

aggregators talk back



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MPA's second annual brokers on aggregators survey revealed some improvements in the sector. This month, in response to the findings of that survey, we talk to aggregators and ask what their focus is for the coming year

Aggregators are defying expectations. Last month, *MPA* polled 300 brokers in its second annual “brokers on aggregators” survey and it appears that, despite the negative impact the credit crunch is having on the sector, brokers are even more satisfied with their aggregator than in the previous year.

In fact, brokers scored their aggregators higher in seven of nine categories, with significant improvement in two specific areas: back-office support and marketing support.

Overall, the sector achieved a score of 4.0 – up from 3.7 in 2008.

Survey breakdown

In last month's survey, *MPA* asked brokers to rate aggregators in nine categories: the quality of their lending panels, IT and broker systems, back-office support, commission payment regularity, training and education, marketing support, the quality of BDMs, overall quality of service to brokers and an overall rating.

Aggregators were rated in each category on a scale of one to five (five being the highest).

Brokers were also asked to respond to specific questions such as: if there is one area your current aggregator could improve, what would that be; how transparent is your aggregator about its profitability and financial stability; and what initiatives has your aggregator undertaken to help you weather the current economic conditions?

Brokers from 33 different aggregators shared their comments and thoughts, but *MPA* broke down the results for aggregators that received more than 15 responses to get a clearer view of how certain players were performing.

For the larger players, the sample size is much smaller than surveys they collect within their own group.

For this reason, *MPA* invited each player to talk about three points: its own performance this year; which areas it has paid particular attention to; and what it is hoping to accomplish in the next 12 months.

AFG

AFG's overall rating this year jumped from 3.4 to 4.0 – the sharpest rise in the entire survey.

One broker commented: "Overall, one of the safest aggregators in the market."

Size and long-standing performance history appear to be important factors for many of AFG brokers.

Cheryl Williams, director of Smarter Mortgage Solutions, summed it up: "Been there for years. They approached us and we liked their proposal. It's great to be with the biggest and best aggregator in the country. Back-up and BDM support is fantastic."

AFG, the country's largest aggregator, has 2,285 full-time mortgage brokers and a loan book over \$51bn (both commercial and residential).

Mark Hewitt, general manager of sales and operations, says its size helps the aggregator in talks with lenders.

"Our size enables us to attain the ear of our lending partners a little more than some others, and I feel that our views are taken on board seriously," he says.

"We have always published our monthly results in terms of loan applications, and we also post our financials on our website so it's there for everyone to see. It's something that others don't do on both fronts – Mark Hewitt, AFG"



Mark Hewitt

"We're in daily contact with each of our lender partners, not only on commissions but on policy changes. The big thing at the moment is we have a lot of lenders looking at their LVRs and criteria. The main thing we're concerned about is equal footing for all channels. So a broker-introduced customer should get the same treatment as branch customers."

Still, Hewitt says he understands why banks are having a hard time dealing with the backlog of loan applications.

"They've found themselves in a circumstance where their lending volumes have doubled or even tripled so it would have been hard for them to plan for that six months ago," he says.

"Yes, we would like to see the same service proposition provided to both branch and broker customers, but we can understand why that hasn't happened. It is hard to have a go at banks that are still able to lend in the current climate."

This year, AFG's major emphasis has been on its Smart program, which was rolled out almost 10 months ago.

Judging from comments received in our survey, the CRM scheme has proven popular with brokers. Hewitt says it has already been adopted by 400 of its brokers and is growing in popularity.

AFG's score in terms of the quality of its lending panel fell, but Hewitt says the aggregator is working to replace some of the second-tier

AFG

Top rated areas:

- + Training and education
- + Quality of lending panel
- + Overall quality of service



Steve Lambert

lenders that have left the market with building societies and credit unions. Another area the aggregator is paying attention to is disclosure. This is one aspect of AFG that really sets it apart from its competitors.

“We have always published our monthly results in terms of loan applications, and we also post our financials on our website so it’s there for everyone to see. It’s something that others don’t do on both fronts,” he says.

“Hopefully this gives brokers a little more confidence because they know what they’re dealing with – there’s no smoke and mirrors involved and it’s all up there for everyone to see.”

National Brokers Group

Known as the co-op of the aggregation sector, National Brokers Group appears to be a consistent performer in our survey

The broker group underwent a massive IT and broker systems overhaul in the last year and appears to have gone through some growing pains. But for CEO Steve Lambert, it’s worth celebrating.

“We’ve been working on getting the software fully integrated through the systems. We use the

National Brokers Group

Top rated areas:

- + Quality of lending panel
- + Commission payment regularity
- + Overall quality of service



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Pisces software system, but we're probably the only group in Australia that's got it from end to end," he says.

"Right now it's all done, and we're doing training with all the brokers to realise its functionality. Now we've got a major software solution that we provide free to all our members, so it makes it a lot easier to pay commissions and do reporting – both for them and for us," Lambert adds.

A key complaint heard in the survey is monthly commissions. Brokers from several different aggregators echoed calls for fortnightly payments. The group isn't quite ready for that, but it is an area Lambert says it will "absolutely" address this year.

National Brokers Group received a score for the quality of its lending panel, despite the number of lenders that have dropped from the mortgage scene in the last 18 months.

Lambert says management and a select team of brokers from the group regularly review the panel and currently they are trying to add another five lenders.

"We look at new additions, where they fit and why they fit. The choice really needs to be there," he says. The choice needs to be there for both customers and brokers, Lambert adds.

"If our guys are lodging deals, you [lenders] shouldn't be telling us, 'well, we haven't got the staff'. They should be telling us before we've lodged the deal so it's not pipeline blocked, so the brokers can offer an efficient service back to their clients."

Brokers are looking to their aggregator to stand up to lenders and fight further commission cuts, but Lambert says there is only so much the sector can do.

"We meet with the head of broker sales with each of the lenders and talk to them and say, 'ok, what is your commitment to this network?' You've got to go in hard, but not too hard because they're still your business partners, he said.

"It's like going to a petrol station and demanding that the price drop down. We've stated our position and said we do not want any more commission cuts; we want efficient service and want you to provide these service standards for us," Lambert adds.

He says he has heard rumours of further cuts – but don't expect changes anytime soon.

"They've said things are still pretty tight, but with the amount of volume going through they might change their lending policies, rather than doing anything with commissions."

Choice Aggregation Services

Industry heavyweight Choice Aggregation Services appears to be another consistent player in the space.

In commenting on why they chose Choice as their aggregator, several brokers used the adjectives "friendly" and "professional". Choice appears to be a large player that has managed to walk a fine line, being able to be big but not impersonal.

Established in 1997, Choice has close to 1,400 members and a loan book of \$25.6bn.

"Despite the fact that Choice is one of the biggest aggregators in town, we've managed to retain that 'high-touch' approach. We don't treat our members like numbers, which is a key difference," says Choice CEO Brendan O'Donnell.

Choice has been with Challenger for 18 months and the change has been positive,

Choice Aggregation Services

Top rated areas:

- + Quality of lending panel
- + Commission payment regularity
- + Overall quality of service



Brendan O'Donnell

O'Donnell says. "It's enabled us to enjoy the economies of scale that come with that. Not only centralising our back office, but also getting sharper skills around some of the skills from back office, from marketing through to financial modelling."

Having Challenger backing the business does give Choice more weight when dealing with lenders.

"Their effective size in the industry does work well for us. Challenger touch one in five loans written in the country. So that's a fairly prominent position to have and clearly Challenger need to be taken seriously and they are."

In the coming year, O'Donnell says, Choice will focus on business education for its brokers.

"We recognise that the landscape has changed fundamentally, but what really is important for us is to guide and educate brokers about the impact that commissions and decreasing volumes have had," he says.

"So we've developed some unique tools which will enable brokers to better understand their cash flow, manage their cash flow and improve their knowledge of what the net present value of what their future earnings is."

Choice's IT platform, Podium, was used to launch the new set of tools for brokers – a program called Perform@.



Ray Hair

PLAN Australia

Top rated areas:

- + Quality of lending panel
- + Commission payment regularity
- + IT and broker systems

PLAN Australia

PLAN Australia's CEO Ray Hair says three things make PLAN different: trust, technology and BDMs.

The first of PLAN's three points of distinction is a major reason why several brokers in our survey said they chose to align with the aggregator.

"I chose PLAN because of its strength and trust structure for commission payments," said one broker.

The fact that PLAN does not mix brokers' money with its own in terms of the operating side of the business is a major pillar of the group, says Hair.

“
PLAN has always had leading-edge broker sales software and commissions systems and they continue to evolve – Ray Hair, PLAN
”



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Kym Rampal

Loankit

Top rated areas:

- + Commission payment regularity
- + IT and broker systems
- + Back office support

“It’s ethical and trustworthy. Not to say that others aren’t, but we’ve taken steps to protect our members’ revenue.”

On the technology front, PLAN received good reviews from its brokers. A number of brokers specifically mentioned the group’s “easy-to-use software” as being one reason they joined the aggregator. The aggregator made a major investment in its IT system just before last year’s survey.

“PLAN has always had leading-edge broker sales software and commissions systems and they continue to evolve,” Hair says.

PLAN’S third area of strength – BDM support – received a number of positive comments.

“We are fortunate to have Sam Zammitt who is a bit of a legend. Nothing is too much trouble for him and he is always very quick to respond,” said one broker.

Another commented: “Current chap is on the money.”

Hair acknowledges BDMs have increasingly been put to the test this year as some brokers struggle to maintain the kind of volumes they enjoyed in the past.

“I think the BDM’s job has got more complicated. There’s more noise out there around lender service, lack of lenders, that sort of thing.

“We provide a whole set of tools and infrastructure which they can use as a foundation to their business. That’s our BDMs’ role and that hasn’t changed.”

But he adds that BDMs cannot change the number of lenders out there or speed loan processing times – they can only help brokers build their business.

“Our BDMs are all focused on growing the business of our brokers. If they don’t grow we don’t grow – it’s as simple as that,” he says.

And the aggregator is working on brokers’ growing concerns about loan processing times.

He argues there is little value in coming out and “bashing the banks over their service levels”, and he says PLAN is trying to work through the trouble spots with the lenders.

“We’re obviously trying to work with the lenders to improve quality of submissions and conversion rates, etc, because we understand the cost aspect of that. At the same time, we’re holding the lenders accountable and asking the question of them about their own back office,” he says.

“Lenders have also got to acknowledge that the huge volumes that are flowing to the majors are part of the problem. They’re holding brokers accountable, but their own systems are under huge pressure.”

Loankit

Loankit took top honours in this year’s survey.

The boutique aggregator sources some of its lending panel through Connective and, although it is a small player in the aggregation field, managing director Kym Rampal argues it deserves to be recognised alongside the larger players.

“An aggregator is not just one that provides access to a panel of lenders. An aggregator is one that provides a whole plethora of other services as well which will help their members to grow their business. So an aggregator who only provides a panel of lenders does not qualify to be called an aggregator. Loankit is ideally suited to be called an aggregator because it provides everything.”

Loankit brokers rated the group highly in the categories of IT and brokers systems, commission payment regularity and back-office support.

Rampal says Loankit was ahead of most aggregators in developing its IT and broker systems and has had time to work out the kinks.

“It was so early in its development of these products that they are very mature in their presentation in what they have to offer to the brokers. Other aggregators have just started to implement it but they’re still suffering teething problems.”

Not only is the system easy to use, Rampal says. The aggregator will also customise the software to suit individual brokers’ needs.

“We come out to the broker, the broker tells us what he wants and we customise it for them on the spot. That way you can concentrate on your business and we’ll do your IT software.”

Loankit Marketing is another flagship for the aggregator.

“Leads are a big concern. Loankit Marketing helps brokers identify who they can market to. Even to the extent of developing a client database that they can market to. You can only generate so many leads by marketing to your own client base. Loankit is giving them the ability to step out of that client base and market to a totally different set of clients, and providing them with the tools to market to these clients.”

Despite increasing pressure to consolidate, Rampal says, there are several benefits to being boutique.

“There are great benefits in remaining a small player rather than being consolidated into a bigger group. I feel that as a smaller group we can give a better service to our brokers. And something that happens to you in bigger groups is you become a number.”

Like other aggregators, Loankit is asking banks to provide better statistics on how they monitor the brokers.

“Many lenders are paying commission based on performance and, while all that is well and good, we need to get feedback from the banks about what those performance metrics are and how they apply to each individual broker. We have asked each of the banks to provide us the stats on each broker and then we give those stats to the broker so they can refine the way they function with banks so they can earn those top commissions.”

The Brokerage

Last year, The Brokerage took first place in the survey and was only narrowly beaten to the top spot this year. The boutique aggregator, which was established in 2001, counts 130 loan writers



Michael Osborne

The Brokerage

Top rated areas:

- + Back office support
- + IT and broker systems
- + Training and education

Loankit continues to deliver No.1 service

Rated No.1 Aggregator in the 2009 survey

	2009	2008
Loankit	4.7	4.7
PLAN	3.5	3.8
AFG	4.1	3.4
FAST	3.3	3.6

Overall rating scored in The MPA Annual Brokers on Aggregators survey.

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nationally. It says its philosophy and culture separate it from some of the other players in this space.

“We have a flat structure empowering our team to be responsive and make quick decisions, a focus on getting the small things in business right and, importantly, an attitude to do whatever it takes,” says Michael Osborne, head of sales and distribution.

Despite impressive scores last year, the aggregator says it did not sit back and rest on its laurels.

“In a year where many stood still, The Brokerage continued to roll out new initiatives,” Osborne says.

“We looked carefully at our efficiencies to ensure that we weren’t carrying any fat – providing the platform with the strength to push through these changing and challenging times.”

Brokers ranked The Brokerage’s IT and broker systems as one of the best in the sector.

One broker commented: “Industry-best software with excellent online lodgement and CRM functionality.”

Osborne says the group has put more focus on its web presence; in July, it launched a Facebook

page and a fully revamped website. It added additional tools to its broker site including the broker ‘BLOG’, CPD points online, commission management access and a resource centre.

Last year, The Brokerage said it was looking to beef up its marketing. This year it really delivered by adding additional support to its brokers, including website and search engine support, and advice on marketing campaigns and materials.

The Brokerage chose to use Symmetry for its IT, which is a web-based platform which Osborne says provides flexibility for its brokers and has strong CRM capabilities.

“Symmetry is a part of the Stargate Group and the strength behind the business in the Spencer family gave us the comfort of long-term sustainability,” Osborne explains.

The area of back-office support is another area where The Brokerage really excelled, ranking 4.7, the highest score received in this category.

One broker commented: “Extremely strong back office support – easily the best in the industry.”

Survey respondents mentioned the availability of its team members and their attention to following up on all matters.



Steven Kane

FAST

Top rated areas:

- + Quality of lending panel
- + Commission payment regularity
- + Training and education

FAST

Established in 2000, Finance & Systems Technology (FAST) is a proven player in the aggregation space.

FAST conducts its own survey of its brokers through Challenger. The sample size is a significantly larger pool – some 300 brokers participate in its poll, compared to the 18 FAST brokers who responded to the survey conducted by MPA.

Managing director Steve Kane says that, while there is some consistency with the results in our survey, he would prefer not to comment on MPA's results.

Kane did talk about the areas FAST will be concentrating on in the coming months.

"The key focus for FAST is ensuring that we remain competitive in the marketplace and that we remain relative to the needs of the brokers – particularly around diversification of income, across things such as equipment finance and commercial [lending]," he says.

"FAST launched an in-house product – the FAST Asset Finance Services – which is really to position those brokers that can't or don't have the time to put together equipment finance transactions and we have formed a joint venture to put that through. So we do an in-house packaging service for those clients."

The service was informally launched during FAST's professional development days in November 2008 and formally launched at the beginning of 2009. So far, 200 brokers have signed up for the program.

Kane says that FAST is also piloting new CRM software and taking feedback from its brokers. This is to "ensure that in the long run it's a system that provides what a broker actually needs".

"We're also reinvigorating our sales effort and supporting brokers by helping them with business planning and their business processes. Our main concern is that brokers are requiring additional assistance. To help them with this we're getting



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Paul Gollan

Australian Mortgage Brokers

Top rated areas:

- + Commission payment regularity
- + IT and broker systems
- + Back office support

our partnership managers to assist brokers in acquiring new revenue streams and ensuring that they are aware of the opportunities that are available to them.

“So it really helps brokers if they change their business models where appropriate so they can broaden their revenue streams.”

Kane says FAST is now leveraging quite heavily off Challenger, which purchased 19% of the company in September 2007 to ensure it gets support in areas of infrastructure, systems, HR and legal support.

“Challenger, as a publicly listed entity, also has a very strong regime around risk management and risk management practices, and we’re adopting those in our business and we’ll roll out those strategies to our brokers to enable them to better understand the risks in their business.”

Australian Mortgage Brokers

This year was the first time *MPA* was able to include individual results for Australian Mortgage Brokers – a growing boutique franchise network with 70 accredited loan writers.

The franchise aggregator tied third in our survey (with Connective) and pulled impressive numbers in a number of categories.

AMB CEO Paul Gollan says the team environment sets it apart from its competitors.

Its small size is also an advantage, he says, in that the company can be extremely responsive to broker feedback.

“Every aggregator cares about their brokers’ success,” he says. “But we try to find out what our brokers need and fill that need.”

Another point of difference is AMB’s mentoring system, which follows the guidelines set out by the MFAA.

“I honestly believe that there is a bit of a ‘nudge, nudge, wink, wink’ thing going on in the industry. Fresh brokers are saying ‘will you be my mentor and just sign this paper saying I’ve done this’, Gollan says.

“But we make sure the mentors are doing what they say they’re doing and we have a compliance manager who monitors that.”

AMB brokers gave the company a score of 4.4 for its training and education – on par with Connective’s

score in this area and only slightly behind The Brokerage's score of 4.5.

Gollan says the company has strived to make training and education sessions valuable for all its members – not an easy task given the high level of experience the majority of its brokers have.

“Our quarterly PD days are equally split between running skills training sessions and just a general forum where brokers can share their ideas,” says Gollan.

“The skills training can be a little boring, but our focus at the moment is trying to bring in new training that enhances sales skills,” he adds.

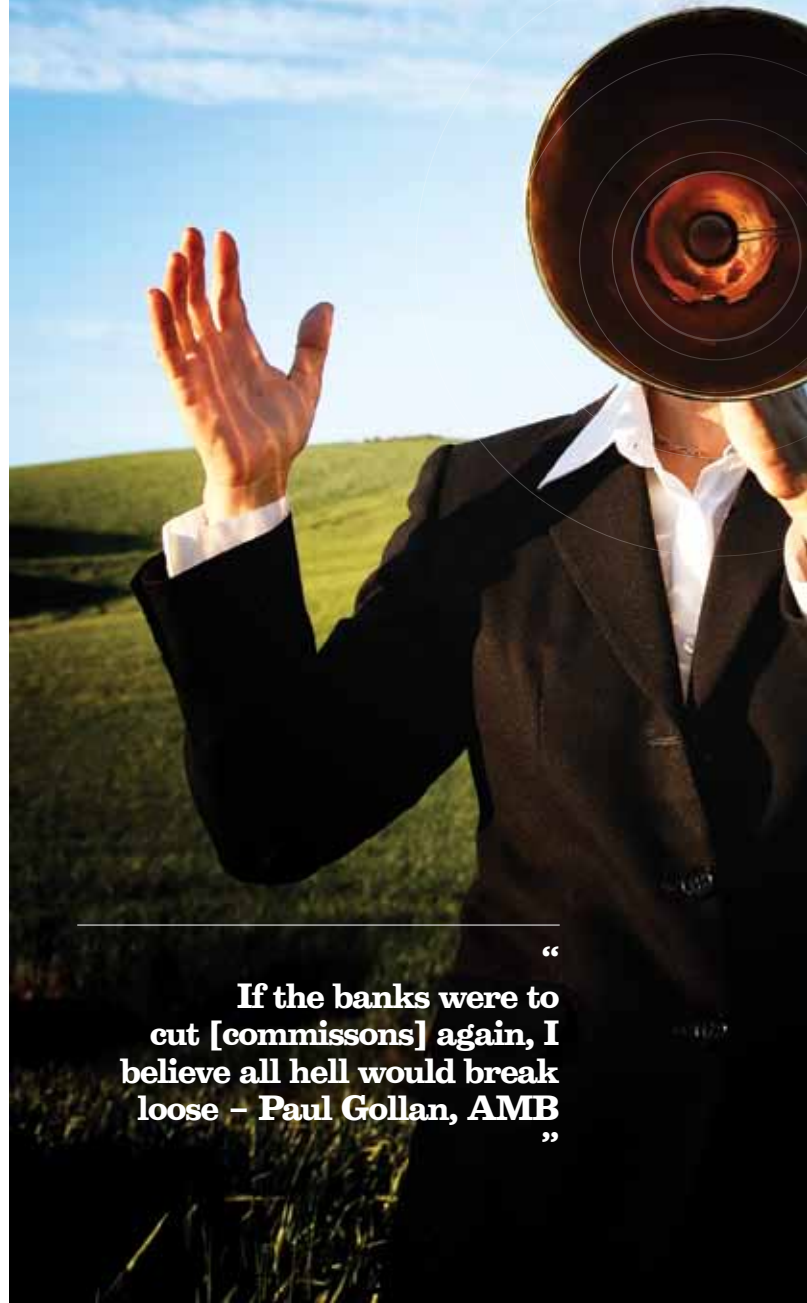
As far as going to bat on behalf of its brokers against the majors, Gollan says there is little individual aggregators can do.

“I've always taken a very non-antagonistic and non-aggressive approach in lender relations. At the end of the day, I truly don't believe that any individual aggregator can exert a meaningful level of influence over what banks ultimately decide to do.”

He called the recent commission changes “an opportunistic move” by the banks, but says there was some validation for the changes.

However, he does not believe the banks will reduce commissions further.

“If the banks were to cut again, I believe all hell would break loose.” **MPA**



“
If the banks were to cut [commissions] again, I believe all hell would break loose – Paul Gollan, AMB
”

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