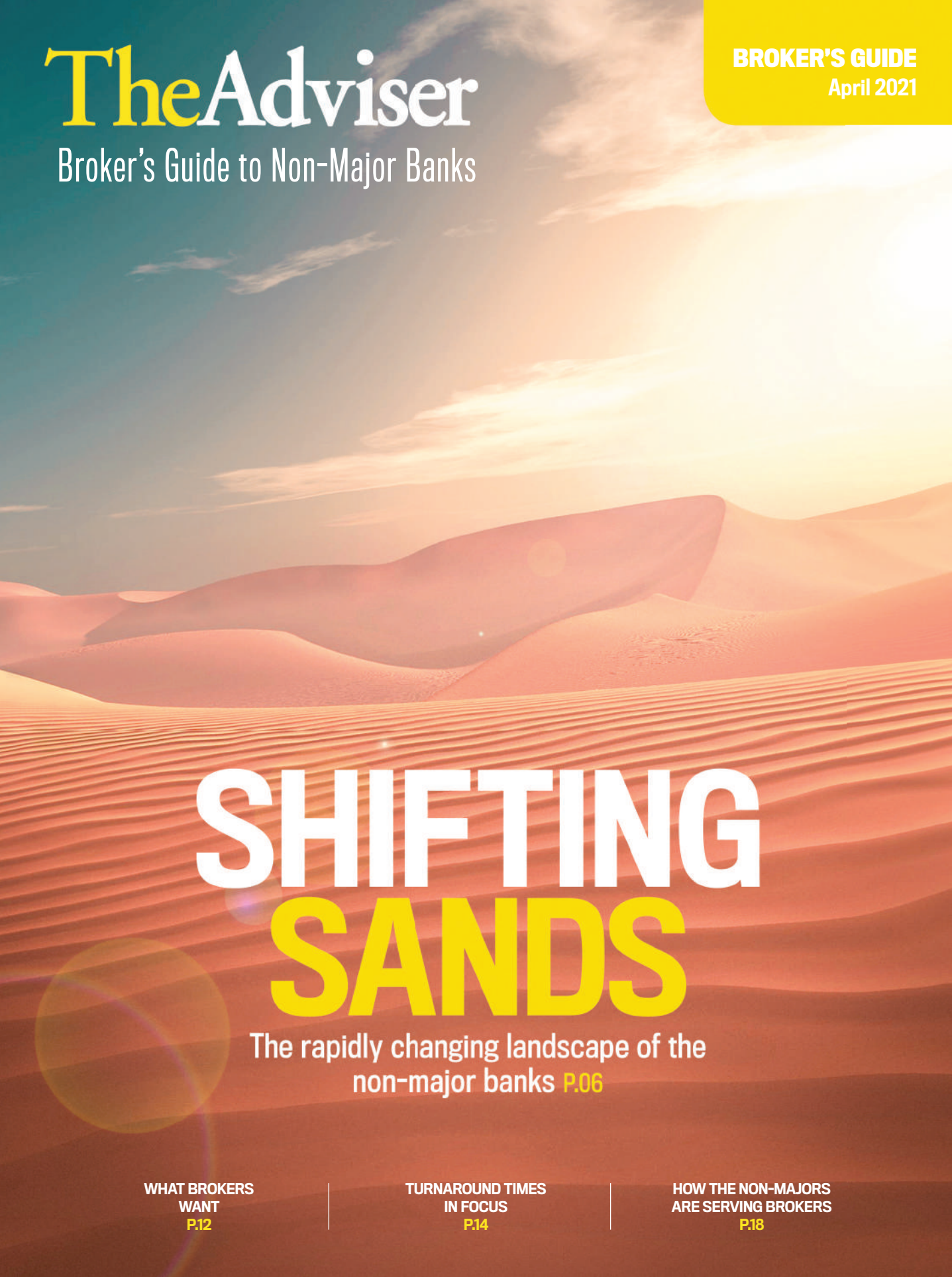
TheAdviser
Broker's Guide to Non-Major Banks

BROKER'S GUIDE
April 2021



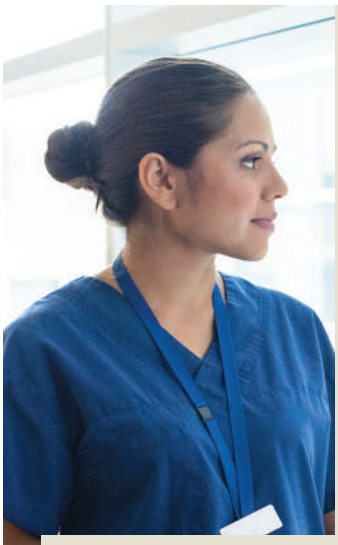
SHIFTING SANDS

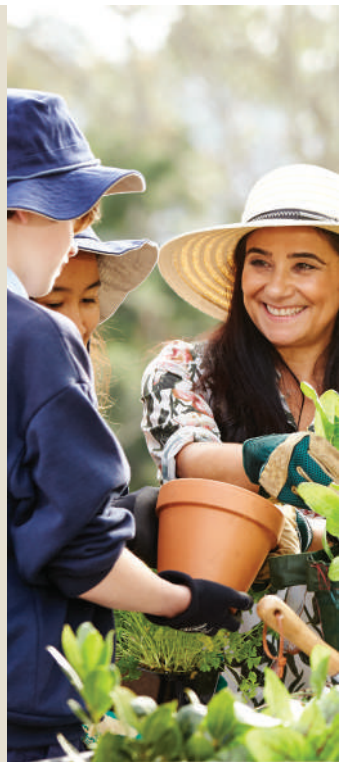
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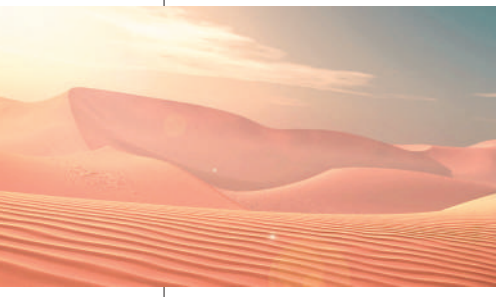
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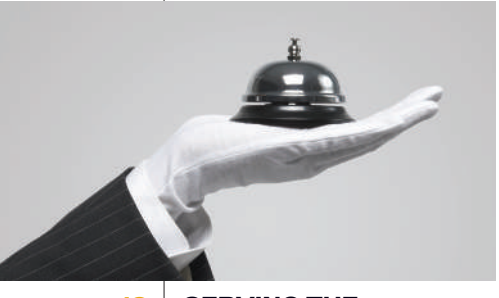
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Editor's letter

– The changing market –

IT'S BEEN just under a year since we released our last Broker's Guide to Non-Major Banks, but given the huge amount of change that has happened since June 2020, we thought it was high time to review what has been happening in the lending segment.

In the following pages, we set out to uncover how quickly the sands of the lending market shift. When reviewing the lay of the land for this feature, I was surprised to see just how many lenders were merging with their non-major counterparts to shore up their resources and take on the big four. Indeed, while many lenders have been looking to merge, others have been less fortunate, exiting the industry altogether. It goes to show that banking is not a cheap business, and the regulatory burden has been leading many to review their options.

But while there may be fewer brands in the market, the offering that the non-major banks provide is of increasing importance to brokers. Indeed, in less than a year, the flow of broker-originated mortgages accelerated out of the non-majors to the big four, and back again. On page 6, we take a look at the data behind this shift and take a look at how the non-major lending segment, as a whole, has been radically changing.

Meanwhile, on page 12, we dig down further into why brokers are once again shifting their recommendations towards the non-major banks.

As Momentum Intelligence's surveys show, it's the speed of decisioning and know-how of non-major banks and their BDMs that have really given non-majors their groove back. On page 14, we asked some of the heads of third party at the banks to outline how they've been making turnarounds, and consistency of turnaround times, a priority.

Speaking of the heads of third party, on page 18 we sit down with a roundtable of non-major banks to understand what they've been doing to support the broker channel in the past year, and why the channel is important to them.

We hope that this supplement, together with the main magazine, provides brokers with a sound understanding of how lenders have been supporting the market and channel during the coronavirus pandemic – and will continue to do so into the future. ■



Annie Kane
Editor

Heritage Bank
People first.

A bank that backs your community

Stewart Saunders, head of broker experience at Heritage Bank, shares how Heritage's position as a mutual bank supports their genuine passion for helping people and connecting with communities



IF THE past year has taught us anything, it's the importance of connection and authenticity.

Aside from competitive products and rates, Heritage offers the opportunity to be a part of something bigger, a collective movement that puts people first. Unlike the listed banks whose overriding goal is to maximise profits for shareholders, our focus is on maximising value for our members and giving back to the communities in which we operate.

We reinvest the profits we make back into the business to give people great Heritage experiences, and support them when they need it most. Last year, we moved quickly to adjust to the impacts of the pandemic, introducing support measures like mortgage relief packages, dedicated phone lines with specialist support teams for the elderly and frontline workers, and digital VOI for brokers. Over the next 12 months, we're working to introduce a new loans origination platform that will cut the processing time for the average home loan application by up to 80 per cent. This will lead to a faster, more seamless and consistent experience for customers, mortgage brokers and staff.

For over 146 years, Heritage's "people first" philosophy has been at the foundation of everything we do – our products, services, infrastructure, even the sponsorships and initiatives we support. As a socially conscious organisation, we've integrated environmental, social and governance (ESG) principles into our everyday operations. In June 2020, we released an ESG Position Statement that sets out our commitments to operating sustainably, and our commitments to our members and the community.

Our sponsorship philosophy focuses on actively serving the interests of the community, not marquee sponsorships just for publicity. For example, Heritage's national partnership with leading food rescue organisation OzHarvest will fund the delivery of 200,000 meals a year to people in need.

This approach of good corporate citizenship resonates with our customers and brokers. Last year, Heritage topped the rankings in the JD Power 2020 Australia Bank Brand Authenticity Study, as well as the JD Power 2020 Australia Retail Banking Satisfaction Study, and was also named number one bank in Australia by international business magazine Forbes in their 2020 World's Best Bank list.

Heritage is here to make a positive difference. We are purpose-driven, not profit-driven. We're genuine about understanding and connecting with our members and what matters to them. Beyond the nuts and bolts of our products and services, we are more than just a bank.



Stewart Saunders
head of broker experience
Heritage Bank



A bank that backs your community.

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People first.

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BROKER

Banking on BOQ

It's been a big year for BOQ, as the group continues its digital transformation and increases broker flows. Kathy Cummings, BOQ's general manager, broker, outlines how they've been focused on the broker channel and what brokers can expect in the pipeline moving forward

What is the company currently focused on for brokers?

BOQ is focused on further simplifying the home lending process with a view to achieving the fastest possible time to decision for brokers and their customers.

From a technology perspective, we're working on better integrating the application system that our brokers use with BOQ's own internal platforms.

The end goal is that this alignment will enable us to provide an automated first decision within minutes of an application being received.

What tools and support do you offer brokers, and how do brokers access them?

In August 2020, BOQ launched its Secure Broker Portal, which is accessible to brokers via desktop or their mobile device. Through the portal, brokers can access BOQ's credit policy and easily locate the information they need using search functionality. In addition, brokers can use the portal to order an upfront valuation, submit a pricing request and track a deal from start to finish, enabling them to keep their customers updated every step of the way.

From a support perspective, our experienced team of relationship managers is always happy to help. BOQ's credit managers will also contact brokers directly to discuss aspects of an application that might require clarification or amendment, or to explain why an application will be declined. We believe responsiveness and transparency are key to maintaining long and productive partnerships.

We also want to enable brokers to provide support to customers throughout the lending journey. As part of this, in December 2020 we introduced loan maturity notifications to alert brokers to upcoming customer milestones, such as the expiry of a fixed rate term. These notifications include the loan maturity date, the type of loan and new interest rate the customer is scheduled to roll to, as well as a direct link to the Secure Broker Portal where the broker can submit a retention pricing request. This is about providing brokers with the information they need to proactively connect with customers to understand how their situation may have changed and what they'd like to do next.

Why should a broker look to partner with BOQ?

When it comes to our third-party proposition, BOQ is in the midst of an exciting transformation. We're focused on ensuring the personal, timely support that our brokers have always received from us is backed by fast and simple processes that facilitate exceptional home lending experiences. We're looking forward to continuing this transformation throughout 2021 as we work towards our aspiration to be the regional bank of choice for brokers and their customers.

What changes can we expect from BOQ this year?

Our first priority is to make the technology changes required to achieve an automated first decision. Beyond this, we're working on delivering an online serviceability calculator that will save our brokers time, as well as introducing auto-decisioning of pricing requests submitted through the Secure Broker Portal.

For our existing customers, we're focused on improving the switching and top-up processes to deliver a more seamless experience. We're also looking at enhancing our credit training capabilities. As you can see, it's shaping up to be a big year!

"WE'RE FOCUSED ON ENSURING THE PERSONAL, TIMELY SUPPORT THAT OUR BROKERS HAVE ALWAYS RECEIVED FROM US IS BACKED BY FAST AND SIMPLE PROCESSES THAT FACILITATE EXCEPTIONAL HOME LENDING EXPERIENCES"



Kathy Cummings
general manager, broker
BOQ

EVERYTHING YOU NEED AT YOUR FINGERTIPS

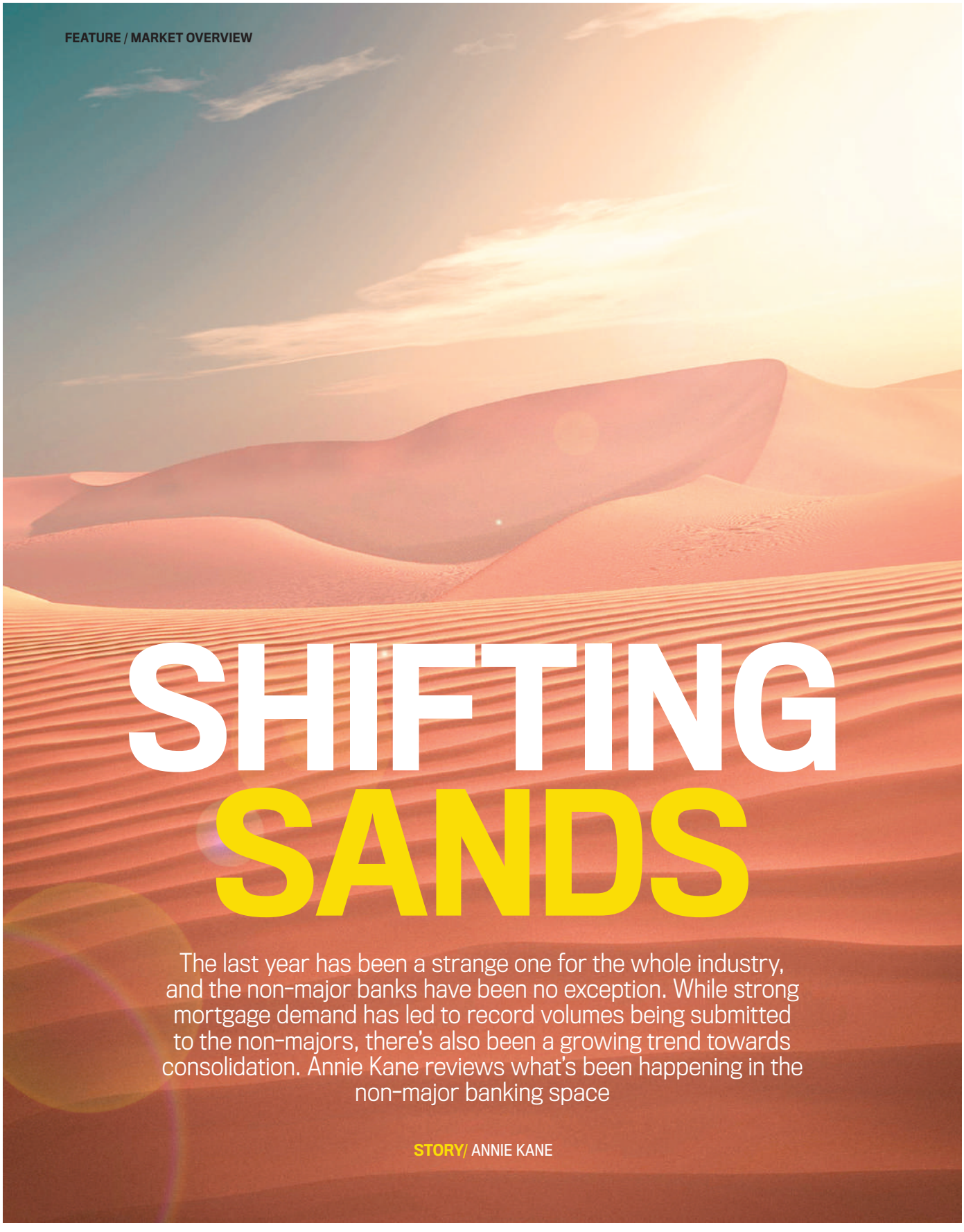
BOQ Broker Central gives you access to all the information, tools and offers you need, making it easier for you to support your clients with their home ownership goals.

- Check out the latest interest rates and offers
- Access BOQ credit policy, forms and fact sheets
- Track the status of an application
- Submit online pricing requests for new and existing customers
- Calculators, FAQs and more useful tools

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SHIFTING SANDS

The last year has been a strange one for the whole industry, and the non-major banks have been no exception. While strong mortgage demand has led to record volumes being submitted to the non-majors, there's also been a growing trend towards consolidation. Annie Kane reviews what's been happening in the non-major banking space

STORY/ ANNIE KANE

LENDERS ACROSS the board have been seeing record volumes being lodged to them in recent months. According to the Australian Bureau of Statistics, both major and non-major banks set a record for loan volume every month between August and December 2020, closing off the final month of the year with a marked peak in housing finance. The big four banks committed more than $20 billion in loans (in original terms) in December 2020, while the non-majors also saw record levels of volume, at just over $7 billion that month.

Volumes continued strongly into January 2021 for both segments of the market. While government incentives such as HomeBuilder and the First Home Loan Deposit Scheme had been incentivising borrowers to purchase (or build) new property (and keep the economy moving), record-low interest rates and a competitive lending environment has also been a strong attractor.

In fact, competition was so rife last year that lenders were rushing to market with eye-watering cashback offers. In early COVID (March-June 2020), the majors all came out to market with offers of up to $4,000 for those refinancing their loan to them, leading to a surge in traffic to ANZ, CBA, NAB and Westpac.

Broker customers also flocked to the majors, with the Australian Finance Group's (AFG) mortgage and competition index – which involves an ongoing quarterly survey of the aggregator's network of 3,000 brokers – showing that major market share surpassed 66 per cent in the fourth quarter of FY20 (ending June 2020), a record high.

But as more volume was sent to the majors, so did turnarounds expand. ANZ, in particular, has been impacted by slow processing times, taking around one month to pick up a file, according to broker feedback.

Given this, it is perhaps unsurprising that the AFG index shows that non-major banks have been claiming back market share since the majors have been experiencing blowouts. While the AFG index shows that non-majors saw a record-low share in the final quarter of the 2020 financial year (at 33.22 per cent), this rebounded back to its usual level of 41 per cent in the first quarter of FY21, holding at 41.16 per cent in the second quarter.

Moreover, the AFG stats show that brokers operating under the group started turning to non-majors in their droves in FY21. While ANZ and CBA had been the top two lenders used by AFG brokers in every major state in 4Q20, by 1Q21, Bankwest and Macquarie had shot up in broker usage to claim second spot. By 2Q21, brokers in South Australia and NSW were sending the largest proportion of their loans to a non-major bank (BankSA and Macquarie, respectively), with Bankwest, Bank of Melbourne and Macquarie coming in second place in Western Australia, Victoria and Queensland.

More recently, brokers have been turning to non-majors to take advantage of their service offering and speedy decision making (*turn to page 12 to find out more*).

Bank exits and consolidation

But while brokers and their customers have been looking at what options are available to them outside of the big four banks, the number of non-major bank lenders has been falling.

Indeed, analytics and consulting company GlobalData had warned in March last year that one in four ADIs could exit the market within the next five years (either via mergers or acquisitions), as unemployment levels rise and credit appetite dissipates. While Australia's unemployment rates were softened by government support such as JobSeeker and JobKeeper, cushioning the blow, the industry has bid farewell to several non-majors in the past year.

Late last year, neo-lender Xinja Bank made the shock announcement that it would hand back its banking licence and cease offering banking products.

Speaking at the time, Xinja said the move came "after a year marked by COVID-19 and an increasingly difficult capital-raising environment".

"Following a review of the market in Australia, Xinja has decided to withdraw the bank account and Stash (savings) account and cease being a bank. This was an incredibly hard decision," Xinja said.

The non-major bank made history by becoming the first Australian bank to undertake a return of deposits to customers, with many commentators stating that part of Xinja's downfall was the delay in launching a mortgage product.

GlobalData warned that challenger banks could face a similar fate if they didn't diversify their revenue streams to more lucrative products rather than just offering deposits.

Katherine Long, banking analyst at GlobalData, suggested that the failure of Xinja Bank was that it "did not prioritise early on trying to create a sustainable future with revenue-generating products, and it was too late when it finally dawned that it needed personal loans and wealth services instead".

But even those neobanks with mortgage offerings, such as 86 400 (which launched its mortgage offering in 2019), have also been reviewing their options following "capital challenges".

Early this year, National Australia Bank (NAB) announced that it had entered into an agreement to buy 86 400 in a bid to accelerate the growth of NAB's digital bank, UBank. Under the $220-million deal, which is expected to complete "mid-year", the 86 400 brand will disappear, subsuming under the UBank name.

"Bringing together UBank and 86 400 is consistent with NAB's long-term strategy and growth plans and will enable us to develop a leading digital bank that can attract and retain customers at scale and pace," NAB chief operating officer Les Matheson said.

Speaking to The Adviser in February, the CEO of 86 400, Robert Bell, commented: "At the moment, the only thing that's really constraining us – to some extent – is that the bigger your mortgage book becomes, the more capital you need.

"Merging with UBank means that the capital challenge effectively disappears, and we will be able to do more of what we're currently doing. That's certainly the plan," he said, suggesting that the deal would enable it to bring to market more innovate products and broaden its risk appetite.

It's not just new players that have been facing challenges. Super fund-owned lender ME Bank has reportedly been looking for a buyer for several years to help it achieve more scale and deliver more competition. Bank of Queensland (BOQ) announced in February that it had entered into an agreement to acquire 100 per cent of Members Equity Bank Ltd for $1.325 billion.

Unlike 86 400, the deal would see the ME Bank brand continue in market. This would mean that BOQ Group would consist of three brands: BOQ, ME Bank and Virgin Money.

If approved, the transaction would represent the largest merger of two local banks for more than a decade. With 1 million customers between them, the expanded BOQ Group would become the



sixth largest bank in Australia in terms of total customers, according to Roy Morgan, behind only the big four and Bendigo Bank.

The transaction could also broaden BOQ's reach across the country. While both banks have a significant footprint in NSW, BOQ's strength is in Queensland and Western Australia, while more than a third of ME Bank's customers are from its home base of Victoria.

Combined, the group will have pro forma total assets over $88 billion, with total deposits of more than $56 billion.

BOQ's managing director and CEO, George Frazis, said that as well as helping the group deliver "material scale", "broadly double the retail bank" and provide "geographic diversification", it would also help the banking group accelerate its growth and its digital strategy towards "a cloud-based common digital retail bank technology platform".

Mergers at the mutuals

The mutual banking sector has also seen a huge amount of change in the past year, with several credit unions and member-owned banks merging.

In January 2021, Victorian-based Pulse Credit Union Ltd and Teachers Mutual Bank Ltd (TMBL) announced that they had signed a memorandum of understanding to enter merger discussions and begin due diligence.

According to the credit union, the merger comes following "growing challenges" in the banking arena.

Pulse Credit Union chief executive Stuart Neave said: "In the past 12 months, the mutual banking industry has faced growing challenges in an era of digital disruption, reducing margins, increasing regulatory change and challenges from the COVID-19 pandemic. The strategy driven by our board has been to search for opportunities to achieve the size and scale that will support outstanding and sustainable service for our members."

The move is the latest in a string of acquisitions and mergers undertaken by TMBL in the recent past. In August 2020, Firefighters Credit Co-operative Ltd signed a memorandum of understanding to merge with TMBL – which already comprises Teachers Mutual Bank, UniBank, Health Professionals Bank and Firefighters Mutual Bank.

Similarly, IMB Bank completed its merger with Newcastle-based lender Hunter United Employees' Credit Union in May last year, enabling the merged group to "better meet the challenges of increased competition in the banking sector" and the "increasing costs of operating and responding to regulatory change".

Indeed, there have been predictions that smaller players in the mutual bank sector would need to continue to consolidate to survive.

In an unusual speech delivered to the Customer Owned Banking Association (COBA) 2020 Convention in December, the deputy chair of the Australian Prudential Regulation Authority (APRA), John Lonsdale, suggested that it would be "prudent" for smaller banks to "consider the preparatory steps required for a merger or transfer of business" should they face a severe financial stress.

In his speech, Mr Lonsdale outlined that 2020 had been "a very challenging year for everyone, confronting the Australian community with firstly a health crisis and then testing the financial system with a resulting economic crisis".

He warned that a large number of the small banks – and not only mutuals – have "business models that are challenged", which could be exacerbated by the fact that consumers increasingly expect a strong digital banking offering (with relevant cyber security), which might be hard for cash-constrained mutuals to provide.

"Therefore, it is prudent that such ADIs consider the preparatory steps required for a merger or transfer of business, including criteria to identify potential partners at an early stage rather than wait for a deterioration in financial position," he told the COBA conference.

"Hopefully, recovery plans never need to be enacted, but it is important for all APRA-regulated entities, even smaller ones, to ensure they have an effective plan in place if needed – and it is APRA's role to supervise that."

While brokers and customers may be increasingly turning to the non-major banks for competition, the number of non-majors that will be in market to provide this to them is diminishing, as the cost and burden of banking increases. It goes to show that the need for non-majors to challenge the big four and provide more borrowers with access to finance is strong, but the ability to do so is increasingly difficult – leaving only the largest players able to contend. ■

Supporting Brokers who support West Australians



As a customer-owned bank and based in WA, P&N cares about the relationships we have with our local WA brokers. We understand the important role that you play in providing West Australians choice and competition in our industry. So our aim is to make your life and in-turn the lives of your customers easier.

We believe in the power of the collective, and by partnering together we can give more West Australians access to greater choice when it comes to finding the right home loan.

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P&N bank

Beyond Bank AUSTRALIA

Beyond Bank leading the way in customer-owned bank alternative

Over the past five years, Beyond Bank has been rapidly growing its broker presence and demonstrating how customer-owned banks are making a difference for customers. Darren McLeod, Beyond Bank's head of third party, explains more

BEYOND BANK has just reached the five-year mark in dealing with brokers, and the broker market now accounts for 35-40 per cent of the bank's new mortgage applications per month.

When we started the broker business five years ago, I was very conscious from the start to get the right people with the right skills and attitude to be a part of the broker team.

When we formed our broker support team, who are key in our current success in dealing with brokers, we looked for people who had experience in mortgage lending and understood the importance of service and communication to our broker partners. The aim of this team was to support brokers and assist them in understanding Beyond Bank's policies and products, so this would result in the best outcome for both the broker and customer.

The role of the team is to manage each file from application to settlement. This results in a "file ownership model" so the broker gets to engage with the same person through the journey of each file. The beauty of this model is the person knows the file intimately and the broker doesn't need to explain the file each time contact is made to the bank. The team looks at making each application work before it goes to credit, ensuring our decline rate is one of the lowest in the industry.

We had a strong year in 2020, and even though we were stretched at times with the unexpected volume, we were still able to maintain a high level of trust and satisfaction with our broker partners.

After the settlement of each loan, we ask brokers to do a survey, which includes the opportunity to provide free text comments. The result of the survey was a satisfaction rate of 95 per cent for the year.

Other accolades Beyond Bank received in 2020 included Roy Morgan naming us as the highest-ranking banking institution for customer satisfaction in the country.

Further, our business development managers didn't miss out on their excellent work in dealing with our broker partners by being rated best business development managers of any lender, with a 91 per cent approval rating in a survey done by Momentum Intelligence.

Other key milestones for the bank in 2020 were merging with Nexus Mutual, which gave us a footprint in Victoria, and we lifted our B Corp score to 140, making us one of the highest-scoring B Corp Banks in the world today.

All this, and we delivered over $650,000 in funding via our community reward program.

We look forward in continuing our success in 2021 and working with our broker partners to promote customer-owned banking as a true and genuine alternative. ●

"WE HAD A STRONG YEAR IN 2020, AND EVEN THOUGH WE WERE STRETCHED AT TIMES WITH THE UNEXPECTED VOLUME, WE WERE STILL ABLE TO MAINTAIN A HIGH LEVEL OF TRUST AND SATISFACTION WITH OUR BROKER PARTNERS"



Darren McLeod
head of third party
Beyond Bank

Australia's #1 bank for customer satisfaction.

In October 2020, Roy Morgan named us as the highest-ranking banking institution for customer satisfaction in the country in their Customer Satisfaction report on Consumer Banking.

As a 100% customer-owned bank, we go beyond for our customers and their communities.

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- ✓ **Fully assessed conditional approvals in 5 business days**
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Beyond Bank
AUSTRALIA

Beyond Bank Australia Ltd ABN 15 087 651 143 AFSL/Australian Credit Licence 237 856.

Lightning speed



As part of our mission to understand the challenges and opportunities that brokers are facing, The Adviser commissions our research arm, Momentum Intelligence, to survey brokers about their lending experiences. We take a look at what the research shows us regarding how the non-majors are performing in the eyes of brokers

IN THE August 2020 edition of The Adviser, we delved into the findings of our third annual *Third-Party Lending Report*, which paints a holistic picture of the performance of lenders in the third-party lending channel and provides insights to lenders on how they can improve their proposition in the marketplace, all while informing brokers of those lenders outperforming others.

The report utilised findings of a survey that was conducted between 24 February and 15 April 2020, which saw 879 mortgage and finance brokers rate the performance of the lenders that they have worked with over the previous 12 months.

The 2020 survey found that the trend that had been manifesting for the past four years – of an increasing satisfaction with non-major banks – had continued.

Indeed, the survey found that brokers believed that the non-major banks continue to lead the way when it comes to their offering to the third-party space and their customers. In fact, three non-majors (Bankwest, Macquarie Bank, ING) received a total score of more than 80 per cent – the first time such a high score has been achieved in recent years.

According to brokers, it is the non-majors' product range and personnel that are their standouts – as well as their commitment to the channel.

This trend has continued for the past six months, too. Since the *Third-Party Lending Report* was released, we've been tracking broker sentiment on a month-by-month basis through the Broker Pulse survey.

The community-driven knowledge base aggregates the experiences of Australian mortgage and finance brokers on a monthly basis to quantify how lenders are performing in the third-party channel in a bid to help keep brokers abreast with the latest changes in performance, as experienced by their peers.

Like the annual *Third-Party Lending Report*, the overall aim of the survey is to give brokers the chance to understand how their peers think the market is faring, and provide the opportunity to outline what is important to them when it comes to working with a lender in the hopes of creating more lasting and mutually beneficial partnerships.

The strengths of the non-majors

Building on their successes during the peak of the coronavirus pandemic, the latest surveys show us that non-majors continue to consistently outperform most of the major banks when it comes to "ease of use" and net promoter scores.

According to the latest surveys, a large part of this comes down to the speed and consistency of turnaround times and credit decisioning.

The need for a fast time to yes (or even a fast time to no) is key for brokers in the heat of the mortgage market – as a flood of borrowers look to get ahead of rising house prices and properties are selling like hot cakes. Particularly in the markets of Sydney and Melbourne, where more than a quarter of properties are selling before even getting to market, having finance in place quickly is of increasing importance to borrowers. Given that brokers want to assist their clients achieve their goals (and are now legally held to work in their best interests), this is also increasingly important to brokers.

The February 2021 survey, which asked brokers about their experiences using lenders over January 2021, found that brokers believed many of Australia's largest banks were struggling to keep up with demand from the increased demand for home loan finance.

All four major banks saw their average time to initial credit decision expand out over January 2021, according to Broker Pulse, while many of the non-majors either held their fast turnarounds where they were or improved them.



Looking at Broker Pulse, it's perhaps unsurprising that brokers are increasingly sending their clients to non-major banks. If you consider that ANZ and Westpac (and its subsidiary St.George) both continued to experience the longest turnarounds (more than 20 days to initial credit decision, according to Broker Pulse), while Macquarie and ING continued to hold firm with decisions in under five days, it's easy to see why brokers are turning to non-majors in their droves (*see page 6 for more*).

The speed of service is also a key part of broker's perceived levels of satisfaction with the lenders they're using. The Broker Pulse survey shows that the highest-performing lenders (based on net promoter score) were non-majors. Macquarie consistently comes up on top, with its NPS for the past six months a whopping 74.4, with ING also rated very highly by brokers, with an average NPS score of just over 50. Newcastle Permanent, Bankwest, Bank Australia, and BOQ all have positive NPS scores, too.

Rate does also play a key part in decisioning, and non-major bank St.George was the most commonly used lender by Broker Pulse participants in January for residential mortgages, largely due to its competitive rates. However, St.George's broker experience varied, with only 29 per cent of brokers stating their experience was "easy" or "extremely easy" and many lamenting its ever-growing turnaround times as its popularity increases.

But it's not just the ability to turn around credit decisions quickly that brokers value. The Broker Pulse research shows that there is also a correlation between satisfaction and consistency of service. The lenders whose credit assessment staff were perceived to apply policies consistently were among the highest-rated (and most-used) lenders in January 2021, and – again – non-majors were taking the lead.

Broker respondents urged their Broker Pulse counterparts to choose lenders carefully, based on the levels of consistency.

One broker told Momentum Intelligence: "The amount of shuffling between different levels of credit divisions is the cause of these delays, not volume or training new staff as they would believe. Each division has a new delay, which just keeps pushing out the times."

Another said: "I just find the smaller banks give better service and post-settlement the same for the clients", with another agreeing, stating: "Smaller lenders are far more proactive to reach a result."

Overall, as a segment, BDMs at the non-major lenders far outperform their counterparts at the majors, the Broker Pulse shows. BDMs at Adelaide Bank, AMP Bank, Bankwest, Macquarie and ME Bank were rated as being most helpful in the January 2021 survey, with more than three-quarters of the brokers using those lenders that month saying so.

One respondent offered the following advice to the Broker Pulse community: "Ensure you have a good BDM to assist with inefficiencies in the assessment process, and talk to Credit Scenario Teams pre-lodging, wherever possible, if anything is slightly abnormal with a proposed application."

Another said: "Engage with smaller and non-bank BDMs as their guidance is very valuable. The same cannot be said for the majors who seem unwilling to offer anything but rudimentary assistance in most cases."

One broker particularly noted that Teachers Mutual Bank, Suncorp and ING had "excellent BDMs who support brokers and really help you out when you are unsure of their policies and processes. They all make you really comfortable and bat for you so your clients can have amazing experiences", they said.

Overall, brokers told Momentum Intelligence that their decisions of which lenders to use come down to what makes the experience best for their clients, not just the rate. For brokers, the consistency of service, "common sense approach" to living expenses, the ability to "see a deal" and write a loan quickly – with good communication – are the factors that inform a broker's choice. It seems, for now, the non-majors are able to deliver these to brokers better than their major counterparts. ■

Get involved!

If you would like to save time and energy in understanding lender performance, and gain access to the Broker Pulse's knowledge base from the first-hand experiences of brokers, you can sign up to be part of the monthly survey at: www.momentumintelligence.com.au/broker-pulse-referral

For more information about Broker Pulse, please contact info@momentumintelligence.com.au

Changing times

Brokers rely on lenders to be able to service loans quickly, even during periods of high demand. While brokers can help reduce delays by ensuring all documentation outlined in their checklists is complete and provided at submission, we wanted to know how the lenders were working to ensure that turnarounds are consistently fast for broker-introduced loans. Here's what they had to say



Hiring more staff

"With the unexpected level of applications due to the strong market and government initiatives, our service levels last year blew out slightly higher than we desired. Over the last three months, we have made some changes to our internal processes and hired more staff in our broker support area to ensure our service levels meet our SLA targets. Our aim is to provide a full assessed conditional approval in five business days. New initiatives such as a new broker website and improved broker-ordered valuation service will also assist brokers in quicker turnaround times."

- Darren McLeod
head of third party, Beyond Bank



Review on submission

"Heritage has introduced a number of changes in our broker mortgage process to improve consistency in turnaround time, and broker and customer experience. These changes focus on service improvements and scalable service levels to support higher volumes of applications while delivering quick turnaround times. Heritage reviews each application upon submission to ensure the minimum required credit-critical documents are provided."

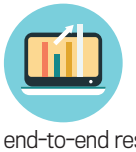
- Stewart Saunders
head of broker experience, Heritage Bank



Offering strong BDM support

"We work closely with our broker partners as we're aware that turnaround can mean the difference between purchase success and a buyer missing out. Our time to pick up by a credit assessor is among the best in industry. I strongly encourage they speak to our broker help desk or business development managers about scenarios or for support with completing applications. We have great BDMs who are well recognised for their capability, availability and responsiveness, which aids turnaround times."

- Cole Kirkby
head of broker, Newcastle Permanent



Active monitoring of volumes

"BOQ actively monitors application volumes and regularly assesses end-to-end resourcing to ensure we're equipped to provide the level of service our brokers and customers expect and deserve. We also facilitate direct contact between brokers and credit managers so they can discuss aspects of an application that might require clarification or amendment."

- Kathy Cummings
general manager, broker, BOQ



Harnessing automation

"We are making changes internally to give more capacity to process loans more quickly, including utilising data and technology to automate processes. We're also investing in growth and invested more resources into our operations teams late last year. We also have work underway to communicate up-to-date turnaround times more clearly to brokers and help them deliver for their clients."

- Troy Fedder
head of broker partnerships, Suncorp Bank



Rebalancing resources

"Like other lenders, our SLAs have increased recently, and we are doing everything we can to address it. We have rebalanced our teams to insert or redeploy staff into parts of the process that will help push the business through as quickly as possible. To ensure their applications are processed quickly, we encourage our brokers to provide detailed notes with their applications. Excellent notes are critical for our assessors to understand the broader picture of the application."

- Mark Middleton
head of third party distribution, Teachers Mutual Bank



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AdelaideBank

Adelaide Bank: A broker-only bank

As one of the few broker-only banks in the market, Adelaide Bank has been focused on delivering a stellar experience for brokers. Raj Kapoor, Adelaide Bank's acting head of broker distribution, reveals more



Your most recent financial results have shown significant growth in the Adelaide Bank third-party space. What do you think has been driving this growth?

From a third-party perspective, Adelaide Bank's success has been driven by our strategy over the last 18 months, which has consisted of three key elements:

- Strengthening our broker relationships
- Telling our story better
- Simplifying processes

We have invested in our people to ensure that we now have a greater presence in the market as well as a more consistent experience with our assessment teams. In addition, we have a fantastic product set, a great BDM presence, alongside competitive rates and turnaround times.

What do you most value in broker partners?

As a broker-only bank, we are extremely keen and proficient in supporting the broker market. Our strategy is to build strong relationships and continue to strengthen these relationships by being there for our partners when they need us.

We are looking to partner with brokers who are aligned with our values of teamwork, excellence, passion, performance, engagement and leadership.

What can brokers expect from Adelaide Bank this year?

Over the last 18 months, we have made huge strides in our broker offering, increasing our BDM team from six to 17 nationally. Our Australian-domiciled processing team has also seen growth of more than 200 roles, creating new jobs in Adelaide, Melbourne and Sydney, and we have also launched a variety of policy and processing initiatives to further improve efficiency.

This year, our focus is to continue simplifying our processes. We have developed a digital document process, which we plan to accelerate, and we'll commence our use of CCR data this month. There are also a multitude of process improvements in the pipeline.

Our aim over the coming few years is to continue improving our value proposition by further promoting our fantastic BDMs, as well as continuing to simplify our processes while retaining the personal service our broker partners value. ●



Raj Kapoor
acting head of broker distribution
Adelaide Bank

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Serving the broker channel

We know that brokers are careful when recommending lenders to their clients to ensure they're getting the best experience. So, what do the non-majors offer brokers? We caught up with them to find out what they're doing to support brokers



Bank of Queensland (BOQ)

Q. What trends have you been experiencing in broker-introduced loans this past year?

In line with broader industry trends, BOQ saw a significant uplift in refinance activity in 2020, which resulted in a shift in the bank's acquisition mix towards this segment. This makes sense in the context of COVID-19, with the economic uncertainty generated by the pandemic prompting many borrowers to review their existing home lending arrangements.

More recently, BOQ has seen an increase in new purchases and construction loans, as well as expat deals.

Q. What changes have you made to the broker offering in the last 12 months?

In August 2020, BOQ successfully launched its Secure Broker Portal. Brokers can use this tool to complete their accreditation with BOQ online, access the bank's simplified credit policy, track the status of applications, as well as submit and track pricing requests.

In addition, in December 2020 the bank introduced loan maturity notifications to alert brokers to upcoming customer milestones, such as the expiry of a fixed rate term. These notifications help brokers proactively connect with their customers as they approach the next stage of their lending journey.

Q. Why is having a strong broker presence important to you?

BOQ is passionate about helping more Australians into their homes, and maintaining a strong broker presence enables us to achieve this.

As a regional bank, brokers are also a strategically important part of our growth aspirations. This is why we're so passionate about making it as simple and convenient as possible for brokers to partner with us to provide exceptional home lending experiences for their customers.



Kathy Cummings
general manager, broker



Beyond Bank

Q. What trends have you been experiencing in broker-introduced loans this past year?
With our focus on the eastern seaboard, we have seen NSW and Vic volumes grow strongly in this period. First home buyers, in particular first home buyers who are constructing their first home, now accounts for a large percentage of our new business nationally.

Participation in the government's First Home Loan Deposit Scheme has assisted us in now having a national footprint in the first home buyer space. This has resulted in a younger demographic of customers who are taking advantage of what a customer-owned bank has to offer and are using us as their main financial institution.

Q. What new initiatives/updates have you launched to the broker channel in the past year?
Our focus on the last year was to ensure brokers were kept informed and updated with product, policy, pricing and service level updates, despite the face-to-face restrictions. We survey each broker after the settlement of loan, and for the year we had a 94 per cent satisfaction rate from these surveys.

In the Momentum Intelligence survey, Beyond Bank was rated as having the best business development managers (BDMs) of any lender this year (with a whopping 91 per cent approval rating). This year, we have a number of exciting initiatives to launch, such as a new broker website, updated broker-ordered valuation system, streamlined ID process, and electronic signatures.

Q. Why is having a strong broker presence important to you?
Broker distribution now accounts for a large percentage of new business each month. It has enabled us to expand in markets where we didn't have a strong presence, such as NSW and Victoria, and obtain business in our traditional markets that were not obtaining by leveraging off our branding.

Beyond Bank has only been in the broker business for five years, but it has assisted in growing our loan book higher than budgeted expectations. Apart from the volume, all the other metrics such as loan quality and arrears levels have performed strongly in the broker channel. The broker channel is now a major part of Beyond Bank's strategy, and we are investing in the channel to ensure this continues in the future.



Darren McLeod
head of third party

Heritage Bank

Q. What trends have you been experiencing in broker-introduced loans this past year?
At Heritage, we've seen an increase in activity in the first home buyer space over the last 12 months, particularly in guarantor and construction loans. Heritage has a strong guarantor offering and has attracted plenty of interest with our Family Guarantee Loan, which is available to both owner-occupiers and investors. From a wider industry perspective, the introduction of the federal government's housing stimulus packages has also helped drive demand and encouraged first home buyers to enter the market.

Q. What new initiatives/updates have you launched to the broker channel in the past year?
Heritage has introduced a number of initiatives aimed at improving support for brokers and customers, and adapting to the challenges of COVID-19. This includes implementing a digital VOI solution for broker customers in lieu of face-to-face interviews, priority broker pilot, video conferencing and training sessions with brokers via Zoom, a case ownership model for assessment of home loans, improvements to our upfront valuation portal, and online live serviceability calculator.

Q. Why is having a strong broker presence important to Heritage?
Heritage Bank has a longstanding partnership with brokers that's continued for over 22 years now. As a regional-based mutual bank, we have a strong branch presence across Queensland, and two branches in NSW. However, brokers are an instrumental part in helping us drive growth nationally and delivering Heritage's 'people first' proposition to a wider market. We really appreciate their contribution in building awareness of Heritage Bank and the customer-owned banking difference.



Stewart Saunders
head of broker experience

Newcastle Permanent

Q. What trends have you been experiencing in broker-introduced loans this past year?
Despite the economic pressures, we've seen a surprisingly active property market across our footprint in the last year. Property values in the Hunter alone are rising at around 1 per cent a month, driven by people relocating from metro areas like Sydney, home owners selling, first home buyers and customers taking advantage of incentives and low interest rates.

We've also seen growth in families refinancing loans to get a lower interest rate or invest in home improvements.

We remained agile during 2020 and can offer customers a wide range of products.

Q. What new initiatives/updates have you launched to the broker channel in the past year? And why?
We've accelerated the implementation of a lot of new technology, including digital ID tools, digital supporting-document collection, bank statement reading technology, and digital signatures.

We've also capitalised the opportunity to extend our broker network into Queensland, which has already proven successful. Much of what we have implemented was already in our planning, but the impact of COVID on face-to-face environments saw us introduce it more quickly to support our customers and brokers.

Q. Why is having a strong broker presence important to Newcastle Permanent?
Newcastle Permanent acknowledges that many customers prefer someone to do 'the leg work' to help them identify the right loan for them across a variety of lenders.

We have a great offering and our products offer value, be they put forward by us or a broker a purchaser trusts to give them independent advice. Brokers are another way customers can learn of our award-winning products and services as they can talk about our quick turnaround, particularly for time-critical applications, our product range and suitability, and our ongoing customer support post-purchase.



Cole Kirkby
head of broker

P&N Bank

Q. What trends have you been experiencing in broker-introduced loans this past year?
With many first home buyers using mortgage brokers to help them navigate the home loan process, P&N Bank was committed to engaging broker partners when we were accepted onto the Australian government's First Home Loan Deposit Scheme panel in 2020 as the only WA-based customer-owned bank.

P&N made places available through broker and proprietary channels, resulting in 80 per cent of these loans being written by brokers. This shows that first home buyers have embraced the flexibility and support our broker partners provide to Western Australians entering the property market.

Q. What new initiatives/updates have you launched to the broker channel in the past year?
Investing in our broker channel is a key strategic priority for P&N, recognising that mortgage brokers play a significant role in driving competition and assisting smaller lenders with mortgage distribution, so delivering an exceptional broker experience and building deep relationships with our broker partners is key.

P&N recently hosted a series of broker workshops aimed at thinking outside the box to generate innovative solutions to deliver a better experience, with the results now being used to further enhance our overall broker proposition.

Q. Why is having a strong broker presence important to P&N Bank?
The broker channel is as strong as ever, and we are already seeing a lot of activity in the WA home loan market in 2021. P&N is proud of the relationships we have with WA brokers and is focused on building further scale to ensure we can fully support the current and future needs of our brokers and their clients.

It's important that we continue to focus and invest into this channel, ensuring both brokers and our customers receive a local personalised service that adds value and provides flexibility and convenience.



Daniel Woods
head of broker and business development



Suncorp Bank

Q. What trends have you been experiencing in broker-introduced loans this past year?
Brokers are looking for loans to suit their customer's own unique circumstances, whether it's purchasing a new property, buying an investment property, refinancing their current home, or drawing back on equity to fund renovations.

We know great rates are important. However, we also understand the importance to both brokers and customers of delivering lodgements, approvals and settlements in an efficient and timely manner.

Customers have certainly been encouraged by official interest rates reaching an all-time low, and we have found our two-year 1.89 per cent fixed rate offer has been particularly popular.

Q. What new initiatives/updates have you launched to the broker channel in the past year?
Suncorp is focused on sharpening up our products and services to make things easier for our customers, brokers and aggregators to do business with us. We have launched our market-leading 1.89 per cent two-year fixed rate offer, supported customers requiring loan deferrals through COVID-19, and launched initiatives to make it easier for brokers to process applications for their clients.

For instance, Suncorp's Easy Refinance and Easy Add Loan initiatives, which were launched last December, use technology to access richer consumer credit information to identify applicants who have proven borrowing history and, in turn, accelerates the approval process.

Q. Why is having a strong broker presence important to Suncorp?
Brokers are on the ground both virtually and in real life, having meaningful conversations with customers and potential customers about their future financial goals. They are trusted advisers and provide really valued advice to their clients.

For us at Suncorp, brokers represent a crucial way to connect with our customers. In fact, almost three-quarters of our new and existing home lending customers originate from brokers.

We know that when our brokers succeed, we do as well, which is why we have strong ambitions to work harder for our brokers and earn the right to grow further over time.



Troy Fedder
head of broker partnerships

Teachers Mutual Bank

Q. What trends have you been experiencing in broker-introduced loans this past year?
We saw a significant spike in lending in May 2020, with an increase in flows of both investor and owner-occupier loans. When comparing with the previous 12 months, business in the third-party channel has increased by approximately 50 per cent.

The RBA has moved the cash rate to record lows, and many lenders have responded by offering highly competitive fixed rates. We have seen an increase in fixed rate applications due to the great rates we are offering and the ability to have a 100 per cent mortgage offset available.

We have seen an increase in applications in Queensland, specifically from Brisbane to Mooloolaba. Victoria saw a decrease in applications during the stage 4 lockdowns, likely because of the impact these had on viewing properties.

Q. What new initiatives/updates have you launched to the broker channel in the past year? And why?
We continue to review our processes to look for ways we can improve the experience of brokers and their clients through technology. Last year, we introduced digital signatures via DocuSign to facilitate the loan process.

We also introduced a deferred commission payment calculated by reviewing the loan account balance at the 12-month anniversary of the loan. The top-up commission is based on the difference between the current loan account balance (net of any offset) and the loan account balance used in the initial upfront calculation of the loan – provided the movement is greater than or equal to $20,000.

Q. Why is having a strong broker presence important to TMB?
Teachers Mutual Bank started 55 years ago as the NSW-based Teachers Credit Union. Since then, we have grown to become a national organisation serving essential workers. This gradual growth means that we don't have the national bricks-and-mortar representation of some other lenders. Brokers help us to access new markets as they act like an extended sales force for the bank.

The broker channel has helped us reduce our concentration in NSW and spread the business to other states. This enables us to think about opening more offices and increasing our national representation.



Mark Middleton
head of third party distribution



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