

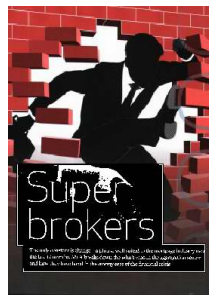
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A large, stylized illustration of a man in a black suit and tie, breaking through a red brick wall. The man is shown in silhouette, with his body angled towards the right. He is pushing a brick away with his right hand, and another brick is flying through the air near his head. The background is a grid of red bricks. The title 'Super brokers' is written in a large, white, sans-serif font across the bottom half of the illustration. Below the title, there is a paragraph of text in a smaller, white, sans-serif font.

Super
brokers

The only constant is change - a phrase well suited to the mortgage industry over the last 12 months. *MPA* breaks down the who's who in the aggregation sector and how they have fared in the stormy seas of the financial crisis



Congratulations, the worst is over. On the world economy's round trip to hell, we seem to be turning around for home (or at least somewhere close to it).

At this time last year, brokers were rocked by commission cuts. Being told they were taking a 30% payout when the economy was softening was not news mortgage brokers wanted to hear. And not only were broker groups told they would be earning less, but they were also told they had to do more to earn the reduced commissions.

But the good broker groups adjusted. And government stimulus packages, combined with the First Home Owner Grant and lower interest rates, meant business kept flowing through the doors. While Australia is hardly out of the woods yet and issues such as competition in the industry remain unsolved, analysts say there are green shoots of recovery.

At this juncture it is particularly vital for brokers to reassess their strategic partnerships. Are you with an aggregator that is going to help you ride through the rest of the crisis? Superbrokers 2009 gives brokers unique insight into the aggregation market – which organisations are growing and which ones are slowing.

The survey

We have broken up this year's survey into "Superbrokers" (aggregators with 200+ members) and "Boutique broker groups". Size is an important factor – especially in the face of increasing consolidation – but we want to recognise the strong service proposition of several smaller players and the resilience they have shown in these turbulent economic times.

The number of participants in our Superbrokers survey has varied since its inception in 2005, with some participating opting in one year and pulling out the next. Some players exit the survey as a result of acquisition, such as City Pacific Finance, which was bought by OneLend for \$2.2m in December, and has remained quiet ever since. But other players (such as FAST and PLAN) are stalwarts in the survey but chose not to reveal their data to our readers – as is the

prerogative of most privately-owned companies.

For this reason it makes it very difficult to analyse the growth (or decrease as the case may be) in business that each aggregator experienced over the last financial year. *MPA* would like to thank all of this year's Superbrokers, without their participation this glimpse into the aggregation sector would not be possible.

Membership

Last year, aggregators across the board said they expected broker numbers to drop. Indeed, growth among the larger aggregators had slowed – AFG recorded only 0.66% growth last year, while Mortgage Choice recorded 2.2% growth.

Unsurprisingly, this year's expectations are in line with comments made 12 months ago.

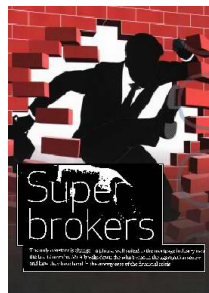
LJ Hooker says it expects brokers may be drawn out of the industry due to three key factors: the reduction of commissions, the tightening of the lender panel and the introduction of the new National Consumer Credit Protection Bill. "These factors will cause contraction within the industry and encourage underperforming brokers to leave," it said. The franchise group experienced a significant 36% increase in broker numbers last year over 2006, but it recorded a slight drop in the last 12 months – from 153 brokers in Australia last year to 150 in 2008/09.

The bulk of people leaving the industry will be part-timers, predicts Loan Market Group, which has 400 active brokers. "There will be some reduction in numbers, but mainly due to brokers who work part-time. They will find it more difficult to retain accreditations with lenders and comply with the industry requirements," it said.

Mortgage Choice numbers went down from 678 last year to 600 in 2008/09, but the franchisor says job security concerns could boost its numbers.

The company's Potential Franchisee Survey published in June found that close to half of all Australians planning on purchasing a franchise in the next three years have been motivated by the difficult economic climate.

Mortgage Choice is well-prepared for newbies entering the industry.



“As a result of feedback from our recent ‘rookie’ franchisees, Mortgage Choice’s Franchise Foundation Program was completely reviewed in 2007/08 and revised and relaunched as the Rookie Development Program. The main objectives of the program are to have a standard developmental path for our new franchisees and to assist in their productivity through mentoring, training and coaching,” it said.

Mortgage Choice was not the only Superbroker to suffer a drop in membership. The number of brokers with National Brokers Group decreased from 800 in 2007/08 to 600 this year, and it predicts that the industry will shrink further.

“The number of active brokers will reduce as the part-time brokers are affected by minimum lodgement requirements from lenders, Westpac, ING and CBA. The compliance changes in respect to training Cert IV and the introduction of the new credit legislation will see a number of members move out or sell their businesses.”

Connective was bold enough to put a percentage figure to its prediction on broker numbers. “We expect the number of brokers to contract by 10–15% as some choose not to continue in a licensed and more regulated industry,” it said. “Many brokers are also very concerned that their businesses and client relationships are being negatively affected by poor lender service levels and continually changing lender policies, and are therefore questioning their future in the industry.”

That said the number of Connective brokers has dramatically grown in the last 12 months. It went from 690 brokers in 2008 to 990 in 2009 – a growth rate of 43%. Year on year. Connective seems to buck the trend when it comes to membership numbers. Last year, it recorded a growth rate of 95% and in 2006/07 it grew 77%.

While nearly all of Connective’s brokers come from another aggregator or a banking background, it says it does support new brokers entering the industry. “When we have someone come to us who is new to the industry, we refer them to a number of brokers using Connective who provide them with appropriate training and mentoring.”

Threats

Many of the issues that plagued mortgage brokers in 2008 were exacerbated in 2009. Flight to brand quality became a full scale mass migration. AFG’s mortgage index report found brokers were sending 92% of business to the major banks.

Australian Finance Group

YEAR ESTABLISHED: 1994
NUMBER OF COMPANY EMPLOYEES: 155

HEAD OFFICE LOCATION: Perth
STATES/TERRITORIES OPERATING IN: Nationwide

NUMBER OF LENDERS ON PANEL:
 We have 37 separate lenders on our panel some cross-over between Residential and Commercial. Currently we have 28 lenders on our Residential panel and 20 on our Commercial panel.

SENIOR MANAGEMENT TEAM:
 Brendan O’Donnell (CEO); Garry Dowd (National Business support and development manager); Dennis D’ Angelo (national sales and commercial manager); Julianne Mcknight (head of compliance and risk); Andre Szarukan (Head of Marketing) Tobin Fonseca GM operations.

INDUSTRY ASSOCIATION MEMBERSHIP:
 MFAA, FBAA, LIXI and COSL

AVERAGE SETTLEMENT VOLUME BY BROKER:
 n/a

LOANBOOK AND BROKER STATISTICS	08/09
Size of residential loanbook	\$53 bn
Size of commercial loanbook	\$3 bn
Annual residential loan settlements	\$16.2 bn
Annual commercial lending settlements	\$1.25 bn
Number of loan writers/brokers	2129

BROKER BREAKDOWN BY STATE:

VIC/TAS: 31% NSW/ACT: 29% QLD: 16% WA: 13% SA/NT 10%



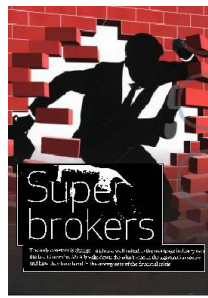
Kevin Matthews

Several aggregators in our survey outlined their concerns over the lack of competition in the mortgage market.

“Evidently the main threat posed to aggregators over the next 12 months is the reliance on the four major banks. In the last year it has become clear that there is a shift in consumer trends with more consumers dealing directly with the major banks rather than the third party broker channel. As a result, this is reducing the value proposition of the third party channel,” said Peter Bromley, general manager.

According to Bromley credit policy tightening will continue over the next 12 months making it increasingly difficult for consumers to obtain a home loan. Consumers will need to present a strong credit history along with healthy savings to obtain a home loan, he says.

As a result, brokers are likely to see lending volumes contract. This will have a flow-on effect to the brokering channel as business is driven through the four major banks. “The overall message to the market is that the major lenders



Super brokers

Choice Aggregation Services

YEAR ESTABLISHED: 1997	NUMBER OF COMPANY EMPLOYEES n/a
HEAD OFFICE LOCATION: Melbourne	STATES/TERRITORIES OPERATING IN: Nationwide
NUMBER OF LENDERS ON PANEL: 35 lenders - includes 28 residential lenders and 19 commercial lenders i.e. some lenders offer both residential and commercial products	
SENIOR MANAGEMENT TEAM: Brendan O'Donnell (CEO); Garry Dowd (National Business support and development manager); Dennis D' Angelo (national sales and commercial manager); Julianne Mcknight (head of compliance and risk); Andre Szarukan (Head of Marketing) Tobin Fonseca GM operations.	
INDUSTRY ASSOCIATION MEMBERSHIP: Member of all industry bodies	
AVERAGE SETTLEMENT VOLUME BY BROKER: n/a	
LOANBOOK AND BROKER STATISTICS 08/09	
Size of residential loanbook	n/a
Size of commercial loanbook	n/a
Annual residential loan settlements	n/a
Annual commercial lending settlements	n/a
Number of loan writers/brokers	1,442

Connective

YEAR ESTABLISHED: 2003	NUMBER OF COMPANY EMPLOYEES 23
HEAD OFFICE LOCATION: Melbourne	STATES/TERRITORIES OPERATING IN: Nationwide
NUMBER OF LENDERS ON PANEL: 49	
SENIOR MANAGEMENT TEAM: Glenn Lees, Murray Lees, Mark Haron Industry association membership: MFAA, COSL, LIXI	
INDUSTRY ASSOCIATION MEMBERSHIP: MFAA, FBAA, LIXI and COSL	
AVERAGE SETTLEMENT VOLUME BY BROKER: \$852,237	
LOANBOOK AND BROKER STATISTICS 08/09	
Size of residential loanbook	\$11.79bn
Size of commercial loanbook	n/a
Annual residential loan settlements	n/a
Annual commercial lending settlements	\$261m
Number of loan writers/brokers	990
BROKER BREAKDOWN BY STATE:	
VIC/ TAS: 25%	NSW/ ACT: 57%
QLD: 9%	WA: 2%
SA/NT 7%	



Brendan O'Donnell

Finance & Systems Technology (FAST)

YEAR ESTABLISHED: 2000	NUMBER OF COMPANY EMPLOYEES 19 direct, 14 indirect
HEAD OFFICE LOCATION: Sydney	STATES/TERRITORIES OPERATING IN: Nationwide
NUMBER OF LENDERS ON PANEL: 38 lender - includes 10 commercial and equipment lenders	
SENIOR MANAGEMENT TEAM: Steve Kane (MD), David O'Toole (National Sales Manager), Laurie Duffus (National Business Development Manager), Deborah Tran (Operations Manager)	
INDUSTRY ASSOCIATION MEMBERSHIP: MFAA/FBAA	
AVERAGE SETTLEMENT VOLUME BY BROKER: Will not provide info	
LOANBOOK AND BROKER STATISTICS 08/09	
Size of residential loanbook	n/a
Size of commercial loanbook	n/a
Annual residential loan settlements	n/a
Number of loan writers/brokers	2850
BROKER BREAKDOWN BY STATE:	
VIC/ TAS: 31%	NSW/ ACT: 29%
QLD: 16%	WA: 13%
SA/NT 10%	

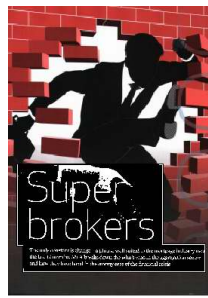
**Firstfolio (Newloan/
Lawfund/eChoice)**

YEAR ESTABLISHED: 1995	NUMBER OF COMPANY EMPLOYEES 45
HEAD OFFICE LOCATION: Sydney	STATES/TERRITORIES OPERATING IN: Nationwide
NUMBER OF LENDERS ON PANEL: Aggregation 25+ Wholesale 5	
SENIOR MANAGEMENT TEAM: Mark Forsyth, CEO; Andrew Russell, head of distribution; Brett Mansfield, GM Newloan/eChoice	
INDUSTRY ASSOCIATION MEMBERSHIP: MFAA	
AVERAGE SETTLEMENT VOLUME BY BROKER: \$600k	
LOANBOOK AND BROKER STATISTICS 08/09	
Size of residential loanbook	\$12.1bn
Size of commercial loanbook	n/a
Annual residential loan settlements	\$3bn approx
Annual commercial lending settlements	Part of above
Number of loan writers/brokers	500+
BROKER BREAKDOWN BY STATE: n/a	



Top: Steve Kane
 Above: Mark Forsyth

Broker breakdown by state: WA: 543; SA/NT: 182; QLD: 253; NSW/ACT: 1442, VIC/TAS: 430



want to achieve efficiencies in their mortgage businesses by dealing with fewer brokers, driving lodgements online and improving the quality of conversion rates across the industry. He says that with the exit of many non-bank lenders, the major banks have achieved a stronger competitive position. They can use that to focus on the direct channel and decrease commissions that are given to the brokering channel, Bromley adds.

The Loan Market Group's executive director John Kolenda agreed that reduced competition affects the broking proposition. "We have seen the remaining lenders struggle with application volumes which affects the broker service delivery – something which has been a key benefit of the channel. There is also a reduced range of options for consumers," he says.

Smartline's managing director Chris Acret also commented that "the current deterioration in lender service levels represents a deterioration in the service brokers provide their clients."

Competitiveness among lenders is crucial for a level playing field within the mortgage broking industry, says finconnect's general manager Tanya Sale. "In the past year we have seen the big four [banks] take a stranglehold on the market and disproportionately increase their share in the industry. This is reflected in the poor turnaround times, fall in service standards and further veiled threats to reduce commissions. All of this is not evident within their retail outlets which is causing a surge in channel conflict. A healthy and vibrant industry relies upon competition."

Loankit's Kym Rampal summed up the ultimate threat brokers face in light of reduced competition – "customers may decide that they no longer see value in using a broker."

But competition (or the lack thereof) and reduced service levels were not the only threats to the aggregation sector outlined by Superbrokers.

Mortgage Choice CEO, Michael Russell, says aggregators that are not able to evolve and adapt to the changing environment – as well as those that neglect to think ahead – will face problems. Aggregators need to achieve more than single digit credit growth to succeed, he adds.

Connective principal Mark Haron echoed Russell's comments. "The world has been turned upside down for the 'old style' aggregators that rely on commission splits, lender bonuses and lender



John Kolenda

Loan Market Group

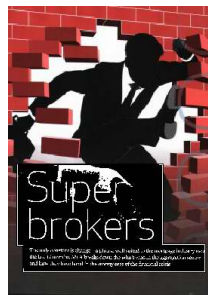
YEAR ESTABLISHED:	NUMBER OF COMPANY EMPLOYEES
1994	46
HEAD OFFICE LOCATION:	STATES/TERRITORIES OPERATING IN:
Sydney	Nationwide
NUMBER OF LENDERS ON PANEL:	
35	
SENIOR MANAGEMENT TEAM:	
Sam White - Chairman; John Kolenda - Executive director; Dean Rushton - Chief operating officer	
INDUSTRY ASSOCIATION MEMBERSHIP:	
MFAA	
AVERAGE SETTLEMENT VOLUME BY BROKER:	
\$1m	
LOANBOOK AND BROKER STATISTICS	
	08/09
Size of residential loanbook	\$13.5bn
Size of commercial loanbook	\$400m
Annual residential loan settlements	\$4.95bn
Annual commercial lending settlements	\$280m
Number of loan writers/brokers	400
BROKER BREAKDOWN BY STATE:	
n/a	



Steve Lambert

National Brokers Group

YEAR ESTABLISHED:	NUMBER OF COMPANY EMPLOYEES
1995	19
HEAD OFFICE LOCATION:	STATES/TERRITORIES OPERATING IN:
Newcastle	Nationwide
NUMBER OF LENDERS ON PANEL:	
50	
SENIOR MANAGEMENT TEAM:	
Steve Lambert (CEO), Tony Newcombe (training manager), Katrina Cowie (finance manager), John Halligan (office manager)	
INDUSTRY ASSOCIATION MEMBERSHIP:	
MFAA, FBAA, COSL	
AVERAGE SETTLEMENT VOLUME BY BROKER:	
\$3.7m	
LOANBOOK AND BROKER STATISTICS	
	08/09
Size of residential loanbook	\$8.85bn
Size of commercial loanbook	
Annual residential loan settlements	\$2.23bn
Annual commercial lending settlements	
Number of loan writers/brokers	600
BROKER BREAKDOWN BY STATE:	
n/a	



Top: Ray Hair
 Above: Michael Russell

PLAN

YEAR ESTABLISHED: 1995
 NUMBER OF COMPANY EMPLOYEES: 94

HEAD OFFICE LOCATION: Melbourne
 STATES/TERRITORIES OPERATING IN: Australia, NZ

NUMBER OF LENDERS ON PANEL: 25

SENIOR MANAGEMENT TEAM:
 Ray Hair, CEO; Company directors:
 Alex Moulteris (managing director); Drew Hall

INDUSTRY ASSOCIATION MEMBERSHIP:
 MFAA, FBAA

AVERAGE SETTLEMENT VOLUME BY BROKER:
 \$600k

LOANBOOK AND BROKER STATISTICS	08/09
Size of residential loanbook	n/a
Size of commercial loanbook	n/a
Annual residential loan settlements	n/a
Annual commercial lending settlements	n/a
Number of loan writers/brokers	n/a

BROKER BREAKDOWN BY STATE:
 n/a

Mortgage Choice

YEAR ESTABLISHED: 1992
 NUMBER OF COMPANY EMPLOYEES: 89

HEAD OFFICE LOCATION: Sydney
 STATES/TERRITORIES OPERATING IN: Nationwide

NUMBER OF LENDERS ON PANEL:
 23 as at late June 2009

SENIOR MANAGEMENT TEAM:
 Michael Russell, CEO; Company directors: Peter Ritchie
 (chairman); Steve Jermy, Peter Higgins, Rod Higgins,
 Deborah Ralston, Sean Clanc

INDUSTRY ASSOCIATION MEMBERSHIP:
 MFAA

AVERAGE SETTLEMENT VOLUME BY BROKER:
 \$13.6m

LOANBOOK AND BROKER STATISTICS	6 MONTHS TO 31 DEC 08
Size of residential loanbook	\$34.2bn
Size of commercial loanbook	\$192m
Annual residential loan settlements	\$8.39bn
Annual commercial lending settlements	\$67m
Number of loan writers/brokers	600

BROKER BREAKDOWN BY STATE:

NSW NTH: 19% NSW STH/ACT: 15% QLD: 23% WA: 13% SA/NT 10%

NSW Nth: 19%, NSW South/ACT: 15%, Vic/Tas: 21%, Qld: 23%, SA/NT: 7%, WA: 12%



Top: Chris Acret
 Above: Mike Nicholson

Smartline

YEAR ESTABLISHED: 1999
 NUMBER OF COMPANY EMPLOYEES: 40

HEAD OFFICE LOCATION: Sydney
 STATES/TERRITORIES OPERATING IN: NSW, VIC, QLD, SA, WA, TAS

NUMBER OF LENDERS ON PANEL: 32

SENIOR MANAGEMENT TEAM:
 Chris Acret, managing director; Joe Sirianni, executive
 director; Jayson Billings, national operations manager;
 Company directors: Chris Acret, Joe Sirianni, Neil Pinner,
 Michael Brennan

INDUSTRY ASSOCIATION MEMBERSHIP:
 MFAA, FCA

AVERAGE SETTLEMENT VOLUME BY BROKER:
 \$15m

LOANBOOK AND BROKER STATISTICS	08/09
Size of residential loanbook	\$9.8bn
Size of commercial loanbook	\$350m
Annual residential loan settlements	\$2.75bn
Annual commercial lending settlements	\$150m
Number of loan writers/brokers	200

BROKER BREAKDOWN BY STATE:
 n/a

The Mortgage Professionals

YEAR ESTABLISHED: 1998
 NUMBER OF COMPANY EMPLOYEES: 10

HEAD OFFICE LOCATION: Sydney
 STATES/TERRITORIES OPERATING IN: QLD, NSW, ACT, VIC, SA

NUMBER OF LENDERS ON PANEL:
 30 Residential Lenders and 20 Commercial Lenders.

SENIOR MANAGEMENT TEAM:
 Mike Nicholson, Michael Ryce, Jeff Wong, Greg Evans, Marcus
 O'Brien, Pushapwant Sandhu; Company directors: Mike
 Nicholson, Michael Ryce, Jeff Wong

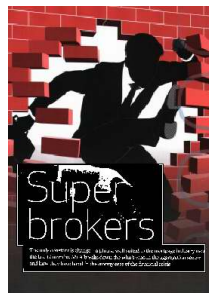
INDUSTRY ASSOCIATION MEMBERSHIP:
 MFAA, FBAA

AVERAGE SETTLEMENT VOLUME BY BROKER:
 \$5.14m p.a

LOANBOOK AND BROKER STATISTICS	08/09
Size of residential loanbook	\$4.1bn
Size of commercial loanbook	\$480m
Annual residential loan settlements	\$1.44bn
Annual commercial lending settlements	\$120m
Number of loan writers/brokers	300

BROKER BREAKDOWN BY STATE:

NSW: 66% VIC: 25% QLD: 6% ACT: 1% SA: 1%



Boutique broker groups

Loankit

YEAR ESTABLISHED:	NUMBER OF COMPANY EMPLOYEES
2004	5
HEAD OFFICE LOCATION:	STATES/TERRITORIES OPERATING IN:
Sydney	NSW, ACT, VIC, QLD, WA
NUMBER OF LENDERS ON PANEL:	
residential 30 lenders; non-conforming 5; commercial 18; equipment finance/leasing, personal loans and deposit bonds 9	
SENIOR MANAGEMENT TEAM:	
Kym Rampal & Carolyn Samer. Company directors: Kym Rampal	
INDUSTRY ASSOCIATION MEMBERSHIP:	
MFAA/COSL	
AVERAGE SETTLEMENT VOLUME BY BROKER:	
\$710,000	
LOANBOOK AND BROKER STATISTICS	08/09
Size of residential loanbook	\$2.16bn
Size of commercial loanbook	n/a
Annual residential loan settlements	2,200 / \$775m
Annual commercial lending settlements	n/a
Number of loan writers/brokers	91
BROKER BREAKDOWN BY STATE:	

Broker breakdown by state: Qld: 8%, Vic: 6%, WA: 2%, Act: 1%, NSW: 81%

finconnect australia pty ltd

YEAR ESTABLISHED:	NUMBER OF COMPANY EMPLOYEES
2006	8
HEAD OFFICE LOCATION:	STATES/TERRITORIES OPERATING IN:
Sydney	Nationwide
NUMBER OF LENDERS ON PANEL:	
15	
SENIOR MANAGEMENT TEAM:	
Tanya Sale - general manager; Marc Incerti - in-house legal counsel; Company directors: Marianne Perkovic/Barry Lambert	
INDUSTRY ASSOCIATION MEMBERSHIP:	
MFAA, COSL, DOCEP	
AVERAGE SETTLEMENT VOLUME BY BROKER:	
n/a	
LOANBOOK AND BROKER STATISTICS	08/09
Size of residential loanbook	\$13.5bn
Size of commercial loanbook	\$400m
Annual residential loan settlements	\$4.95bn
Annual commercial lending settlements	\$280m
Number of loan writers/brokers	157
BROKER BREAKDOWN BY STATE:	

Broker breakdown by state: NSW/ACT: 43%, Vic/ Tas: 29%, Qld/NT: 18%, SA/WA: 8%



Top: Kym Rampal
Above: Tanya Sale

Mortgage Wisdom

YEAR ESTABLISHED:	NUMBER OF COMPANY EMPLOYEES
1994	11
HEAD OFFICE LOCATION:	STATES/TERRITORIES OPERATING IN:
Wollongong	NSW, ACT, VIC & QLD
NUMBER OF LENDERS ON PANEL:	
40+	
SENIOR MANAGEMENT TEAM:	
3 CEO David Smith, general manager Graeme Haney, national development manager Nick Creagh; Company directors: 3 Brian Hastings (chairman), Steve Troughton & David Hartley	
INDUSTRY ASSOCIATION MEMBERSHIP:	
MFAA, COSL & FBAA	
AVERAGE SETTLEMENT VOLUME BY BROKER:	
\$750,000	
LOANBOOK AND BROKER STATISTICS	08/09
Size of residential loanbook	\$2.5bn
Size of commercial loanbook	
Annual residential loan settlements	\$500m+ (YTD)
Annual commercial lending settlements	
Number of loan writers/brokers	90
BROKER BREAKDOWN BY STATE:	
n/a	

Broker breakdown by state: NSW: 91%, ACT: 1%, VIC: 4%, QLD: 3%

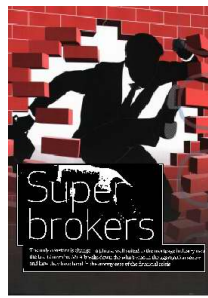
Specialist Mortgage

YEAR ESTABLISHED:	NUMBER OF COMPANY EMPLOYEES
1991	14
HEAD OFFICE LOCATION:	STATES/TERRITORIES OPERATING IN:
Subiaco, WA	WA, Vic, NSW, ACT, Qld, Tas, Singapore, Hong Kong, Dubai, London
NUMBER OF LENDERS ON PANEL:	
39 residential, 25 commercial, 15 HP/chattel finance	
SENIOR MANAGEMENT TEAM:	
William Lockett (managing director); Steve Ayris (BDM); Paul Hansberry (product & compliance manager); Richard Bland (state manager for NSW/Vic/Tas/Act/Qld/SA); Cathy Wallace (finance controller/group accountant); Company directors: William and Janet Lockett	
INDUSTRY ASSOCIATION MEMBERSHIP:	
MFAA, FBAA	
AVERAGE SETTLEMENT VOLUME BY BROKER:	
\$11.9m	
LOANBOOK AND BROKER STATISTICS	08/09
Size of residential loanbook	\$6.75bn
Size of commercial loanbook	\$93.5m
Annual residential loan settlements	\$1.97bn
Annual commercial lending settlements	\$37.2m
Number of loan writers/brokers	168
BROKER BREAKDOWN BY STATE:	

Broker breakdown by state: WA - 54%; NSW / ACT - 22%; VIC - 15%; Overseas - 3%; QLD - 3%; SA - 2%; TAS - 1%



Top: Brian Hastings
Above: William Lockett



sponsorship funding – all of which have reduced due to both declines in business and cost cutting by lenders,” he says. “Many of these aggregators have struggled to realign their expenses with the significant reductions in revenue that they have, and will continue, to face. Many have had to consolidate and cut staff, which affects their service to brokers.

Another significant threat is the management of commissions, Haron adds. “With a number of lenders now adjusting commissions monthly, quarterly and bi-annually based on group performance, some aggregators haven’t been able to keep up and even advise their brokers of commission changes. Just as importantly, they aren’t providing brokers with their individual reports from the lenders so the brokers can verify the accuracy of the bank score of their performance in relation to conversion and quality.”

National regulation also came up as hot topic. Most aggregators listed the new rules as “an opportunity” for the industry, but finconnect’s Sale warned that aggregator groups need to ensure the regulatory structure is effective and not “overzealous”.

Opportunities

As mentioned, a number of aggregators praised the implementation of national regulation.

“Ironically the introduction of the national credit bill and licensing comes at a time when major banks are dominating the current market for home loans and this in itself will help the broking market significantly as clients look for independent, impartial good professional advice,” says Choice CEO Brendan O’Donnell.

Haron says it is a chance for the broker industry to gain legitimisation in the eyes of consumers: “We are entering an era of increased regulation for the industry which will enhance the professional standing of brokers. As we take this step, brokers will look to their aggregators for a more professional service, even if it’s simply more detailed commission reports with a greater level of accuracy and flexibility and which incorporate arrears and discharged loans. Brokers will want systems that enable them to improve the client experience, both during the application process and after settlement. These same systems should also provide all the compliance templates, documents and record-keeping capabilities to assist brokers with the heightened compliance requirements in a more regulated industry.”

National regulation will not only improve brokers image, but also their service proposition to clients, says Rampal. He adds that the reduction in broker numbers means more business for the brokers that survived the credit crisis.

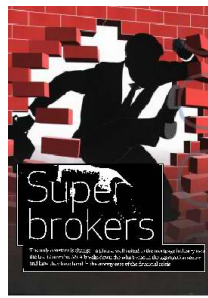
“Our industry has undergone some significant restructuring over the past couple of years, well ahead of the rest of the economy. This means that we are likely to be well-placed for growth as the economy picks up. In particular, with the exit of many brokers from the industry in the past 12 months, those remaining are facing less competition to gain new clients,” he says. “Most brokers are also upskilling their teams to provide insurance, financial planning and commercial loans to their clients. This diversification of income will not only protect them in tough times but also allow them to earn more from each client.”

LJ Hooker’s Bromley says aggregators should be placing more emphasis on training brokers in order to maintain a high standard of service. “Brokers should be working towards streamlining their processes to ensure a stronger quality with conversion and submission. Generally, the focus should be on highlighting the value proposition of using the third party channel instead of banks.



Peter Bromley

LJ Hooker Financial Services	
YEAR ESTABLISHED:	NUMBER OF COMPANY EMPLOYEES
2004	5
HEAD OFFICE LOCATION:	STATES/TERRITORIES OPERATING IN:
Sydney	Australia and New Zealand
NUMBER OF LENDERS ON PANEL:	
28	
SENIOR MANAGEMENT TEAM:	
Alan Lambert (chairman), Peter Bromley (general manager)	
INDUSTRY ASSOCIATION MEMBERSHIP:	
MFAA (Full Member), PLAN Australia	
*LJ Hooker is a sub-aggregator of PLAN Australia	
AVERAGE SETTLEMENT VOLUME BY BROKER:	
\$10m p.a.	
LOANBOOK AND BROKER STATISTICS	
	08/09
Size of residential loanbook	\$2.9bn
Size of commercial loanbook	\$0.13bn
Annual residential loan settlements	\$1.2bn
Annual commercial lending settlements	\$50m
Number of loan writers/brokers	150
BROKER BREAKDOWN BY STATE:	
Broker breakdown by state: Qld: 31%, NSW: 38%, Vic: 6%, Tas: 4%, WA: 7%, SA: 5%, ACT: 7%	



"Another opportunity that presents itself is the need to diversify the industry's core offering, creating more integration between the brokering channel and financial planning/insurance products. This is yet to be implemented correctly within the industry and is an initiative LJ Hooker Financial Services has already begun trialling."

Loan Market Group's Kolenda says there is a greater opportunity for aggregators who invest more heavily in the range of services that they offer their members and operate as a team.

"These groups are able to work towards the upper tiers of the lender commission schemes as they get more buy-in and provide more support. This broader support team will also be critical in the successful implementation of the approaching licensing regime."

Another area of opportunity for aggregators is the generation of new business opportunities through leads and referral partners, Kolenda says

"Over the last few months we have seen a dramatic increase in enquires from brokers looking for the value created via lead generation. Aggregators will need to support brokers further through a range of initiatives including investment in lead generation, training, and increased investment in the online environment."

Smartline's Acret made a point regarding commission linked to quality: "As per national regulation, for the good aggregators who invest in systems, support and training, this link of commissions to quality is an opportunity."

Some aggregators stressed their unique position in the changing environment.

"More and more of the general public will turn to who they trust in this environment and that is the likes of their accountant, financial planner, lawyer, etc. This is the market where finconnect sits – so what an opportunity this brings to the table," Sale says.

"finconnect's strategy is to be the preferred aggregator for the professional sector. We see the current economic climate as a great opportunity for the professional sector to really make their mark in this arena. The current environment has seen an exodus of mortgage brokers from the industry, which we believe is a good thing overall, as it means they did not have the necessary structures in their business to sustain a downturn finconnect for some time now has been promoting additional income streams to supplement our member's core business."

Delays

Lender service delays remain a sore point with many in the industry. In *MPA's Brokers on Banks* survey published in issue 9.6, brokers' anger over approval/turnaround times was evident in both the comment section and the results. Many want to know what their aggregator is doing to present their concerns to major banks.

Lawfund says it is attacking the problem on several fronts. "There are many and varied approaches we are taking, starting with speaking to the state manager of that lender, in some cases either myself and or Andrew [Russell] will get involved, and where required we will escalate our conversations to a national level," says Michael Keating, national aggregation services manager.

"Unfortunately most lenders say the delays are caused by the broker. Two about that: we won't go into bat for them in that case; and we are firmly of the opinion that a poorly presented deal should be taken out of the 'system'. The professional broker deal continues along the process quickly, so everybody wins. It's very frustrating, and sometimes it can be very difficult to get anything out of them. Six months ago if we said this was not good enough to a state manager it would have been fixed within hours, and I would have rarely referred to national manager, but now it is common place, and up to twice a day.

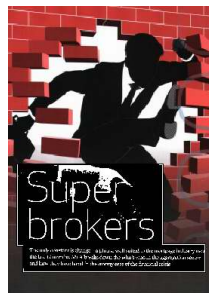
"However, we can expect that service levels will return to some normality as demand slows when the enhanced First Home Owner Grant runs its course, combined with the tightening of credit regarding genuine savings and decreased max LVRs," Keating says.

finconnect also expressed its exasperation in trying to overcome service delays. Sale says each day is filled with finconnect BDMs trouble shooting, escalating transactions, dealing on behalf of its members with channel conflict and assisting members with using technology to enhance their processes. "finconnect is educating members about the lender service delays through our online weekly newsletters. finconnect has also run workshops and online webinars training the members to submit applications that are error free, so that they do not contribute to the delays or re-working of applications," Sale says.

Commissions

This time last year, the broker industry was reeling from the sudden announcement of





commission cuts and restructures. While many fear reduced competition and an over-reliance on the major banks could spell further deterioration of commissions, Mortgage Choice maintains that there hasn't been any talk of cuts. "We have not heard any whispers from the 23 lenders on our panel around further commission changes," it said.

Lawfund, however, speculated that the only constant is change. "The big guys may reduce the commissions again or they seem to be continually changing the benchmarks. They introduce a benchmark, we reach it and then they change it – that is good and bad. We feel if the benchmarks are met and their systems are good then the profitability from a broker loan will be far superior to what they are going to achieve through the branch. Unfortunately though the broker reward for introducing this business to a major is diminishing," Keating says.

Connective maintains that whatever commission changes banks impose, aggregators will have to be able to back up brokers to make sure they are getting everything they are owed

"Commissions will continually be reviewed and the only changes I expect, and would find acceptable, will be in relation to individual broker performance e.g. conversion, quality and loan life. What we have learnt though is to ensure there is accurate, detailed and timely reporting we can then provide to our brokers for them to verify and challenge if necessary," Haron says.

Who's left?

The other moving target is how many aggregators will remain. The mortgage industry has seen some players merge and others get swallowed up by bigger organisations. Almost all aggregators agreed we haven't seen an end to consolidation.

"We believe aggregation models will be tested in the current environment. Regulation and economic pressures will require aggregators to have scale and infrastructure in order to be financially viable. There is always room for boutique businesses. Those businesses without a clear and powerful value proposition will be in trouble," says Rav Hair, CEO of PLAN. **MPA**