

# KEEP COMPETITION ALIVE - THE FACTS

## **The role of mortgage brokers**

As mortgage brokers it is our role to help our clients find a mortgage product that works for their individual financial circumstances. We meet with our clients, help them consolidate their financial information and then take that information and match it against our broad panel of lenders to find a product and lender that meets the customer's needs. We then liaise with the lender and handle the loan process from application through to settlement and beyond.

## **Mortgage brokers demystify the mortgage process**

When we reach the stage of presenting our product options to a customer, we've considered their precise financial position and we're able to present a choice of options that suit the customer's current circumstances from a range of lenders, many of whom may not have a branch presence. This is a comparison between products and lenders that meets the customer's needs and considers their eligibility. This is unlike a comparison that a customer could make when looking at a headline rate that banks choose to advertise – products that may not suit their particular circumstances and may end up costing them more despite a lower headline rate.

## **Opaque discretionary pricing causes inefficiency and stifles price competition**

The ACCC Mortgage Price Inquiry Final Report states that the lack of transparency in discretionary discounts encountered by borrowers, when dealing directly with lenders, makes it unnecessarily difficult and more costly for borrowers to discover the best price offers. This adversely impacts borrowers' willingness to shop around and is likely a key reason many borrowers do not obtain more than one or two quotes when looking for a residential mortgage.

When a borrower works with a mortgage broker, the price comparison is managed with transparency, across a panel of lenders, by brokers who are aware of both advertised and discretionary discounts being offered by lenders in the market.

The ACCC also provided damning evidence of the major banks "synchronising" interest rate increases and found the four major banks dominate the Australian lending market, underscoring why a viable mortgage broking market is crucial for retaining competitive pressure.

## **We stay with customers throughout their loan**

Mortgage brokers are small business owners and workers and thus we rely not on massive volumes of customers but rather we rely on repeat business and referrals.

When we place a customer with a lender, we want to place them with the right product that meets their needs. Happy customers drive business.

## **We monitor our customers and regularly reassess financial circumstances.**

It's in both a broker and customer's best interest to ensure their product meets their financial circumstances. Customers who are in a product that is no longer suited to them can potentially either go direct to a different lender or another broker for a better deal. Either of these options completely takes the current broker out of the picture.

### Reviewing and assessing customers takes time

A large part of the loan process is consolidating a customer's financial position and reviewing their financials against the available products. We don't just perform this service when a customer first secures their mortgage, we do this regularly throughout the life of the customers loan. This isn't a simple process, it's a comprehensive one involving looking at all customer liabilities, credit balances, changing living expenses, relationship statuses and a whole host of other factors. Loan reviews, refinancing and customer education are a large part of our everyday.

### Brokers provide outstanding customer service

The Net Promoter Score (NPS) customer satisfaction measure of Mortgage Brokers is in excess of +70<sup>1</sup>, which is outstanding and industry leading. It's no accident that brokers have a rating this high, as a majority, we look after our customers to ensure best practice outcomes such as providing genuine comparison, access to competitive products, finance reviews, customer education and pro-active loan management.

### Australians want mortgage brokers

Right now, 55% of Australian borrowers<sup>2</sup> choose to secure their loan from one of the 27,000<sup>3</sup> people working in the mortgage industry. This tidal shift of customers, combined with our outstanding customer satisfaction, is a clear indicator of a highly valued service and industry. A material change to the mortgage broking industry could be a hit to consumers including first home buyers, mum and dad investors and small business.

### Brokers bring choice and competition to the Australian mortgage market

Over the past 30 years, brokers have contributed to the fall in net interest margin for banks of over 3 percentage points<sup>4</sup>. This means a potential saving of over \$300,000 on a \$500,000 thirty-year loan (based on an interest rate fall from 7% to 4% pa).

### The mortgage broking industry is vital to the Australian economy

Collectively, mortgage brokers keep lenders competitive, bring borrowing costs down and as vital small businesses they contribute \$2.9 billion<sup>5</sup> to the Australian economy. A fee for service proposal reduces competition, will consolidate lending back to the major banks and drive up prices. It will be much harder for home buyers (especially first home buyers) to access finance.

### Some of the big banks would like to see mortgage brokers gone

It's no surprise that some of the big banks are casting a negative light over brokers in the Royal Commission. Brokers provide vital access to highly competitive non-major lenders who are in direct competition with the big banks across loan features and interest rates. AFG brokers are delivering more than 40 percent of business to the non-major lenders.

### Our customers are willing to back our story

If you'd like to hear the perspective of everyday Australians who are actively utilising mortgage brokers, we are more than happy to introduce you to one of our clients so you can hear directly from them.

#### Reference:

1. [MFAA's The Australian Mortgage Broking Industry: Through a Different Lens](#)
2. [MFAA IIS Report 5th edition, produced by CoreLogic](#)
3. [Deloitte Access Economics The Value of Mortgage Broking Report July 2018](#)
4. [Deloitte Access Economics The Value of Mortgage Broking Report July 2018](#)
5. [Deloitte Access Economics The Value of Mortgage Broking Report July 2018](#)

