



Satisfied?

MPA'S 2ND ANNUAL BROKERS ON AGGREGATORS SURVEY

An economic downturn can put a strain on any relationship. *MPA* examines whether the financial crisis has tested brokers' partnership with aggregators in its second annual survey

Financial stress is one of the main causes of divorce. One minute you're shopping for rings, the next you're hawking them at the pawn shop to pay the lawyers' fees.

If we can compare the relationship between brokers and aggregators to a marriage of sorts (one of convenience perhaps?), then one would assume the stresses of the current economic crisis and biting commission cuts would have a similar effect on the broker/aggregator bond. *MPA's* second annual survey on aggregators is quite revealing in this respect.

Overall aggregator results

MPA asked brokers to rate their current aggregator on a scale of 1 (lowest) to 5 (highest) in nine categories, including an overall rating. The average scores across the sector are listed on the right:

	2008	2009
Quality of lending panel	4.3	4.3
IT and broker systems	3.6	3.5
Back-office support	3.5	3.9
Commission payment regularity	4.1	4.3
Training and education	3.6	3.9
Marketing support	2.9	3.3
Quality of BDMS	3.6	3.8
Overall quality of service	3.6	3.9
Overall rating	3.7	4.0

In instances where we can compare this year's results to 2008, it appears that very few brokers felt significantly less satisfied with their aggregator. A third of the aggregators received slightly lower scores than last year, but the remaining ones either received ratings on a par with last year's results or even witnessed slight improvements in their overall scores.

The numbers do not reflect a growing resentment of aggregators, but the comments section of the survey is slightly more telling.

Survey breakdown

Brokers were asked to rate and comment on the quality of their aggregator's lending panel, IT and broker systems, back-office support, commission payment regularity, training and education, marketing support, business development managers and service to brokers. An overall rating for the aggregator was also asked for.

MPA received 300 responses from brokers aligned with more than 30 different aggregators. All of the responses and comments were taken into consideration when evaluating the aggregation sector as a whole, but only the results for aggregators that had responses from 15 or more brokers were broken down individually.

MPA also asked brokers why they chose their current aggregator; if they had ever switched aggregators and why; what areas they thought their aggregator could improve on; how transparent their aggregator was about profitability and financial stability; and what initiatives their aggregator has undertaken to help them weather the current economic crisis.

Results

It has been a year of massive change. But in the areas aggregators are expected to deliver in, they are still performing well. In fact, brokers gave the

aggregation sector a better score overall than last year – up from 3.7 to 4.0.

Closer inspection of each individual area reveals where aggregators have really lifted their game (or dropped it, as the case may be).

Quality of lending panel

No real change here. Aggregators scored an average of 4.3, on a par with last year's results.

The numbers suggest brokers are not having difficulty matching their client's needs to a lender's offering, but the comments section reveals some areas where aggregators are falling short.

"The present strategy of major banks of buying out second-tier and non-bank lenders is affecting panels," said Les Saker, director of Equitycredit.

A number of brokers expressed a desire for their aggregators to include more non-banks, mortgage managers, commercial lenders, and even some building societies and credit unions. The addition of such lenders could make up for the gap left by a shrinking mid-tier sector.

Another sore point with brokers is some lenders' decision to work with a small number of aggregators.

One broker simply penned: "BankWest sucks."

Others offered more eloquent explanations.

"Smaller aggregators are losing lenders on their panel one by one. Banks have become very selective and favour mainly the large aggregators to the detriment of the broker/customer. We're being held ransom as pawns with little option but to move to larger aggregators," said Gary Milne, director of Milne & Associates.

IT and broker systems

There was no real improvement across the board this year in this category. Overall aggregators received a score of 3.5, slightly below last year's 3.6. Main complaints in this area include: poor IT

aggregators can improve by:

- + adding more non-banks to the panel
- + standing up to banks
- + supporting brokers against commission cuts
- + improving commission splits
- + increasing marketing support
- + focusing on communication
- + having better remote training

AFG	2008	2009	Overall rating 4.0 2008 rating: 3.4
Quality of lending panel	4.8	4.2	
IT and broker systems	3.5	3.9	
Back-office support	3.2	3.7	
Commission payment regularity	3.9	4.0	
Training and education	3.6	4.1	
Marketing support	2.5	3.2	
Quality of BDMS	3.3	4.0	
Overall quality of service	3.3	4.1	

Australian Mortgage Brokers*			Overall rating 4.4 (*2008 results not available)
Quality of lending panel		4.1	
IT and broker systems		4.5	
Back-office support		4.6	
Commission payment regularity		4.7	
Training and education		4.4	
Marketing support		3.9	
Quality of BDMS		3.8	
Overall quality of service		4.3	

Connective			Overall rating 4.7 2008 rating: 4.4
Quality of lending panel	4.7	4.7	
IT and broker systems	4.4	4.6	
Back-office support	4.4	4.4	
Commission payment regularity	4.7	4.7	
Training and education	3.9	4.4	
Marketing support	2.9	3.1	
Quality of BDMS	3.9	4.2	
Overall quality of service	4.3	4.4	

AFG

“Overall one of the safest aggregators in the market,”

said Damien Zanin, director of Aeoliana Finance

Australian Mortgage Brokers

“Paul Gollan has the broker’s interests at heart, tries to be in front of all compliance requirements, and insists on the highest level of honesty and integrity from all at AMB,”

said Graeme Swanson, AMB franchisee

Connective

“... I believe they’re the best aggregator in Australia. The main reason is because the guys that started Connective were brokers themselves, so they understood what brokers needed and never charged too much. There was a modest increase in charges last year, but it was still more than fair,”

said Virginia Graham, director of Model Mortgages

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support, system failures and crashes and software provider problems.

Of all the aggregators, FAST received the worst score in this category. Its score dropped from 3.0 to 2.7 this year.

“They have a new system which is inferior to the old system which itself wasn’t great. Finance & System Technology – what technology?” said one broker. “The new commission claiming and IT system is horrible and hard to use,” commented another broker.

Connective slightly improved its score and remains one of the top-performing aggregators in this category. “Many of the headaches associated with being a broker have been solved by Connective’s streamlined software and website,” said Otto Dargan, director of Dargan Financial.

But it was Loankit that excelled in this category for the second year in a row. The aggregator improved upon last year’s score of 4.6 – earning a near-perfect 4.8 rating from brokers.

Special mention should be made of Vision. Although there were not enough responses from Vision brokers to creditably stack it up against the other aggregators, its IT system was praised by the brokers who did respond to our survey.

“One of the reasons I changed aggregators was because these guys really understand how great systems can leverage your success in the industry as well as bottom line results. They are always fine-tuning and will take constructive feedback on board,” said Kahla Gerard of Visionworks Finance.

Back-office support

Aggregators as a whole seem to have lifted their game in this category, scoring 3.9 over last year’s average of 3.5.

The Brokerage and Loankit took top honours in this category scoring 4.7 apiece.

“The Brokerage delivers the highest level of back-office service. Service is their greatest strength,” said Peter Nash of Brisbane Waters Financial Services.

Ian Jordan of Black Range Financial Solutions also commented favourably on The Brokerage: “Extremely strong back-office support – easily the best in the industry.” At the other end, the lowest score was given to FAST, which

Choice Aggregation Services

	2008	2009
Quality of lending panel	4.3	4.2
IT and broker systems	3.9	3.2
Back-office support	3.4	3.6
Commission payment regularity	3.9	3.8
Training and education	3.7	3.6
Marketing support	2.7	2.3
Quality of BDMS	3.3	3.3
Overall quality of service	3.5	3.8

Overall rating

3.6

2008 rating: 3.6

FAST

Quality of lending panel	4.7	4.2
IT and broker systems	3.0	2.7
Back-office support	3.0	2.7
Commission payment regularity	3.9	4.1
Training and education	3.3	3.2
Marketing support	2.0	2.3
Quality of BDMS	3.4	3.0
Overall quality of service	3.4	2.7

Overall rating

3.3

2008 rating: 3.6

Loankit

Quality of lending panel	4.4	4.6
IT and broker systems	4.6	4.8
Back-office support	4.5	4.7
Commission payment regularity	4.5	4.8
Training and education	4.1	4.3
Marketing support	4.6	4.1
Quality of BDMS	4.3	4.4
Overall quality of service	4.7	4.5

Overall rating

4.7

2008 rating: 4.7

earned a 2.7 – down from last year’s 3.0 grade. In its defence, comments ranged from “excellent” to “negligible” so clearly not all brokers are getting the same experience.

Again, special mention should be made of Vision, which was uniformly praised by its broker partners.

“Vision has a team called the Super Back Office which credit checks my deals and ensures that they have all of the supporting information before it’s sent to the lender. They then follow the file through to settlement so that I can write more loans,” said Peter Kirychenko, mortgage broker with Blue Peter Finance.

Choice Aggregation Services

“Every broker is regarded as equal, irrespective of volume, and greater income share,”

said Robert Krol, director of Eagle Finance

FAST

“Other friends of mine had joined FAST and were happy with the service at the time, but most important was their commission structure and training facilities,”

said one broker

Loankit

“I had a great experience with Kym Rampal years ago and I felt comfortable and confident with his support on hand so I switched [to Loankit],”

said Anastasia Daaboul of Trinity Home Loan Solutions

Commission payment regularity

Across the board, aggregators scored a 4.3. But some comments revealed areas where aggregators could improve. Most brokers expressed a desire to be paid fortnightly as opposed to monthly. “If by regularity you mean ‘paid each month’ then yes. But I still have a major issue with all aggregators – not just mine – holding onto commissions till the end of the month before paying the brokers. They must be making a motza on the short-term money market,” wrote one broker.

As well, several brokers mentioned a desire for aggregators to back them up in disagreements with lenders.

“Accept too readily face-value response from a lender regarding enquiry why a clawback took place. On persistence, lender admits oversight and refunded. But why not investigate fully the first time on behalf of their disgruntled accredited broker?” wrote one broker.

Training and education

Aggregators showed slight improvement this year over last – edging up their score from 3.6 to 3.9.

Complaints in this area generally centred on lack of remote training (by most aggregators), lack of useful information and infrequency of professional development days.

AFG made significant ground in this category – scoring 4.1 over last year’s average 3.6.

“It’s good, but the BDMs need to do a lot more. We want help in the current market and some support when tackling the difficult banks. Brokers would like to know the aggregator is behind them – not the banks. I sometimes get the feeling it’s the other way around,” Evelyn Crawford, director of Crawford Mortgage Services.

Connective also scored much higher this year than last in this category, raising its score from 3.9 to 4.4. “Second to none – I love the speed dating, 20 lenders in two hours – great. It’s easy to stay on top of credit policy,” said one broker.

Greg Altmann of Focas Finance said of Connective: “Well balanced PD days, lender panels and guest speakers appropriate and topical.”

One broker was critical of PLAN’s online training, and said: “It’s tops in the metropolitan areas. Regional areas receive lip service and promises. Online training is good if you can block out time in your office. It doesn’t work.”

Marketing support

The lowlight of the entire survey is the marketing support category. Although slightly improved over last year, aggregators are still underperforming.

Both Choice and FAST did rather dimly – scoring just 2.3 in this category. Brokers from both aggregators commented that marketing support was “absolutely nil” and “doesn’t exist”.

Connective only scored slightly higher than Choice and FAST, but its brokers recognised that marketing support was not part of its MO.

“Connective’s business model isn’t geared towards generating leads for their brokers, and as

Laws of attraction

Top reasons brokers chose their current aggregator:

- size
- good relationship with BDM
- attractive fee structure
- trust in management

PLAN Australia

"Its model allowed me to manage my business my way ... Some aggregators only pay after reaching specific targets. PLAN is perceived as screening all its brokers and setting minimum education and lender experience standards, before accrediting them,"

said one broker

The Brokerage

"When we conducted a tender we were looking for the obvious cost vs service comparison. TB were great on both levels, but the thing that really won it was their ability to interact personally and deliver considered thoughts without trying to 'sell themselves',"

said Ian Jordan of Black Range Financial Solutions

a result their fees are lower," said Otto Dargan, director of Dargan Financial.

The Brokerage scored the highest in this category, earning a 4.2 over last year's 3.6.

"The Brokerage has put a huge effort into marketing over the past 12 months, employing a dedicated marketing manager. The Brokerage website has lots of marketing material available to accredited partners," said one broker.

Loankit also received praise from its brokers.

"They've sent us referral marketing tools and also provide access to RP Data which puts us one step ahead of other people," said Navjeet Matta, principal of Gain Home Loans.

Quality of BDMs

There appears to be no middle ground in this category – brokers seem to either have a fantastic relationship with their BDM or a really dreadful one. Somehow it must average out – since the overall score in this category is 3.8, up slightly from last year.

Negative comments ranged from "Wouldn't p*ss on them if they were on fire" to "I would have a better chance of getting an audience with the Pope than getting one of our so-called BDMs on the phone. I won't feed them!"

On the flipside, some brokers absolutely crowed about their BDM: "Having been in the mortgage industry for over 20 years, I've never met a more constructive BDM than Ross Shuttleworth at Australian Loan Company."

National Brokers Group

"Pisces software has been problematical in the past to the point of unreliability. When it works, it's great, but having suffered numerous software 'failures' this accounts for my overall rating of 4. If Pisces had delivered software reliability as promised, NBG would definitely be rated 5,"

said one broker

PLAN Australia	2008	2009	Overall rating 3.5 2008 rating: 3.8
Quality of lending panel	4.3	4.0	
IT and broker systems	3.9	3.8	
Back-office support	3.5	3.4	
Commission payment regularity	4.3	4.2	
Training and education	3.5	3.7	
Marketing support	3.1	2.9	
Quality of BDMs	3.8	3.4	
Overall quality of service	3.8	3.3	

National Brokers Group	2008	2009	Overall rating 4.3 2008 rating: 4.2
Quality of lending panel	4.6	4.6	
IT and broker systems	3.6	3.7	
Back-office support	4.0	4.0	
Commission payment regularity	4.2	4.4	
Training and education	4.4	4.0	
Marketing support	3.7	3.5	
Quality of BDMs	4.4	4.1	
Overall quality of service	4.2	4.2	

The Brokerage	2008	2009	Overall rating 4.5 2008 rating: 4.7
Quality of lending panel	4.6	4.2	
IT and broker systems	4.1	4.5	
Back-office support	4.8	4.7	
Commission payment regularity	5.0	4.5	
Training and education	4.6	4.5	
Marketing support	3.6	4.2	
Quality of BDMs	4.6	4.4	
Overall quality of service	4.8	4.4	

Both Loankit and The Brokerage took top honours in this category, scoring a 4.4 respectively.

“Michelle Standley has been nominated for the award of BDM of the year, an award she richly deserves,” said Col Ferriman, director of Castle Asset Management of his BDM at The Brokerage.

FAST scored poorly in this category compared to other aggregators.

One broker commented: “When I asked my BDM what we could do if the banks keep on cutting the commissions, her answer was, ‘it’s up to you to decide what to do!’ An answer I wouldn’t have expected from a well-trained BDM.”

The sharpest rise in score was awarded to AFG which climbed from 3.3 to 4.0 this year.

One broker said: “I believe our BDM, Michael Regan, is one of the best in the business.”

Overall quality of service/ratings

The good news for aggregators is that overall quality of service and the overall ratings scores were both up from last year.

In fact, *MPA* noticed a distinct reduction in the number of negative and disparaging comments made about aggregators in this year’s survey.

Despite a dramatic year in terms of commission structure changes and cuts, brokers seem to be drawing closer to their aggregators.

One broker said: “When lenders were cutting their commissions we were one of the first in the industry to receive weekly summary reports about the changes and the effect they’d have on us.”

Up-to-date, useful communication appeared to be key to brokers’ satisfaction with their aggregator’s quality of service.

Transparency

MPA also asked brokers how transparent their aggregator is on profitability and financial stability. It is an area that seems to be confusing for brokers. Some insist their aggregator is very clear, but others (with the same aggregator) seem to be unsure whether they have a right to access this information.

As one broker commented: “Other than a letter stating that it’s financially stable, it hasn’t published or circulated performance figures (stating competitive reasons). If it was publicly listed, disclosure would be a listing requirement under ASIC/ASX rules.”

But the majority of brokers with AFG (which is not publicly listed) said it was extremely clear and

Final results

The top aggregators were determined by tallying all of the category results together (including overall rating) to get an average overall score. The winners were:

1st	Loankit
2nd	The Brokerage
= 3rd	Connective Australian Mortgage Brokers

transparent in this regard, as did brokers with Australian Mortgage Brokers.

A good portion of aggregators appear to have a “if you ask they will tell you” policy.

Initiatives

MPA also asked brokers to reveal which initiatives their aggregator has undertaken to help brokers weather the current economic crisis.

Many commented that their aggregator has helped them diversify their business letting them sell insurance or cross over into commercial loans.

One broker commented that nMB has undertaken “closer negotiations with the lenders and [provided] me with more opportunities to cross sell other products to my clients.”

Brokers also commented on increased communication. Many aggregators offered up-to-date information on emerging markets that they found helpful to their business.

“Connective has given us a lot of advice on the likely direction of the mortgage industry which has allowed us to adapt our business as the market changes,” commented one broker.

“Information, information and information. We’ve been encouraged over the past 12 months to lock in our referrer relationships, turn off the TV and grow the business,” said another broker with regard to nMB.

Marketing was ranked highly in brokers’ comments. The majority of AFG brokers mentioned its Smart program as being a useful tool in customer retention.

Stay tuned

Next month *MPA* will talk to individual aggregators to get their thoughts on the survey and get a sense of what they are planning in 2008.

A special thank you to all brokers who participated in this year’s survey. **MPA**