

top ten originators

- 2009 -

MORTGAGE BROKERS AND ORIGINATORS HAVE GROWN HAND-IN-HAND OVER THE LAST DECADE. BUT AFTER A CHALLENGING 18 MONTHS, WHICH BUSINESSES LEAD THE NON-BANK SECTOR WHEN IT COMES TO THIRD-PARTY DISTRIBUTION? *MORTGAGE BUSINESS* REVEALS THE DEFINITIVE LIST OF THE NATION'S TOP 10 ORIGINATORS



WHILE few lenders will look back fondly on 2008, with hindsight we may yet conclude that it was the correction the mortgage industry had to have.

Originators were without a doubt hardest hit by the credit crisis. But as the dust settles a remarkably resilient group has emerged.

After a brutal year the sector now looks stronger and more capable than ever of competing with the banks.

Originators' product pricing is substantially more robust than it was a year ago. And while the banks still account for the lion's share of volumes, their sluggish turnaround times have driven a resurgence of broker interest to non-bank products.

Brokers are indeed bullish about mortgage originators, with a significant 64.9 per cent of the 557 brokers who participated in the recent *Mortgage Business* Q1 2009 Sentiment Survey revealing that they expect to recommend a non-bank product over the coming quarter. (Full report on pp.44-45.)

Only 22.8 per cent declared they wouldn't, while 12.3 per cent said they weren't sure.

These results should certainly indicate that shrinking originator market share has now bottomed out and a new phase of growth for the non-bank sector may be dawning.

Most brokers acknowledge that mortgage originators play an important role in Australia's mortgage industry.

Not only did they introduce much needed competition into the mortgage market during the latter part of the 1990s, which helped drive down home loan rates, they also created much of the product innovation that opened up home ownership to many Australians who would otherwise have been left out of the market.

Originators still face a challenging year

but market conditions are now significantly more favourable. While the heady days of 20 per cent plus market share may seem a distant memory, the originator renaissance may now already be underway.

With this in mind *Mortgage Business* reveals which originators are at the forefront of Australia's non-bank sector in its inaugural Top 10 Originators ranking. ■

What is an originator?

Originators, mortgage managers and non-bank lenders are all terms that could be applied to most of the businesses that have made our Top 10. For the sake of simplicity we've stuck to originator.

To be considered for a Top 10 ranking, originators must also have a focus on broker distribution as well as a number of funding lines. That means some businesses, such as RAMS, Resi and Wizard, have been excluded from the review.



Shrinking originator market share has now bottomed out... a new phase of growth for the non-bank sector may be dawning





In search of Australia's **top** originators

MORTGAGE Business has applied a robust research process to determine Australia's Top 10 Originators.

Over the course of eight weeks we used the following methodology to provide you with a true reflection of the sector and identify originators who are the nation's leaders.

To narrow the field, the major wholesale lenders were asked to provide a list of their top performers, with Adelaide and Bendigo Bank, Challenger, FirstMac, ING DIRECT and Origin all contributing. This generated a final combined shortlist of 20 originators that fitted our criteria.

Shortlisted originators were then asked to provide a detailed submission that included such information as 2008 loan volumes, total book size, national distribution capabilities, staff and BDM count, product range and funding panel.

Certain criteria were measured against others – for example, accredited brokers against BDM count – to provide a greater insight into originators' main strengths and weaknesses. The quality of submissions across the board was outstanding with every group completing all 18 sections.

Each originator was then graded on each of the criteria and awarded a score for each, with the scores combined to produce a shortlisted

top ten. Brokers (names of which were supplied by the shortlisted originators) were then contacted for feedback on originators' turnaround times, flexibility, product range, and overall servicing levels.

RUNNERS UP

The margin between those who made the cut and those who missed out was tight.

What has been apparent throughout is the depth of quality that exists at the top of the sector. The groups that narrowly missed a 2009 ranking were:

- Barnes Home Loans
- Bettaway Home Loans
- BMC Mortgage Corporation
- Future Financial
- Mainstream Capital Corporation
- Mortgage Mart of Australia
- National Finance Club
- Nationwide Lending
- Residential Property Mortgages
- Source Mortgage Management

Keep a close eye on these shortlisted finalists because there is little doubt some will break into the Top 10 next year. ■



An introduction to the ranking

BROKER sentiment is again swinging back in favour of originators as they emerge from a torrid 18 months.

There has been significant rationalisation across this sector and many businesses have exited. But a core group of originators has emerged who have withstood the worst of the financial crisis.

The *Mortgage Business* Top 10 Originators not only reveals which groups lead the field, it also gives brokers an insight into their distribution, size, history, and support capabilities.

All of the 20 shortlisted originators were happy to share with *Mortgage Business* details of their loan volumes, book size and number of loans written – highly sensitive information but critical for us to be able to make an accurate assessment of their standing.

While there are many boutique originators out there who deliver sound products and excellent service to brokers and their clients, there is significant value in understanding which originators are accessible to brokers on a national basis.

As originators continue to strengthen their position I look forward to seeing which of this year's Top 10 will retain their ranking in 2010, and which of those up and coming groups can break through to the top list.

Alex Whitlock, publisher

10 Collins Securities

ORIGINATOR PROFILE

Loans written (2008): 772

Years established: 16

BDM sales force: 6

Total staff: 25

Accredited brokers: 4,000 (approx)

Aggregation panels: 6 major groups

Ranking score: 82



Rob Emmett, managing dir



BROKER COMMENT

On flexibility:

"Collins staff... will always go the extra mile to assist brokers and their clients to achieve their goals. If the loan is not possible, then they explain in detail the reasons as opposed to simply saying it does not meet standard guidelines."

On overall servicing capability:

"I've had clients tell me that they wish to return to Collins, even when their products may have been marginally outside the market. This is because Collins' clients are happy with the service provided."

Malcolm Bartley, BFA Finance



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09 Nationalcorp/Australian Capital Home Loans



Barry Parker, managing director

ORIGINATOR PROFILE

Loans written (2008): 1,164
Years established: 11
BDM sales force: 6
Total staff: 31
Accredited brokers: 475
Aggregation panels: Nil (direct to broker)
Ranking score: 83



BROKER COMMENT

On overall servicing capability:

"I've never had a complaint. The customer service department at Nationalcorp calls every customer after settlement to ensure they know how to use their accounts."
Ian Haisman, Bristol Street Financial Services

ORIGINATOR COMMENT

On offering a competitive proposition:

"Mortgage managers had price and product to compete on, but the world has changed. We spent 2008 developing our loyalty loan, which has given us a point of difference."

Barry Parker, managing director

08 Better Mortgage Management

ORIGINATOR PROFILE

Loans written (2008): 304
Years established: 9
BDM sales force: 8
Total staff: 21
Accredited brokers: 820
Aggregation panels: 3
Ranking score: 88



Murray Cowan, managing director



BROKER COMMENT

On turnaround times:

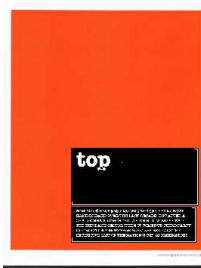
"I've always found them very fast at quoting and very fast at processing loans."
Mark Andersen, More Home Loans

ORIGINATOR COMMENT

On its biggest achievement in 2008:

"We concentrated on maintaining high service levels since this remains the fundamental difference between dealing with banks and non-banks for both customers and brokers. We take pride in the fact our service levels remained high despite very trying market conditions during 2008."

Murray Cowan, managing director



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07 National Mortgage Company



Jeff Chapman, head of mortgage origination

ORIGINATOR PROFILE

Loans written (2008): 1,688
Years established: 13
BDM sales force: 5
Total staff: 45
Accredited brokers: 36 (broker group)
Aggregation panels: Nil (direct to brokers)
Ranking score: 92



BROKER COMMENT

On support services:

"NMC constantly provides product training wherever and whenever necessary; they also assist in co-branding of our services to our clients and general marketing."

Peter Boussounis, Investloan

ORIGINATOR COMMENT

On business growth for the coming 12 months:

"Some competitors with securitised funds will continue to have pressure on their funding; with most of our funding coming from AA rated lines we will be stronger placed than some."

Jeff Chapman, head of mortgage origination

06 Mortgage House

ORIGINATOR PROFILE

Loans written (2008): 1,336
Years established: 11
BDM sales force: 5
Total staff: 31
Accredited brokers: 1,000 (approx)
Aggregation panels: 1
Ranking score: 98



Ken Sayer, managing director



BROKER COMMENT

On broker support:

"My Mortgage House BDM always gets onto my requests within the hour; if not, someone else from the group will look after it – they're very obliging, helpful and fast to act."

John Foley, Combined Asset Finance

ORIGINATOR COMMENT

On business growth for the coming 12 months:

"We'll enhance our lead catchment process and offering and engage different marketing strategies to generate lead enquiry."

Spokesperson, Mortgage House



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05 Home Loan Centre Australia



Matt Carter, director

ORIGINATOR PROFILE

Loans written (2008): 1,000 (approx)
Years established: 15
BDM sales force: 4
Total staff: 20
Accredited brokers: 1,600
Aggregation panels: 8
Ranking score: 101



BROKER COMMENT

On turnaround times:

"They have always been very proactive and have helped to find ways in which to get many deals over the line. Turnaround times have also been very good and they have always gone the extra yard for special cases."

Paul Anderson, Investloan

ORIGINATOR COMMENT

On business growth for the coming 12 months:

"We are finalising the roll out of a new suite of add on products – designed specifically for mortgage brokers."

Matt Carter, director

04 Firstfolio

ORIGINATOR PROFILE

Loans written (2008): 1,027
Years established: 8
BDM sales force: 8
Total staff: 42
Accredited brokers: 859
Aggregation panels: 2
Ranking score: 109



Mark Forsyth, CEO



ORIGINATOR COMMENT

On its biggest achievement in 2008:

"Developing a market-leading online platform and completing the acquisitions of eChoice and Domain Financial Services."

On whether originators will increase market share in the year ahead:

"When things settle down and consumers realise that non-banks are here to stay – and continue to offer superior service and value for money – then market share will certainly increase."

Mark Forsyth, CEO



03 Mortgage Ezy

ORIGINATOR PROFILE

Loans written (2008): 2,607
Years established: 15
BDM sales force: 11
Total staff: 55
Accredited brokers: 3,962
Aggregation panels: 8
Ranking Score: 122

BROKER COMMENT

On speed and accuracy of commission payments:

"We always receive payment [just] days after completion of the sale"

Chris Walters, Australian Residential Investments

On commissions in comparison with other lenders:

"Best commissions in the industry."

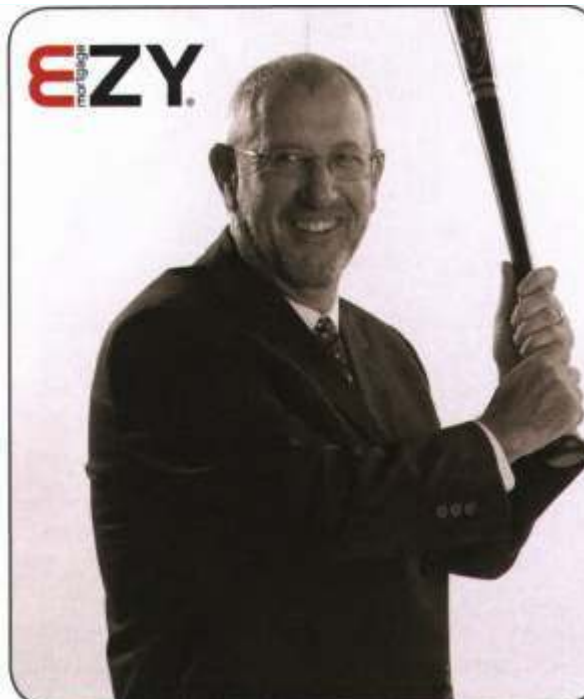
John Khall, Pacific Mortgage Group

ORIGINATOR COMMENT

On the company's biggest achievement in 2008:

"It wasn't the greatest year for the industry but the highlight for us was our ability to maintain our volumes and also our staff - we haven't made any redundancies, unlike a lot of businesses in our industry. We strongly believe in getting good people and keeping them because business will pick up."

Garry Driscoll, general manager



Garry Driscoll, general manager



02 Australian First Mortgage

ORIGINATOR PROFILE

Loans written (2008): 1,763
Years established: 5.5
BDM sales force: 7
Total staff: 31
Accredited brokers: 4,000 (approx)
Aggregation panels: 8
Ranking score: 126

BROKER COMMENT

On overall servicing capability:

"I'm extremely comfortable dealing with Australian First Mortgage; their level of service from day one has been excellent. It also has some great products."

Derrick Gray, **Milton Price Financial Services**

On competing in a challenging

market: "They deliver quick approvals and still have good old fashioned service with no commission clawbacks."

David Seager, **Seager Financial Services**

ORIGINATOR COMMENT

On whether originators will increase market share in the year ahead:

"A lot are struggling and this is a tough market. The key will be re-establishing confidence in the non-bank sector."

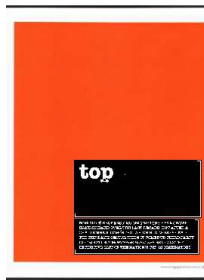
On its biggest achievement in 2008:

"Re-establishing our leasing division, which is now up and running and well-established. We also took steps to expand our commercial property division."

Tanya White, **managing director**



Tanya White, managing director



01 Homeloans LTD

ORIGINATOR PROFILE

Loans written (2008): 3,538
Years established: 24
BDM sales force: 14
Total staff: 90
Accredited brokers: 7,200
Aggregation panels: 18
Ranking score: 128

COMMENT ON TOP RANKING

HOMELOANS LTD was a standout leader in this year's Top 10 Originators. Despite stiff competition from Australian First Mortgage and Mortgage Ezy, the business was dominant in a number of key areas.

Key metrics, such as a loan book of \$5.6 billion coupled with 3,538 loans written in 2008, are testament to the business' strong pedigree and market positioning.

These outstanding results were achieved against a backdrop of sliding originator market share and growing borrower uncertainty towards the non-bank sector as a result of media negativity and borrower flight to the perceived safety of the banks.

Homeloans LTD looks well positioned to continue its dominance of the sector in the year ahead. The originator is very well capitalised, with over \$40 million in cash which it has earmarked for expansion and acquisition.



Tony Carn, general manager of sales



BROKER COMMENT

On BDM support:

"BDMs are first rate, they're quick to respond and will workshop a deal – which helps me better manage my clients' expectations."
James Nowlan, **Brentnall Finance**

On broker servicing:

"From application through to settlement, they're flexible and treat every assessment individually
Francis Liew, **Finance 123**

On turnaround times:

"Loans typically settle very quickly
The size of the company also gives scale but they're not too big not to provide the personal service I require for my clients.
Steve Monks, **Generation Home Loans**

What were Homeloans LTD's biggest achievements in 2008?

It was probably being seen as a well established and serious player in the Australian market. What the market needs to see is commitment to the industry, and for us this is all we do. We are not going to pull out of the market to focus on making airplane engines or medical equipment, nor are we going to rely on retail business,

commercial lending... and insurance
Mortgages are our core, this is our industry; this is what we do.

But perhaps our biggest achievement was in continuing to deliver superior service to our business partners – our customers – as well as deliver a sound result for our shareholders as a publicly listed company.

How do you plan to grow the business over the next 12 months?

Banks are enjoying a 90 per cent market share, and this provides opportunity.

The big challenge at the moment is for brokers and borrowers alike to see that viable alternatives are out there. The third-party [sector] is at a serious risk of cannibalising itself – the opportunity this year is to correct the unhealthy imbalance that we face today.

We are working on some fantastic product initiatives which will give us a strong advantage in the market.

We are well capitalised with an established lending book and infrastructure; a network of offices in every state, an established sales force, sales support and credit team gives us the ability to steer ourselves on a strong course through the year ahead. ■

“Mortgages are our core, this is our industry; this is what we do”

ORIGINATOR COMMENT

Tony Carn, Homeloans LTD general manager of sales, explains Homeloans' strong value proposition and market leading position