



STANDING OUT

Brokerages come in all shapes and sizes,
from one-man bands to huge franchise
operations. In this special report,
BARNEY MCCARTHY identifies
and profiles Australia's leading
independent brokerages



DProspective brokers have the choice of joining a franchise or going solo and setting up on their own. There are pros and cons of both routes, but in this report we have chosen to shine the spotlight on the independent brokerages that have chosen to go it alone. In any industry it's not easy setting up your own business, but particularly so in a field where you are not only competing against your counterparts, but also against high street banks offering competitive rates. What makes the achievements of the featured brokerages even more impressive is that they have continued to thrive in an uncertain economic climate against a backdrop of a number of distractions, such as preparing for the licensing regime, falling commissions and the exit fee free-for-all.

METHODOLOGY

To begin our search for Australia's top independent brokerages, we asked six leading aggregators to nominate their five best non-franchise broking firms. Of those nominated, we then removed those with less than five brokers to avoid too much conflict with our prestigious Top 100 poll. We then contacted the remaining firms to ask them for a range of figures including loan book size, annual volumes, conversion rates and what percentage of their business was returning custom. To avoid a scenario where size prevailed over all, companies were awarded a score in each of the aforementioned categories to produce an overall score and the top 10 made this year's hall of fame. Congratulations to those firms who made the list and hard luck to those who just missed out including Independent Mortgage & Finance Services in Perth, Home Loan Experts/Dargan Financial in Sydney and Lawform Financial Services which operates in a number of states. Before we profile the best brokerages, a word from our sponsor St.George.

"These brokerages have continued to thrive against a backdrop of licensing, falling commissions and the exit fee free-for-all"



The past year has seen intense competition in the mortgage broking industry, and that level of competition creates an opportunity for the best of the best to step forward. As the industry talks about a challenging economy, diversification, new revenue streams and reducing exposure to risk, 10 independent brokerages have stepped forward, and they're standing tall.

St.George Bank, BankSA and Bank of Melbourne are proud to sponsor MPA's Top 10 Independent Brokerages list, an accolade that acknowledges and recognises the very same values that underpin the St.George Banking Group. Working together as a team, delighting customers, acting with integrity, and being the best that you can be are surely some of the most important attributes required to realise a successful business of any size.

To be named as one of the Top 10 Independent Brokerages by MPA is to be acknowledged nationally as a team to be reckoned with. Being a successful independent brokerage in today's competitive and dynamic environment is a balancing act between achieving great numbers, understanding your customers and building a business where the best people want to work.

Working as a mortgage broker within a high-performing team to build a strong reputation and a respected brand is both challenging and rewarding. Customer satisfaction and advocacy are key to achieving that success, customers need to feel valued, and they also need to feel confident that their broker is giving them the best possible advice.

At St.George we're passionate about education and we believe that ongoing recognition of high-performing mortgage brokers will inspire others to do better, which can only be positive for our industry.

Congratulations to those who have made the St.George and MPA Top 10 Independent Brokerages list for 2011. We acknowledge your absolute drive and commitment, and applaud you for setting the standard.

Darren Little, acting general manager of intermediary distribution, St.George



	BROKERAGE	STATE	LOAN BOOK	VOLUME	BROKERS	VOLUME PER BROKER	CONVERSION RATE	% OF REPEAT BUSINESS
1	Better Choice Mortgage Services	WA	\$850m	\$240m	8	\$30m	88%	50%
2	Property Planning Australia	VIC/NSW	\$550m	\$170m	5	\$34m	85%	45%
3	Mortgage Solutions Australia	WA	\$1.2bn	\$325.9m	8	\$40.7m	80%	20%
4	Oxygen Home Loans	NSW/QLD	\$800m	\$684m	21	\$32.5m	82%	31%
5	Able Finance	NT	\$504m	\$125.2m	6	\$20.8m	84%	62%
6	Buyer's Choice Home Loan Advisory	All	\$3.5bn	\$914m	85	\$10.7m	80%	47%
7	House & Home Loans	WA	\$960m	\$216m	8	\$27m	80%	30%
8	Easy Loans	NT	\$440m	\$80.3m	7	\$11.4m	85%	80%
9	Australian Lending & Investment Centre	VIC	\$261.4m	\$256.1m	5	\$51.2m	83.50%	25%
10	Tassie Homeloans	TAS	\$459m	\$110m	7	\$15.7m	95%	25%



Robert Brand

10 Tassie Home Loans

Location: Hobart, Launceston, Devonport and Burnie – TAS
Loan book size: \$459m
Annual volume (2010/11): \$110m
Number of brokers: 7
Annual volume per broker: \$15.7m
Conversion rate: 95%
Percentage of repeat business: 25%

ROBERT BRAND, MANAGING DIRECTOR

Q: What's the secret to a successful brokerage?

A: The biggest thing is that we've been trying to be a more complete provider of financial services to our clients and that's why we're continuing to do reasonably well despite the bad times. We're continuing to add on more services so that we're providing our clients with more than just filling in an application form for a home loan by expanding into insurance, conveyancing and real estate.

Q: How was the company started and what is the appeal for brokers

joining an independent brokerage and customers using one?

A: The company was set up 16 years ago, initially to manage government social housing portfolios. It evolved into a broking firm over a period of time, before it was as common as it is now. There was never a suggestion of going under someone else's banner, it was set up as a private company. In Tasmania, it's quite important to be seen as a Tasmanian firm with your own identity, so with a name like Tassie Home Loans, it's self-explanatory and people relate to it; I doubt we could have a better brand.

Q: Does that local loyalty account for a lot of new business and negate the need for much marketing?

A: We get a lot of referrals – probably 80% of our business is sourced that way.

Q: How does your annual volume figure compare to 2009/10?

A: Our volumes are down, but our market share increased by 1% during the year, so I guess we didn't fall back as far as everyone else.

Q: As commissions continue to be squeezed, can you see your

company adopting a fee-for-service model in the future?

A: We already have. As of 1 July we introduced a \$200 application fee at lodgement that is only refundable if the loan is declined for reasons beyond the applicant's control, such as an unreasonable valuation. If it's due to a credit history they didn't disclose or something like that, we don't refund.

Q: Do you see more brokerages following suit?

A: There are two very strong camps, one for and one against, but we have encountered zero customer resistance to our model.

Q: What effect do you expect licensing to have on your business?

A: Due to the fact we manage about 13 different loan portfolios on behalf of the state government, Bendigo Bank and St.George, we are regularly audited by these other bodies and we've always had high operating standards. The new legislation did bring in a lot of repetitive and superfluous regulation which we've had to comply with, but the leap is probably a lot less for us than it was for other people.



Mark Roesler



8 Easy Loans

Location: Darwin, NT
Loan book size: \$440m
Annual volume (2010/11): \$80.3m
Number of brokers: 7
Annual volume per broker: \$11.4m
Conversion rate: 85%
Percentage of repeat business: 80%

MARK ROESLER, DIRECTOR

Q: What is the secret to a successful brokerage?

A: Only employ people who are focused on service and come with extensive banking and finance backgrounds. Our loans managers include three former ANZ bank managers, an erstwhile NAB bank manager, a financial planner, an accountant and an experienced broker from another firm. We offer over 140 years of collective industry experience and have a reputation for providing quality service and advice. We never have and never will pay a referral fee to an agent. Win the business based on your ability to provide quality service – not on your ability to pay a referral fee.

Q: Why did you choose to set up on your own and not become part of a franchise?

A: At the time established in 1996, the industry was in its infancy. Aggregators and franchise brands were not commonplace. Being former bank managers, we had good industry contacts and arranged for direct accreditation with the banks themselves. It wasn't until 10 years later that we joined PLAN.

Q: How do you market your business and how important are referrals?

A: We don't spend any money on advertising other than Yellow Pages. Our book has been built based primarily on referrals from real estate agents and has since grown from within our existing client base. We are regularly in contact with our clients via various mail-outs and our goal is to touch base with every client at least three times a year. Referrals and repeat business are our life blood.

Q: How are your volumes tracking compared to 2009/10?

A: Our volumes are comparable to 2009/10. We are anticipating significant growth over the coming years with the LNG projects which are to come on line.

Q: Have you diversified your business or do you just offer home loans?

A: We have a commercial loan writer and also have arrangements in place for general and risk insurances. We also have a referral program in place with a financial planner.

Q: As commissions continue to be squeezed, can you see yourself adopting a fee-for-service model?

A: In my opinion, charging a fee for service would be the beginning of the end of our industry as we know it today. Brokers would not be a competitive option for prospective clients compared to the bank branch networks. We would run the risk of the banks having the ability to be able to offer a free service as opposed to our fee for service model. We would be in the opposite position to what a broker can offer today. A free service is one of our competitive edges. Morally I would find it difficult to charge a client a fee when I know that the local bank down the road can offer the same deal at no cost.

Q: What effect do you expect licensing to have on your business?

A: Licensing is a great thing for the industry, and I am a strong supporter of it. We all hope that the regulatory requirements restrict the ease in which inexperienced or unethical brokers can enter and continue operating in our industry as they have in the past.

“We will never pay a referral fee to an agent. Win the business based on quality service – not on your ability to pay a referral fee”



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Rael Bricker



7 House & Home Loans

Location: Osborne Park, WA
Loan book size: \$960m
Annual volume (2010/11): \$216m
Number of brokers: 8
Annual volume per broker: \$27m
Conversion rate: 80%
Percentage of repeat business: 30%

RAEL BRICKER, MANAGING DIRECTOR

Q: What is the secret to a successful brokerage?

A: We've stuck to a philosophy of employing people who have never worked in a bank, but have a strong finance background, and servicing our referral relationships.

Q: Why did you choose to set up on your own and not become part of a franchise?

A: I didn't become a finance broker by design and my background was in corporate finance and venture capital. People started saying I did a good job of organising their business loans and asked if I could arrange their home loans. It was never an option to join a franchise as I'm fiercely independent – I've only earned a salary for three-and-a-half years of my life. I'm 47 now and I've worked for myself since I got my second Masters degree.

Q: How do you market your business and how important are referrals?

A: Within our group we have three businesses – House & Home Loans which is the licensee and the controlling shareholder in everything; Rate Detective Home Loans which is internet-driven using the latest technology and things such

as adwords and social media and generates leads on one side of the business; and House & Home Life. With House & Home Loans about 30–40% is repeat business and another 30% is referrals, so we don't have to do much advertising.

Q: How are volumes tracking compared to 2010/11?

A: Volumes are up by around 10% year-on-year.

Q: Have you diversified or do you just offer home loans?

A: We have a business called House & Home Life which is a fully-licensed financial planning business; it handles risk insurance and strategic relationships with property sales. Branching into financial planning is the correct thing to be doing under NCCP and responsible lending because you need to look at people's risk profiles and insurances.

Q: What is your take on fee-for-service models and do you see your business going down that route?

A: I'm not a fan of charging a fee for service and even in our risk business we don't have it, but I do think there is a place for a consulting fee for complex clients. We have introduced a clawback clause into our finance broking contract as opposed to an upfront fee. If we get clawed back within two years, we will invoice the client and we have recently issued the first of these.

Q: What impact do you expect licensing to have on your business?

A: I think it's good and the strong will survive. The idea of raising the bar of professionalism in the industry is positive and licensing will do that to some degree. It's not the total answer, but it will go some way to getting rid of the cowboys.





Mick McClure



6 Buyer's Choice Home Loan Advisory Service

Location: National group
Loan book size: \$3.5bn
Annual volume (2010/11): \$914m
Number of brokers: 85
Annual volume per broker: \$10.7m
Conversion rate: 80%
Percentage of repeat business: 47%

**MICK MCCLURE,
 MANAGING DIRECTOR**

Q: What's the secret to a successful brokerage?

A: Focusing on the client. The secret to the success of the group is focusing on providing great services for our members, but we've encouraged all our brokers to concentrate on the basics with their clients and provide quality service on an ongoing basis. It's about sticking with your client, becoming a trusted adviser and keeping in touch with them.

Q: What was behind your decision to set up your own brokerage rather than simply joining a franchise or existing group?

A: I was quite disenchanted with the various business models that were out there and I'm not a fan of franchising at all. With the partners I had around me, we wanted to create a model that supported brokers. As it says on our website, Buyer's Choice is a business built by loan writers for the benefit of loan writers. It's all about making sure our members are secure in terms of their environment, their clients and their commissions, and making sure they have support. The more things the group could provide centrally for the brokers, the more time they could spend with their clients. We initially wanted to become

a group of about 50, then we revised that to 150 over the years. We bring on new people quite slowly and that's important because we can't support lots of new brokers if they start at once. We don't grow aggressively, we bring people on who are the right fit with a combination of experienced and industry newcomers.

Q: How do you market your business?

A: Most of our business these days comes from referrals from existing clients of our members. We have a website which is undergoing an overhaul. We were a very big Yellow Pages advertiser in the early days, so we got our initial momentum from those sorts of sources. We also have good referral arrangements with accountants and solicitors. These days most of the enquiries come either directly to the brokers from their existing client base as a result of things like e-newsletters.

Q: How are your volumes tracking compared to 2009/10?

A: We're probably still 30% off our peak. Pre-GFC we were tracking round \$130m-150m a month and we're doing around \$100m a month at the moment. The GFC certainly had a big impact, but nowhere near as much as we expected. The brokers that had good relationships with their clients and maintained those continue to get the business. These are confusing times for customers with the competition between the banks, so they are far more likely to ring a broker now than they were before.

Q: Have you diversified your business beyond home loans?

A: Nowhere near as much as we would like yet, but we have started. We write a range of risk insurances, some where the brokers write it

themselves and some where they refer it off. We have property referral, wills and conveyancing arrangements through which we earn an income stream, but it's still in its infancy. The core business is still 90% home loans with some commercial finance and leasing. The reason a lot of brokers haven't diversified as much as they should have is that they've suffered through the GFC and regulation and just wanted to focus on home loans and worry about the add-on services later, but we've now arrived at 'later'.

Q: What is your take on fee-for-service and do you see your company adopting such a model?

A: Charging a fee for advice we will put on the menu. A lot of our brokers are very cautious about it, but I think there is a justification for charging for the advice portion of the service. The banks are paying us for the service part, so that's not so important. We will add that into the mix and it will be optional for our brokers. There will be cases where brokers have done an enormous amount of work for a client and have shopped all over town and a fee in those cases will guarantee commitment.

Q: What effect do you expect licensing to have on your business?

A: It's already had some positive effects. We haven't lost anyone and it's brought a new focus on professionalism for all of our members and has sharpened up our IT software offering which includes templates and documents. It's brought a better standard to all brokers so they follow set procedures. The days of being a 'hit and run' broker are gone and I think that will lead to deeper relationships with clients. Brokers will need fewer customers as they will do more business with the ones they have.



5 Able Finance

Location: Darwin, NT
Loan book size: \$504m
Annual volume (2010/11): \$125.2m
Number of brokers: 6
Annual volume per broker: \$20.8m
Conversion rate: 84%
Percentage of repeat business: 62%

SHANE CROWLEY, MARKETING MANAGER

Q: What is the secret to a successful brokerage?

A: Putting the client's objectives ahead of your own. We have a huge volume of returning clients and individuals that are referred by existing clients solely because we look after people. We do a lot of pro bono work where we know we're not going to get anything, but we know that by helping out the clients you're going to reap the benefits in the future.

Q: Why did you choose to set up on your own and not join a franchise?

A: The main thing was independence – not being told what to do and how to set things up. We've run the business how we wanted to and set it up our own way. We haven't had to rely on someone down south telling us how to run a business in Darwin. It's a different socio-economic status in terms of the way people are and the economy itself.

Q: How do you market yourself?

A: We do a lot of TV advertising, mainly in scheduling areas where there is limited ad space between breaks, so things like cricket and rugby. We also do referral vouchers, so whenever clients refer business to us we give them a \$100 voucher for

the settlement which gives us a fair amount of volume back. We also send out our own personal newsletter as well as birthday and Christmas cards.

Q: How are your volume figures tracking compared to 2009/10?

A: As with the rest of the industry, we had a bit of a shortcoming at the start of the year. We weren't doing the huge dollars that we were doing, but we were doing some good dollars. It's a change of business towards refinancing and helping clients out. In the last two months it's really changed round again and first homeowners are coming back in. A lot of investors are seeing there is good value in the Darwin market too.

Q: How much have you diversified your business?

A: We started up a financial planning division two years ago and have branched into risk insurance. We're in the initial stages of setting up a general insurance offering as well.

Q: Do you see your company adopting fee for service in future?

A: No, we don't want to go down that route. In terms of valuing your service to a client – especially with the prevalence of the internet and other research tools – it would be hard to charge them. Even though we offer a huge amount of expertise, we can't see fee for service working. If things go that way, the industry will show signs of weakening in the future.

Q: What impact do you expect licensing to have on your business?

A: We've rolled with the punches and have used it to our benefit. We've used it in our marketing to show the client more information about ourselves and it's also a good way to try and weed out some of the rogues who are still around.



Shane Crowley



James Green



4 Oxygen Home Loans

Location: Offices across NSW and QLD
Loan book size: \$800m
Annual volume (2010/11): \$684m
Number of brokers: 21
Annual volume per broker: \$32.5m
Conversion rate: 82%
Percentage of repeat business: 31%

JAMES GREEN, GENERAL MANAGER

Q: What is the secret to a successful brokerage?

A: Combining a strong value proposition with top customer service.

Q: Why did you choose to set up on your own and not become part of a franchise?

A: We didn't need the assistance of a franchisor. We wished to develop our own value proposition, procedures, values and culture.

Q: How do you market your business and how important are referrals?

A: We conduct a lot of face-to-face meetings with our referrers. They account for 80% of our total business and are the fastest-growing segment in our business.

“Licensing has made it a lot harder to do business, but it has made our industry more professional and reputable”



3 Mortgage Solutions Australia

Location: Offices in Doubleview, Kalgoorlie and Albany – WA
Loan book size: \$1.2bn
Annual volume (2010/11): \$325.9m
Number of brokers: 8
Annual volume per broker: \$40.7m
Conversion rate: 80%
Percentage of repeat business: 20%



Alan Hancock

**ALAN HANCOCK,
 MANAGING DIRECTOR**

Q: What is the secret to a successful brokerage?

A: The main ingredients are knowledge of the applicant, the broker's knowledge of products that are available to service that applicant, attention to detail and empathy.

Q: Why did you choose to set up on your own and not become part of a franchise?

A: I wrote the initial plan and concept for the company. We never considered anything else other than going alone. We associated with PLAN very early in the piece and worked in conjunction with its originators. We made the decision to go as brokers rather than mortgage managers in the early days.

Q: How do you source your business?

A: The starting point of the business was based on referrals and that has continued, but word of mouth has overtaken that as a bigger percentage.

Q: How are your volumes tracking compared to 2009/10?

A: We're just starting to pick up

We also market via electronic direct mail and through industry media such as *MPA* and *Australian Broker*.

Q: How are your volumes tracking compared to 2009/10?

A: Our settlements are up 65% year-on-year.

Q: Have you diversified your business or do you just offer home loans?

A: We have diversified into financial planning and risk insurance, and we work closely with McGrath with regards to property management.

Q: As commissions continue to be squeezed, can you see yourself adopting a fee-for-service or commission refund model?

A: We have discussed both types of fee-for-service models, but have not made a decision on either yet.

Q: What effect has licensing had on your business?

A: Licensing has made it a lot harder to do business and more time consuming for the customer, but it has made our industry more professional and reputable.

Q: Do you have your own licence or have you become a credit representative?

We have our own ACL and our brokers can either have their own licence or be a credit representative under ours. Being a credit representative is far more cost-effective for our team as it costs only \$99 per month for the whole package including professional indemnity insurance and being affiliated to the Credit Ombudsman.

again and the three months to September showed an improvement over the six months before that. There was certainly a dip in the first six months of the last financial year.

Q: Have you diversified your business or do you just offer home loans?

A: We certainly have. The total business has got the number one selling real estate network in WA which provides a lot of referrals. We also have financial planning and settlements businesses, so we're a one-stop shop. Diversification isn't easy, but it's a way to go and cross-selling will be a way of the future.

Q: What's your take on the fee-for-service debate?

A: We're working on the basis that if fee for service became the way to do it, we would have a value proposition that would support that from day one.

Q: What impact will licensing have on your business?

A: We've basically been ahead of the licensing requirements being in WA and we intend to remain a friend to the licensing regime. We've got a full licence and we were in the first dozen or so companies in Australia to get that organised.



David Johnston



2 Property Planning Australia

Location: Offices in Hawthorn, VIC and Bondi Junction, NSW
Loan book size: \$550m
Annual volume (2009/10): \$170m
Number of brokers: 5
Annual volume per broker: \$34m
Conversion rate: 85%
Percentage of repeat business: 45%

DAVID JOHNSTON, DIRECTOR

Q: What is the secret to a successful brokerage?

A: Looking after your client and having integrity with the advice and service that you provide – making sure the client is at the centre of everything you do.

Q: Why did you choose to set up on your own and not become part of a franchise?

A: To have the ability to drive something ourselves, to be able to bring more creativity and ingenuity to it and not be constrained in what we could do. I'm not too good at being told what to do.

Q: How do you market your business?

A: We do some PR work in the consumer media such as *Your Investment Property* and we also run a property education course with Victoria University which helps us to get exposure. We get a lot of cross referrals internally from other areas of the business. Referrals from existing clients are a major source of business too.

Q: Have you diversified your business beyond home loans?

A: We have a financial planning arm to the business, as well as offering property and tax advice and risk insurance. We have a holistic approach to all our clients and offer a smorgasbord of services that allows them to pick and choose. We incorporate the property decision-making process in everything we do.

Q: I know you use a fee-for-service model in other areas of your business, but do you envisage implementing it in your home loan division?

A: No, we haven't. We associate value with the mortgage advice we give, but we don't charge the clients a fee because they can still go down the road and do it at no cost at a bank.

Q: What impact do you expect licensing to have on your business?

A: It certainly increases the workload to the business and everyone within it. It will have a positive impact in terms of the way the industry is seen and we have started to see some of the less serious operators leave the industry. As long as the regulation doesn't become too onerous it can only be a good thing.

“We have a holistic approach to all our clients and offer a smorgasbord of services that allows them to pick and choose”

1 Better Choice Mortgage Services

Location: Balcatta, WA
Loan book size: \$850m
Annual volume (2010/11): \$240m
Number of brokers: 8
Annual volume per broker: \$30m
Conversion rate: 88%
Percentage of repeat business: 50%



SEBASTIAN SCURRIA, DIRECTOR

Q: What is the secret to a successful brokerage?

A: Consistency and not chasing the hobbyhorse of the day. We've focused our business around real estate purchase and not zeroed in on a particular area within that – our referrals come mainly from real estate agents and existing clients. We are focused on what we

do and haven't taken our eye off the ball by becoming financial planners.

Q: Why did you choose to set up your own company rather than become a franchisee?

A: My business partner Vic Giannakis had been in broking for three years longer than me and identified me as someone he wanted to consolidate with. We shared the same business ideals and have similar backgrounds, even though we're different types of people.

Q: How do you market your business in addition to the referral system you mentioned?

A: We've put a lot of money into internet-based advertising and our website, utilising things such as pay-per-click. We do a lot of marketing to our existing database too. We really want to motivate our brokers to get out there and wear out some shoe leather calling on real estate agents, accountants, financial planners – they're the people who are going to grow your business.

Q: How are your volumes tracking compared to 2009/10?

A: We're still trying to recapture the glory days of 2006/7, but volumes are up from 2009/10.

Q: Have you diversified your business beyond home loans?

A: We'd rather outsource everything in that regard. We don't want our brokers to become financial planners as we have one in our office that we refer to. Through our aggregator we have loan protection and general insurance available to us, so we believe that's covered off. We don't want our brokers to be all things to all people, but experts at what they do.

Q: What is your stance on the fee-for-service debate?

A: I wouldn't like to see us go down that path. The consumer has been used to not paying a finance broker for 20 years and trying to change that is going to be extremely difficult. Anyone who says that it's not either hasn't worked at the coal face as a broker or hasn't researched the matter properly.