

The votes are in

With the introduction of licensing, reduced commissions, accreditation requirements and talk of a property bubble, brokers have done it tough. *Barney McCarthy* sifts through the results of *MPA's* fourth annual *Brokers on Aggregators* survey to see what intermediaries make of their networks

Methodology

This year's survey attracted more than 500 respondents – a doubling of last year's response – proving brokers have more to get off their chests than ever before.

It wasn't just members of the usual suspects who cast their votes either, with more than 20 aggregators featuring in the final shakedown.

The survey was divided into three main sections. Firstly, brokers were asked to rate the importance of eight different elements of their aggregator's proposition: quality of lending panel, IT and broker systems, back-office support, assistance with licensing requirements, training and education, marketing support, quality of BDMs and how well their aggregator kept them informed of industry issues.

Next up, brokers were asked seven specific yes/no questions about their relationship with their aggregator including their thoughts on possible mergers, white-labelled products and commission payments. Finally, respondents were asked for general feedback on their aggregator, incorporating why they originally chose them,

what they could do more and less of, and any other concerns.

Results overview

When it came to ranking the different elements, all the categories were considered fairly important, with no area averaging less than three out of five. Quality of lending panel proved to be the most important section, averaging 4.15. Marketing support was by far and away the least crucial aspect for brokers, registering an average score of three. The six remaining elements were clustered together between 3.5 and 3.85.

The seven yes/no questions yielded four photo finishes and three more conclusive results. Opinion was divided on mergers, aggregator size, credit representative fees and satisfaction with commissions, but there was more of a consensus on white-labelled products, aggregator loyalty and transparent payments.

Read on to see exactly what brokers had to say, and thank you to all the respondents who took time out of their busy schedules to give us the low-down on how aggregators are faring.

Categories ranked by importance

	Category	Ave score
1	Quality of panel	4.15
2	IT and broker systems	3.85
3	Licensing assistance	3.76
4	Information provision	3.69
5	Training and education	3.68
6	Quality of BDMS	3.62
7	Back office support	3.5
8	Marketing support	3

Quality of lending panel

Ave score

4.15

Brokers ranked this the most important consideration when it comes to choosing an aggregator, with just shy of half the respondents awarding it five out of five. This is hardly surprising, as a choice of different lenders is perhaps the main selling point of brokers to consumers. In the main, brokers seemed happy with the panels their aggregator provides them with, although there is room for improvement. Several advisors remarked that they would like to see more credit unions, non-banks and second-tier lenders on their aggregator's panel.

Others were more verbose and argued that the behaviour of the lenders on a panel was as important as the overall quality. One Queanbeyan-based broker said: "Aggregators have allowed banks to dictate volumes. The original reason they came into being was because as an individual you could not maintain volumes with several lenders and aggregators were supposed to solve that problem. Any lender that introduced volume hurdles or ratings systems should be removed from the panel. If all aggregators did that, the relevant banks would have to re-think."

Other requests from brokers included the presence of niche lenders equipped to deal with specialised scenarios, more timely evaluation of the lenders on the panel, and specific providers not on their aggregator's panel were sought by a handful of respondents. The overriding theme was that many aggregators need to expand their panels so brokers – and subsequently, consumers – have more choice. In this instance, less is most definitely not more.

IT and broker systems

Ave score

3.85

Second on the agenda for brokers was IT and broker systems. Advances in technology have made everyday-life easier and efficiencies in the workplace are invaluable as they can save time and money. Far from being an additional benefit, technology is now at the very heart of everything intermediaries do, as one broker from WA clarified: "Technology is the bread and butter of the mortgage-broking business. Without efficient

“
Any lender that introduced volume hurdles or ratings systems should be removed from the panel
 ”

IT systems, we cannot even lodge a deal.” Many brokers commented how broker systems were more important than ever, providing invaluable compliance records now that NCCP legislation requires detailed archives.

Aggregators' IT systems weren't without their critics though. One NSW-based broker was concerned that his aggregator had focused on quantity at the expense of quality. "It's too bulky," he complained. "They've put too much information into it which makes navigating it cumbersome." Others had more technical concerns, with several bemoaning the lack of offline capabilities and one broker unhappy with the lack of compatibility with Apple hardware.

Would you be disappointed if your aggregator merged?

yes!

53%

no

47%

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Perhaps the main cause of dissatisfaction however, was with a lack of adequate training. Introducing flash new software is only half the battle after all – it's worthless if brokers can't use it. Some honest brokers admitted their lack of expertise was their own fault, but many felt their aggregator could be doing more to educate them on how to make the most of their platforms.

Aggregators could perhaps be more timely in their roll-out of new systems too – several respondents said they were still waiting for enhancements that had been long promised.

Licensing assistance

Ave score
3.76

The importance of this category was obviously dependent on whether brokers chose to obtain their own credit licence or become a representative through their aggregator, but respondents still saw fit to rate it as the third most important factor.

Many aggregators have made public pronouncements that they would support their members whichever licensing route they took, but feedback provided here would suggest that wasn't strictly the case behind closed doors.

One broker from Wantirna claimed: "All they were concerned about was getting brokers to sign up as credit representatives, a sure-fire way to print money." Plenty of others suggested they were left out in the cold with little advice once

they had made it clear they intended to obtain their own approval.

Of those aggregators that did back brokers seeking their own ACL, assistance was often limited to pointing them in the direction of third party groups who could help. Words such as 'confusion', 'mayhem' and 'messy' were also bandied about, suggesting that aggregators were often as in the dark as their members when it came to legislation.

It wasn't all bad news though, and some respondents had praise for the licensing support on offer from their aggregators. Praise was given for the provision of templates for key compliance documents, the methodical and thorough approach of some aggregators and some even singled out individuals for special thanks.

Information provision

Ave score
3.69

Despite brokers regarding this as the fourth most important category, not many felt their aggregators were doing a very good job of it. A broker from Newcastle claimed being kept abreast of industry issues was "essential to our business, but rarely seen in action" while others claimed information supply was non-existent. Those that were satisfied with their aggregator's performance in this section said they received weekly updates, and some attended seminars hosted by their network.

“
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”

Would you support white-labelled aggregator products?





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To be fair to aggregators, they may not see it as their role to be a news source for members and plenty of respondents acknowledged the fact, saying they kept up with developments by following the media, which was obviously music to our ears. With *Australian Broker News* sending out a daily newsletter and a weekly video clip featuring a debate on the biggest news story from the last seven days, as well as updating content on its website by the hour, brokers don't have to look far for their information fix. The MFAA was also heralded as a useful font of information by a handful of participants.

Training and education

Ave score
3.68 It's not just rookie brokers that need tutoring. With new legislation coming into effect, products constantly launched and tweaked and curveballs such as volume hurdles and commission cuts thrown into the mix, advisors could be forgiven for feeling like the goalposts are constantly shifting. To this end, it is important that brokers regularly top up their knowledge bank and never adopt the attitude that they have nothing more to learn.

Feedback for aggregators was pretty good in this category, with the majority of respondents feeling satisfied with the training on offer.

One broker from Croydon, Victoria, was effusive in his praise. "My aggregator provides very good training and professional development," he beamed. "It makes extensive use of webcasts which are a real time-saver rather than needing to travel to a venue, but it also provides good face-to-face networking opportunities as well." Conferences and courses were mentioned by a number of respondents as informative and useful.

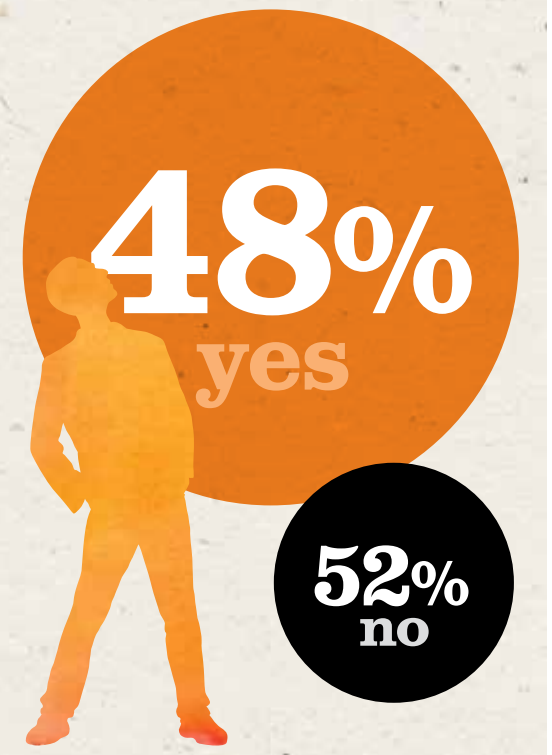
The biggest gripe brokers had was that those in regional areas often felt overlooked. One broker based in the Southern Tablelands said: "Training provision is non-existent for my area. The only training is done in Sydney – even the national road show didn't come to my area."

This sentiment was echoed by a number of brokers who felt marginalised by their location. With other aggregators successfully utilising webinars, and technology such as Skype remaining free and easy-to-use, it is surely only a matter of time before aggregators bridge this gap.

Quality of BDMs

Ave score
3.62 It is perhaps a little surprising that brokers placed relatively little importance on the eminence of their main point of contact from their aggregator, but respondents seemed largely happy with their representative. Some of our more seasoned participants reasoned that aggregator BDMs weren't strictly necessary once a broker had been signed up as they didn't add any value to the process, but a clutch of other respondents requiring guidance were left disappointed with their relationship. One broker from Mount Gambier was unequivocal in her response. "An especially poor performance this past year," she commented. "Even the state manager wouldn't return a call when a particular situation reached crisis point and support was required." Some claimed their BDMs were fine when everything was going well but disappeared off the radar when a solution to a problem was sought, while others lamented high staff turnovers which rendered relationship building difficult.

Does the size of your aggregator matter?



Of the positive responses, many chose to name BDMs they felt had gone above and beyond the call of duty. One broker from Mackay, Queensland, was overjoyed with her BDM: “The support, understanding, knowledge, accessibility, availability – awesome.” Brokers appreciated regular visits and phone calls as another way of being kept in the loop.

Back-office support

Ave score
3.5

This was another category that was interesting to find located towards the bottom of the importance list given that many brokers admitted back-office support was most crucial when it came to sorting out commission issues. Of those respondents that utilised back-office support for remuneration problems, the majority were unhappy at how complaints were dealt with. Several claimed disputes were forwarded to lenders without any input from the aggregator and a number of brokers said many offices were understaffed for the number of cases they had to deal with.

This was probably the root cause of brokers’ major bugbear in this category – enquiries not being dealt with in a timely manner. One SA-based broker was very critical of her aggregator. “There are lengthy delays before calls are returned and time inefficiencies are rampant,” she wrote. “They don’t consider that the broker is busy with the additional workload under the new credit licensing and we haven’t got time to waste waiting for a call that will probably be ages away. It is difficult to manage client expectations in this sort of scenario.”

A warning was also sounded to aggregators in the form of maintaining support levels through operational changes. Some brokers said back-office assistance quality had waned as their organisation grew in size and others were unhappy with being saddled with unfamiliar or underperforming teams once their aggregator had merged.

The final word goes to a pragmatic respondent from Enoggera, Queensland, who acknowledged that brokers’ problems weren’t usually caused by the aggregator itself, and that they appreciated help from them in solving the issue. “There will always be things that happen,” she said. “You have to know who to call, when and what they can do to help you and be confident that when they say they’ll help, they’ll follow through.”

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Marketing support

Ave score

3

Brokers considered this to be the least important element of an aggregator's proposition,

presumably because the majority of brokers like to be in charge of their own marketing. Of those that looked to their aggregator for advertising provision, comments were mixed but the good seemed to marginally outweigh the bad.

One broker based in Port Macquarie appreciates the marketing support available to one-man bands. "Such assistance is integral to a small, single-person operation and my aggregator's program is fantastic for client retention and keeping me at the front of clients' minds," he said.

Another respondent based in Victoria acclaimed his aggregator's help in this section. "It has an excellent integrated customer relationship management system within the software it provides which, in turn, leads to improved marketing capability."

On the flip side, some respondents claimed available marketing support was either too expensive or only available through affiliated partners. Others expected more assistance even if they produced their own material. One intermediary from Melbourne said: "As I chose to be an independent and not trade under the aggregator umbrella, I receive virtually no marketing support other than general information and sessions presented at business development days when marketing is a featured agenda item. Therefore, it's not a great performance by my aggregator, but no complaints as I chose this structure to maximise my own commission split."

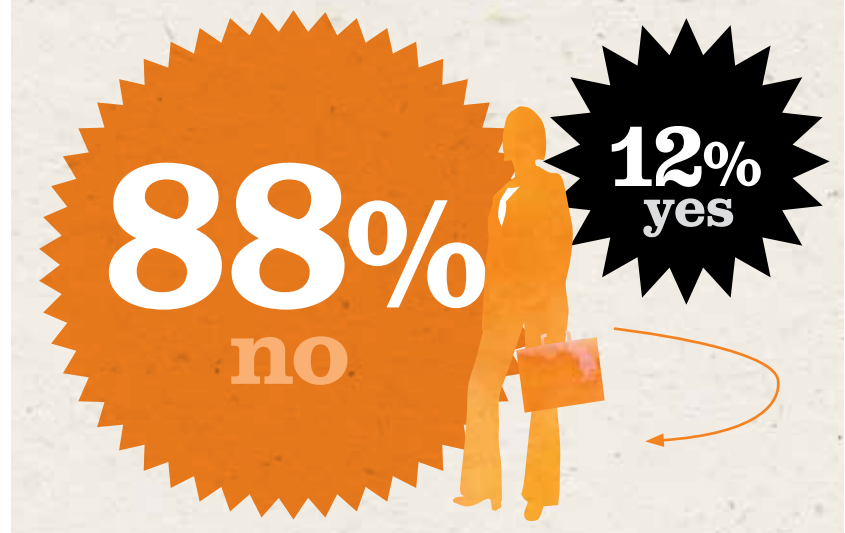
As with all the categories presented in this section, the overall theme seems to be one of broad satisfaction with room for improvement.

Broker views

Aggregator mergers

When asked if they would be disappointed if their aggregator merged, 53% said yes, while 47% were more open to the idea. This even split is a slight reversal from last year's result when 56% stated they would not be upset with an amalgamation.

Are you looking to switch?



Whether this shift is a direct result of dissatisfaction with mergers that have already occurred isn't completely clear, but a number of our responses hinted this may be the case.

One respondent from Victoria was unhappy with the changes he witnessed post-merger. "I was formerly with [an aggregator that merged] and witnessed its deterioration in service and support, as well as an escalation of fees and charges," he said. "In its previous incarnation it was a completely different organisation. I would not want to see my current aggregator merge and need to make concessions, compromises or changes to its existing service philosophy and offering."

Many more brokers are fearful of having their situation compromised by a conflation. A concerned broker from Malvern, Victoria, said: "I haven't seen another aggregator with the same culture, so can't imagine a merger would go well." Even the brokers that didn't mind if their aggregator merged often included caveats that they would only be happy if their businesses weren't adversely affected.

The handful of positive comments left by brokers suggested that there could be strength in numbers with a merger, and that a larger aggregator could perhaps have more bargaining power with lenders.

“
My aggregator's program is fantastic for client retention and keeping me at the front of clients' minds
 ”

White-label products

The next question asked if brokers would support white-labelled products released by their aggregator, and four-fifths said they would back such mortgages. Many suggested their aggregator had already ventured into this space and said they were happy to support the products as long as they were competitive or serviced a niche that wasn't adequately supplied.

One broker from Melbourne was impressed with the initial rollout. "My aggregator has already launched its own products and they are working very well, even in their infancy," he observed. "The products could be refined and improved, but I am quite happy with the progress thus far and support the own-branded loan channel."

Of the negative comments, several respondents felt that it wasn't their aggregators' place to be venturing into this arena and expressed concerns about a loss of focus. One broker from Queensland had this to say:

"The only negative thing I can say about my aggregator is that they have launched their own products. I wish they hadn't as it makes me doubt their commitment to being my representative to other lenders and it worries me that they'll give better service to members who support their own products as opposed to those of us who don't."

As with many questions in this section, brokers aren't fearful of change as long as it is undertaken with their best interests at heart.

Does size matter?

Opinion was divided on the importance of size, with 52% saying the magnitude of their aggregator wasn't an issue, while 48% thought it was. As with the famous adage, many brokers countered that it is what you do with it that really counts. Although a fair number of respondents felt that bigger size meant a greater chance of having more influence when dealing with lenders, brokers were also concerned with aggregators over-expanding and becoming too impersonal or losing sight of their original objectives.

One Croydon-based broker said size shouldn't be important, but that it was mainly the bigger organisations that had the most effective systems in place. "Size isn't everything, but IT systems would need to be of a very high standard," he opined. "My view is that an aggregator needs critical mass to be able to deliver integrated

CRMs, online banking, back-office support and value-added services at a reasonable cost. At this stage, only the larger aggregators can do this."

Some members of aggregators that have grown or merged said they were yet to notice any real benefits of the expansion while others were more apathetic, but maintained a watching brief. "The size of my aggregator makes no difference to my day-to-day operations, but may suddenly become relevant if it became evident that a smaller organisation could not provide the breadth of business development activities and technological platforms to support my business," said one Melbourne-based respondent.

Switching sides

Despite their grumbles, brokers appear to be a loyal bunch with only 12% of brokers admitting they are looking to switch aggregators in the next 12 months. Delving further in to the statistics though, the matter isn't quite as clear cut as the result suggests, with a number of respondents saying they felt unfairly trapped in their current arrangements. Several expressed remorse they had tied themselves in indefinitely, while others claimed they could not afford the financial fall-out that would result from a transfer.

One broker from Samford, Queensland, said: "I can't change aggregators due to unfair



Satisfied with commissions?



yes!

49%



no

51%

“
Why should the aggregator continue to receive a commission split if they aren’t providing you with a service after you have moved to another aggregator?
 ”

Of the supposedly happy campers, a significant number threatened departure if things didn’t improve or worsened, and a number felt hamstrung by a lack of viable alternatives. Aggregators would do well not to be complacent based on the headline statistic from this section and be aware that there is some discontent bubbling just below the surface.

Fair fees?

This category produced one of the closest results. Brokers were asked whether they thought the fees charged by their aggregator for becoming a credit representative were reasonable and 51% thought they were, while 49% disagreed. Again, this doesn’t quite tell the whole story, with what seemed like the majority of respondents choosing to seek an individual licence, which tells a story of its own.

Many brokers felt that the fees charged were not only excessive, but altogether unjustified. A number of respondents felt they already paid enough in commissions and that becoming a credit representative should have been automatically included in their package. Others felt that the levy was more than just recouping costs and that aggregators were looking to profit from such arrangements.

Of the brokers that sought their own licence, several cited the desire for independence and a handful felt that becoming a credit rep was a waste of money, and that intermediaries should be fully capable of operating under their own approval.

Commission payments

Remuneration was another hotly-contested category, with 51% saying they weren’t happy with the commissions they currently received in comparison to 49% that were satisfied with their pay packet. All things considered, this is still a fairly good outcome for aggregators, as it takes a certain level of contentment for anyone to pass up more money and a near-even split is good going. It is also worth mentioning that a number of respondents that weren’t satisfied with the commission payments they receive focused their ire on lenders rather than their aggregators.

Some brokers felt that their aggregator could be doing more to justify their slice of the commission pie. One Melton-based intermediary

benchmarks on my agreement that if I don’t meet in any one year, the aggregator has the right to keep my trail if I leave. Pity any broker who has six months’ off through holiday or sickness.” This was a common theme and others felt that such stipulations hindered competition. “I feel that if you do change aggregators, you should be able to transfer your loan book,” wrote a Newcastle-based advisor. “This would create greater competition among aggregators. Secondly, why should the aggregator continue to receive a commission split if they aren’t providing you with a service after you have moved to another aggregator?”

said: "It is hard to run a business on the reduced commission and the extra work and we are downsizing because of this by cutting overheads. We would like to see our aggregator doing more, after all they keep a percentage of the money." Another broker from Queensland agreed: "Our aggregator makes between \$40,000 and \$50,000 per annum from my commissions, which is way too much when you consider the services they provide. My aggregator, overall, provides pretty good service but it doesn't deserve to receive that much income from one broker."

Several respondents also felt that commissions should be on the rise again to reflect the fact the worst of the GFC has now passed. A number also mentioned they had been forced to adopt a fee-for-service model to make up the shortfall caused by falling commissions.

Payment accuracy

Whatever their stance on how much commission they are receiving, the majority of brokers don't think their aggregators are up to anything shady, with 75% of respondents believing they are paid accurately and transparently. However, a fair number of those that declared themselves satisfied admitted that mistakes did sometimes occur and that resolving such issues was costly in terms of missed income and time spent sorting them out.

There were several complaints around clawback and trail payments and a few brokers thought this could be made clearer upfront. Some

respondents that did feel aggrieved said they had no real way of checking the veracity of payments or simply didn't have the time, due to the number of cases they handled.

One SA-based broker had a fair point about whether aggregators were playing fair on payments. "If commissions were paid accurately, how do you explain the amount of orphan commission sitting in their trust accounts?"

Industry issues

Selection criteria

When brokers were asked why they had chosen their current aggregator, myriad reasons were provided. However, what stood out among the responses was that it often took little for a broker to choose a particular partner. Many cited word-of-mouth recommendations, previous relationships with staff in other guises, and a sizeable cross-section even claimed they joined the aggregator that got back to them first. A number of respondents claimed the decision wasn't down to them and that they had fallen in line with their company's existing arrangement while others were apathetic and suggested they had been with one partner too long to bother changing.

Of those that had made the call themselves, among the reasons cited were service, reputation, software, support, lending panel, commission model, integrity and general professionalism.

However, as with the question about switching, an undercurrent of displeasure ran

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Are you paid accurately and transparently?



through many of the answers, so aggregators need to ensure they are listening to feedback from their broker members.

Reasons for change

Brokers that had switched aggregators in the past 12 months were asked what the primary motivator behind their move was. The main reasons given included poor BDMs, concern over commissions and poor attitudes towards brokers obtaining their own ACL. The stand-out factor however, was dissatisfaction with new regimes brought about by mergers or new ownership. Some advisors that had joined their original aggregator for a specific reason felt this had been compromised by a merger and that they now belonged to an organisation they had never chosen to be a part of.

Service was also an issue for some of our respondents. One frustrated broker from Wilston, Queensland, said: “I switched lenders because of a lack of service; in fact, there was none. Every time I phoned, no one was available to meet with me, even if I gave them a three-week window to arrange an appointment. My office is located five minutes away from their head office.”

More, more, more

This question simply asked brokers what they wished their aggregator was doing more of. The

“
Every time I phoned, no one was available to meet with me, even if I gave them a three-week window to arrange an appointment
 ”

suggestions were bountiful, from improved IT platforms to increased training and working with the government on issues such as the exit fee debate. Brokers also wanted more help with diversifying their income stream and wanted their aggregator to add specialist providers to their panel.

Undoubtedly, the most popular request was that aggregators defend brokers’ corner more and bring the fight to the banks. Many respondents felt that was the main purpose of an aggregator but that their representative wasn’t doing enough.

Another bugbear was marketing. Brokers felt that they benefitted from belonging to a collective of advisers, but this message wasn’t being effectively communicated to consumers. One broker from Mulgrave, Victoria, said: “My aggregator should be more visible to the public and marketed as an umbrella brand of brokers. It could be more aggressive in selling the services of its brokers and not just taking a slice of their commissions without any real input into business generated. Needless to say, if lending institutions dealt with individual brokers, aggregators would simply have no value and be irrelevant.”

Cut it out

When it came to what brokers wanted to see less of from their aggregator, a reduction in

trumpet blowing was high up the list. A number of respondents mentioned that they would like to see more walk and less talk from their aggregator and several participants criticised networking events as a waste of time.

Brokers were also concerned that their aggregators seemed more preoccupied with attracting new members and scoping out possible merger opportunities rather than taking care of their existing relationships. Other gripes included the publication of news updates that contained obsolete information, being reactive rather than proactive and being too obsessed with their own white-labelled products.

Causes for concern

Despite a relatively even split in the earlier category regarding how brokers felt about a possible merger, the main concern for brokers centred on future mergers. Many belonged to aggregators that had already amalgamated or been taken over and expressed fears for the future. Some brokers were unhappy that they even had to use aggregators at all. One disgruntled broker from Wollongong said: "Aggregators do nothing other than distance us from the lenders. We should have direct access rather than paying part of our income just to collect what should be sent directly to us."

A number of respondents echoed this sentiment and felt they had become 'just a number' rather than a valued member of their aggregator. Aggregators will do well to heed this warning and ensure that everything in-house is rosy before they push on with expansion plans.

Growing your wealth

Brokers cited diversification and marketing as the two main ways their aggregator had helped them grow their wealth. Training and PD days were also applauded, although brokers said it was important that content was relevant and tailored towards the individuals concerned. Special mention was also made of aggregators who endeavoured to help brokers foster relationships with other local businesses and schemes that brought advisors together to share knowledge.

Despite these endorsements, a fair percentage of respondents felt that any business growth was as a direct result of their own actions rather than giving their aggregator any credit.

Accreditation support

The final question in this year's survey asked brokers what support they had received to become accredited. As mentioned previously, a substantial number of respondents sought their own ACL, but those who became credit reps seemed pleased with the assistance on hand. Training days, informative literature, webinars and updates were all heralded and many broker said they had maintained an ongoing dialogue with their aggregator contact regarding compliance issues. **MPA**

