,” says Mansfield.

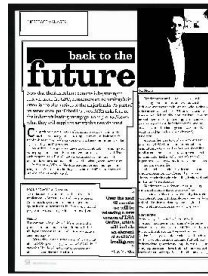
Both are fully flexible variable rate loans and neither attracts ongoing fees.

**Industrious**

Firstfolio says the benefits of using mortgage managers is that they work harder than the major banks to provide brokers and their customers with attractive products – as well as offering a consistently more competitive service proposition than the majors do.

“And as Australia’s last remaining independent, publicly-listed mortgage manager we provide brokers with a clear alternative to the banks themselves and bank-owned businesses,” says Mansfield.

Mansfield’s top tip for brokers is to regularly market to and leverage off their existing customer database as this “is a cost effective way of both retaining existing customers and sourcing new referrals”.



### MORTGAGE EZY

Originally founded in 2001, Mortgage Ezy is a privately-owned Australian Mortgage Management company. Its head office is in Queensland, with other offices in Sydney, Melbourne, Adelaide and Perth.

To date, Mortgage Ezy's business has more than 50 people employed on a full-time basis.

"We're a values-based organisation that operates on a national level focusing primarily in the delivery of solution-centric residential lending programs to our broker partners supported by full end-to-end back office functionality," says Garry Driscoll, Mortgage Ezy's chief executive officer.

### Support

Mortgage Ezy's 'we fit you' business is 100% geared to support broker acquisition activity. "Our major difference is that we enable a series of front and back office combinations that are totally flexible," says Driscoll.

At Mortgage Ezy there is no reliance on any single product line, since the company has long since learned to use its current capabilities across all funding lines to meet client circumstances. This, Driscoll believes, creates more opportunity for brokers. "We believe we have a responsibility to agitate and promote choice in the channels," he says, "and in 2009 this type of market insurgency has helped us identify with like-minded brokers and groups."

### Investment market

Mortgage Ezy's top rated products are its Discount Variable Term Loans, Construction Loans and All in One Line of Credit Loans. "This year we've focused on the refinance for investment market," says Driscoll. "by maximising investor opportunities with exceedingly low interest rates and related solutions."

The Discounted Variable Term Loan has been Mortgage Ezy's best seller – with start rates coming in under 5% pa throughout 2009. "Interestingly, Construction Loans in both Full and Lo Doc have been very popular, while our All in One Line of Credit Loans have also featured significantly in our overall product mix," says Driscoll.

The best feature of all Mortgage Ezy's solutions is its approval perspective. It is the company's ability to actually sign off on deals in-house that has



Garry Driscoll

been the key contributor to the vast majority of its settled loan submissions.

"Features-wise there is very little, if any, difference between our solutions and the products provided by the major banks," says Driscoll.

Consumers expect redraw facilities, internet and phone banking, no transaction fees and real client care people to assist with their queries, he adds, "so realistically speaking, all our solutions cater for these requirements."

### Consistently high standards

Driscoll says that even though the banks have improved service turnarounds marginally in quarter three, most mortgage management service level standards never dropped during the GFC – and in some cases improved even.

Traditional bank-centric brokers have learnt that like-for-like solutions are available with mortgage managers, while at the same time they are able to choose the appropriate interest rate for their customers. This affords convert brokers the ability to select a remuneration level that is consistent with the effort they put in to the deal.

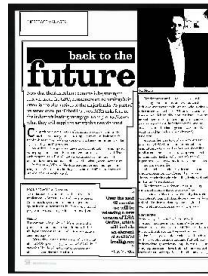
Mortgage managers are an integral part of the industry, affirms Driscoll. They have been there since the start and will be around for a long time despite the best efforts of the majors.

### Surprise

A favourite Mortgage Ezy tradition has been to do exactly what its competitors least desires it to do. "That said, we've still got a few rounds left in the chamber for activity and cool initiatives in 2009. Chief among these will be aggressive offers beneficial to our business partner relationships." His parting advice to brokers is to establish long-term sustainable relationships.

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### MORTGAGE HOUSE

Founded by Ken Sayer in the mid 1980s, Mortgage House commenced operations as a broker before broadening operations to become a mortgage manager and originator in 1998. The company has grown over the past two decades, and now has 50 branches and employs 110 people.

“Today Mortgage House is a lender in its own right and still retains its brokerage function so it can provide a complete array of lending services,” says Ken Sayer, CEO of Mortgage House.

#### Always open

Brokers have direct access to the Mortgage House system, giving them real time stats on loan applications. “This allows them to keep their customers up to date and provides a high level of customer service,” says Sayer.

In addition to this, the fact that there are no clawbacks and trailing commission is paid from the first year stands Mortgage House apart from its competitors, explains Sayer.

Mortgage House’s top rated product is its Chameleon range – which is designed to change with the customer’s lifestyle. The range is available in Silver, Gold and Platinum.

Its best features are that it has various levels of cash back incentives, attracts zero fees and offers unlimited redraws.

#### Customer-centric

A Mortgage House manager has access to several different products and can find the loan that is best suited to the customer’s requirements. “They can

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**Today  
 Mortgage  
 House is a  
 lender in its  
 own right,  
 while still  
 retaining its  
 brokerage  
 function**  
 ”

- Ken Sayer



Ken Sayer

offer a more personal service than what they may receive from a large bank, by being an easily accessible single point of contact providing timely answers to their customer’s queries,” says Sayer.

Given this, Sayer says Mortgage House has “a very busy and exciting 12 months ahead” with many new projects, including introducing a deposit card through Australia Post, a BPAY out system, a MasterCard Debit card, as well as bringing to the market a 100% offset account, a non-conforming product, and an online portal which will provide users with access to a ‘best-fit’ loan.

“In addition to this, we intend to set up a financial planning division, as well as offer directly serviced car loans and leases and commercial loans,” says Sayer.

Sayer’s sage tip for mortgage brokers is to always form a strong relationship with lenders. “This can be achieved by continually staying updated with product changes and new product offerings and always maintaining a high quality of introduced business.”