




CHARTING THEIR OWN COURSE



The non-bank sector has managed to survive in a tough environment, continuing to stand apart as an alternative to the big lenders. MPA examines what brokers think of Australia's challenger brands

Upon reading his own mistakenly printed obituary, Mark Twain once quipped that “rumours of my death have been greatly exaggerated”. Australia's non-bank lenders could very well make the same claim.

The death knell has been sounded for non-banks countless times. First, the GFC was set to send them to an early grave. Next, tightening wholesale funding markets were predicted to finish them off. The government's unilateral exit fee ban was forecast to be the final nail in the coffin.

But non-banks keep battling back, regardless of the hurdles the market throws in their path. This year's Brokers on Non-Banks survey shows that the iconoclastic lenders still have a place in the market, and are still winning business from brokers.

Liberty was the big winner this year, claiming top spot in an amazing six of 13 categories and showing strongly in most other areas. Homeloans and Australian First Mortgage followed, each racking up wins and strong performances. But the results of the Brokers on Non-Banks survey ultimately paint a picture of a varied and vibrant non-bank sector, with high commendations going to a wide variety of lenders such as Iden, Loan Avenue, Pepper and Better Mortgage Management.

Read on to find out what brokers have to say on Australia's challenger brands.

A NOTE ON METHODOLOGY

Brokers were asked to rate their top three non-bank lenders across the categories of turnaround times, BDM support, commissions, information provision, interest rates, product range, overall service to brokers, credit policy, online platforms, service to consumers, product innovation, marketing and branding and diversification opportunities. Respondents rated the top three in each category, in order of performance.

Brokers were also asked to rate each category in terms of importance, scoring each from 5 (most important) to 1 (least important).



A WORD FROM OUR SPONSOR

The mortgage industry is currently experiencing one of its biggest home loan price wars for some time, but competing on price can only take you so far. While price is important to consumers and the brokers that service them, service, speed and flexibility are critical - and these three core qualities are at the very heart of the non-bank service proposition. Non-bank lenders grew from a consumer need for personalised, focused servicing and the innovation around product and positioning that this sector brought to the market has helped to not only ensure choice for borrowers, it has also evolved brokers' overall proposition to clients.

The non-bank proposition today has only been enhanced by experience, maturity plus accessibility to competitive, stable and accessible funding. Indeed, the sector is alive with a driven resolve to support brokers and borrowers alike and offer a very real alternative to the banks.

As Australia's top wholesale funder, Advantedge is committed to supporting our non-bank partners to deliver competitive, innovative mortgage solutions to their clients. This has always been central to our focus and will remain so in spite of market fluctuations.

Our decision to partner MPA's non-bank survey once again is a clear indication of our unwavering commitment to providing brokers with an ever-evolving range of market leading products and to ensure borrowers have choice for their home loan needs.



Brett Halliwell
General Manager, Advantedge
Distribution
Advantedge Financial Services

TURNAROUND TIMES

1ST PLACE	Liberty
2ND PLACE	Australian First Mortgage
3RD PLACE	Iden
HIGHLY COMMENDED	Pepper, Loan Avenue, Future Financial

Turnaround times are an important sticking point for brokers, ranked as the third-most important category. Non-banks in general were offered some constructive criticism on their turnarounds, with many brokers tipping it as an important area for improvement. But brokers also indicated that non-banks were besting the majors on turnaround times, citing more personal service as a key factor in speeding up approvals.

Liberty was highly lauded for its turnaround times. The lender ran away with the category, placing far in front of any other non-bank.

Australian First Mortgage ranked second for turnaround times, followed extremely closely by Iden. Pepper, Loan Avenue and Future Financial also received kudos in this category.

BDM SUPPORT

1ST PLACE	Liberty
2ND PLACE	Homeloans
3RD PLACE	Loan Avenue
HIGHLY COMMENDED	Pepper, Australian First Mortgage, Better Mortgage Management

Brokers seem very happy with the support they've received from non-bank BDMs, with some even going so far as to mention and applaud their BDM by name. Personalised service again arose as a major theme and an important factor distinguishing non-banks from their ADI brethren.

Liberty took out the top spot for BDM support, with Homeloans following. Loan Avenue also rated highly, receiving third place for its BDM support. Perhaps indicative of the high level of support brokers feel they receive from non-bank BDMs, Pepper, Australian First Mortgage, Better Mortgage Management and Iden all received high marks for their BDMs.



COMMISSIONS

1ST PLACE	Liberty
2ND PLACE	Australian First Mortgage
3RD PLACE	Loan Avenue
HIGHLY COMMEDED	Iden, Homeloans, Firstmac, Future Financial, National Finance Club

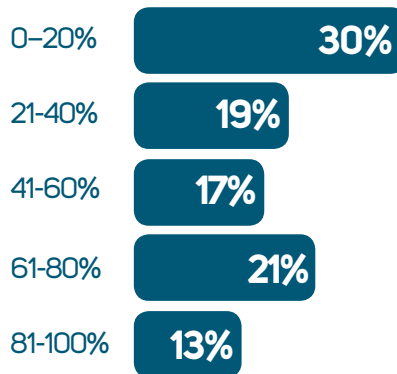
Surprisingly, survey respondents weren't all that fussed about commission levels from non-banks. While the Brokers on Banks survey ranked commissions a 4.21 out of five in terms of importance, respondents to the Brokers on Non-Banks survey only rated the category a 3.28 out of five, indicating that it was the third-least important factor in their perception of a lender.

But brokers did sound off on non-bank clawbacks. While 75% of brokers said they were satisfied with the commissions on offer from non-banks, several brokers commented that expanded clawback policies were unacceptable.

Nevertheless, brokers again picked Liberty as the dominant player in the category. Australian First Mortgage took out the second spot, and Loan Avenue scored its first top three ranking of the year in third place. Iden, Homeloans, Firstmac, Future Financial, and National Finance Club also received praise for their commission offerings.



WHAT PERCENTAGE OF YOUR BUSINESS DO YOU SEND THROUGH NON-BANKS?



Brokers have their say ... on turnaround times

“On the whole their services are good and quicker than the major four; however, they are all starting to have too many departments to process each loan. Some lenders allow us access to the assessor of the loan and they handle the loan all the way through. That gives us better service and is ultimately better for our customer.”

Australian First Mortgage

COMPLETE OPTION LOAN

“A Completely Dazzling product complimented by Completely Dazzling Service”
It's so good, you won't believe your eyes.

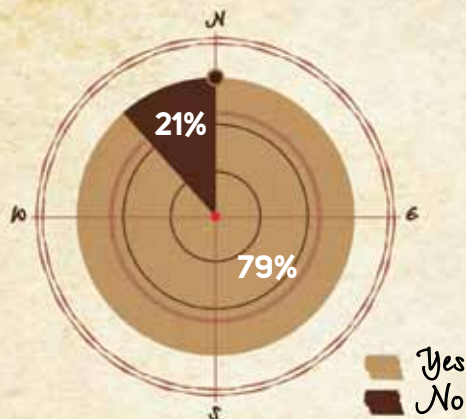
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ARE YOUR CLIENTS OPEN TO CONSIDERING NON-BANKS?



INFORMATION PROVISION

1ST PLACE	Liberty
2ND PLACE	Australian First Mortgage
3RD PLACE	Pepper
HIGHLY COMMENDED	Economy Home Loans, Homeloans

In general, brokers were happy with information provision from non-bank lenders. The smaller institutions seem to be nimble enough to communicate any changes quickly, and keep on top of their correspondence with the third party. Easier access to decision-makers seems also to have played a role in non-banks' performance in the category.

Liberty continued its domination, taking out first place once again. Australian First Mortgage also continued its run of strong showings at second place, while Pepper took the third spot. Brokers also commended Economy Home Loans and Homeloans for staying in touch with their intermediaries.

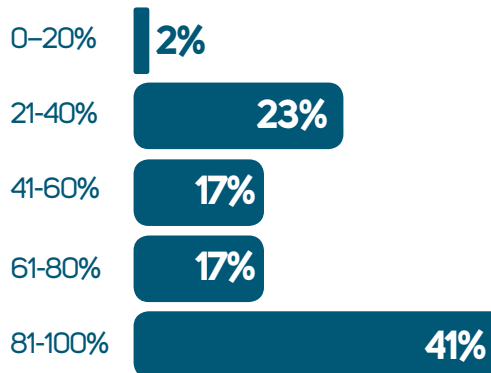
INTEREST RATES

1ST PLACE	Australian First Mortgage
2ND PLACE	Liberty
3RD PLACE	Better Mortgage Management
HIGHLY COMMENDED	Homeloans, Firstmac, Loan Avenue, Pepper

Interest rates are an interesting category when it comes to ranking non-bank lenders. For some non-banks, having the sharpest rate on the market is not as important as providing high levels of service and innovative products. Low-doc lenders will rarely win any awards for bargain basement pricing, but they offer products to a class of borrowers who could otherwise be locked out of the market.

But brokers ranked non-banks favourably on their interest rates. Australian First Mortgage managed to snare the top spot. But Liberty still ranked well at number two, while Better Mortgage Management made its first top three appearance. Homeloans, Firstmac, Loan Avenue and Pepper also received recognition for their pricing.

HOW MUCH OF YOUR BUSINESS WOULD YOU LIKE TO SEND THROUGH NON-BANKS?



RANKING THE RANKINGS: Categories in order of importance to brokers

Overall service to brokers	Customer service	Turnaround times	Credit policy	BDM support	Interest rates	Product range
4.51	4.44	4.35	4.15	4.07	3.93	3.78

MOST IMPORTANT

**Brokers have their say ...
on their favourite non-bank lender**

“Over the years I’ve worked closely with Better Mortgage Management. They have long-term BDMs with excellent product knowledge.”

“I have to say that I have three favourites: Better Mortgage Management, Pepper and Liberty. At the end of the day all of them are doing the best they can. They all deserve medals.”

PRODUCT RANGE

1ST PLACE	Australian First Mortgage
2ND PLACE	Homeloans
3RD PLACE	Liberty
HIGHLY COMMEDED	Better Mortgage Management, Loan Avenue

Having a diverse stable of products is meant to be one of the key propositions of the non-bank sector, and one which distinguishes them from the banks. But non-banks didn’t rate as highly in this category as many of the others. As mortgages become increasingly commoditised and homogenised, it will be interesting to see how non-banks respond in the future.

While the category saw some lower scores, Australian First Mortgage stood apart from the pack. Homeloans ranked second, and Liberty still managed to make its way into the top three. Better Mortgage Management and Loan Avenue were also ranked highly.

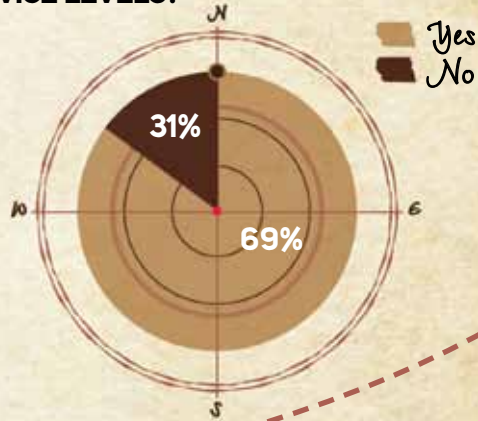
OVERALL SERVICE TO BROKERS

1ST PLACE	Homeloans
2ND PLACE	Liberty
3RD PLACE	Australian First Mortgage
HIGHLY COMMEDED	Loan Avenue, Iden

Overall service levels were tipped as the single most important factor influencing brokers’ opinion of non-banks. Most brokers felt this was an area in which non-banks performed particularly well, with 71% saying the level of service from non-banks was better than that of ADIs. But brokers still offered criticism on insufficient staffing levels and a lack of preparedness for large volumes.

Still, brokers were complimentary of Homeloans, ranking it number one for service, followed by Liberty and Australian First Mortgage. Loan Avenue and Iden also received a nod.

ARE YOU HAPPY WITH NON-BANKS’ SERVICE LEVELS?



Product innovation
3.58

Information provision
3.57

Online platforms
3.52

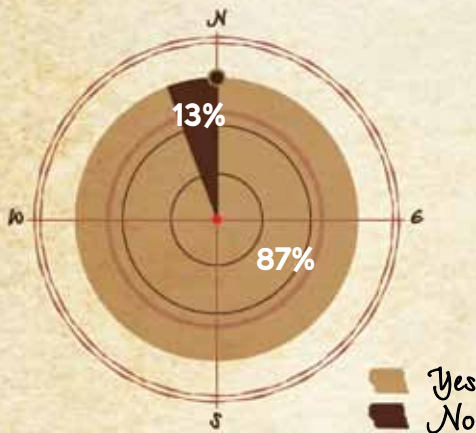
Commissions
3.28

Marketing and branding
3.20

Diversification opportunities
2.76

..... **LEAST IMPORTANT**

WILL NON-BANKS INCREASE THEIR MARKET SHARE IN THE NEXT 12 MONTHS?



ONLINE PLATFORMS

1ST PLACE	Australian First Mortgage
2ND PLACE	Liberty
3RD PLACE	Better Mortgage Management
HIGHLY COMMEDED	Homeloans, Iden, National Finance Club

Online presence is simply not a big issue for most brokers. Respondents to the survey ranked online platforms as the fourth-least important category, and said web presence had little impact on their perceptions of non-banks.

Still, lenders ranked fairly poorly in this category. Online platforms consistently saw some of the lowest scores of any category in the survey.

But some lenders did stand out for their web appeal. Respondents ranked Australian First Mortgage at number one, its third win in the survey. Liberty came in at second, while Better Mortgage Management ranked third. Homeloans, Iden and National Finance Club performed solidly in the category as well.

CREDIT POLICY

1ST PLACE	Liberty
2ND PLACE	Australian First Mortgage
3RD PLACE	Loan Avenue
HIGHLY COMMEDED	Homeloans, Better Mortgage Management, Iden, Future Financial

Credit policy was also an important category to brokers. Respondents to the survey ranked it fourth, behind overall service, customer service and turnaround times. Again, flexible credit policies are one of the key value propositions of non-banks, and the lenders performed well in the category.

Liberty was the clear winner on credit policy, far outpacing the other lenders tipped in the category. Australian First Mortgage took the second spot, while Loan Avenue made its second appearance in the top three. Brokers also praised the credit policies of Homeloans, Better Mortgage Management, Iden and Future Financial.

SERVICE TO CONSUMERS

1ST PLACE	Homeloans
2ND PLACE	Liberty
3RD PLACE	Australian First Mortgage
HIGHLY COMMEDED	Loan Avenue, Iden, Pepper

Service to brokers is incredibly important, but of equal importance is a lender's service to consumers. If a lender delivers poor customer service, it could reflect negatively on the broker who recommended the loan. Thus it's little surprise that customer service was the second-highest ranking category in the Brokers on Non-Banks survey, narrowly edged out by service to brokers.

All in all, brokers had positive things to say regarding non-banks' service to customers. Homeloans took the top spot for customer service, followed by Liberty and Australian First Mortgage. Brokers also gave high marks to Loan Avenue, Iden and Pepper.

BRAND AWARENESS: Which non-banks have the highest profile among consumers?

1ST PLACE
LIBERTY

2ND PLACE
PEPPER

3RD PLACE
HOMELOANS

PRODUCT INNOVATION

1ST PLACE	Liberty
2ND PLACE	Australian First Mortgage
3RD PLACE	Better Mortgage Management
HIGHLY COMMENDED	Homeloans, Iden

Much like product range, product innovation serves as a cornerstone of non-banks' offering. Prior to the GFC, non-banks made a name for themselves by thinking outside the square in terms of their product structuring, oftentimes introducing loan features that have now become the industry standard.

The non-banks ranked well in the category overall, but Liberty stood out from the pack. The lender far outstripped its competitors, and received its highest ranking of any category. AFM took second place, with Better Mortgage Management coming in third. Brokers also praised Homeloans and Iden for innovative product offerings.

Brokers have their say ... on where non-banks can improve

"Many of the mortgage managers use the same four funders behind the scenes. We need new funders that will do different niches."

MARKETING AND BRAND AWARENESS

1ST PLACE	Homeloans
2ND PLACE	Liberty
3RD PLACE	Pepper
HIGHLY COMMENDED	Australian First Mortgage, Better Mortgage Management

Marketing is an area where non-banks may always be on the back foot. Smaller lenders simply don't have the deep pockets of the majors, and have limited resources to devote to getting their message out to consumers. Many challenger brands have historically relied upon the third party to spread their message rather than marketing directly to consumers, as evidenced by the fact that the majority of brokers said fewer than 20% of their clients actually enquired about non-bank lenders. Perhaps unsurprisingly, then, non-banks rated low in this category compared to others.

However, some non-banks have succeeded in getting themselves in front of borrowers and building brand awareness. Homeloans was tipped as the most successful in this category, followed by Liberty and Pepper. Australian First Mortgage and Better Mortgage Management also received accolades for their marketing and branding.



Homeloans think differently

Think differently. Think Homeloans!

Providing solutions to Australian brokers and borrowers since 1985, Homeloans offers:

- Comprehensive range of products
- Leading BDM team
- One application, multiple assessment policies, one credit enquiry
- No channel conflict

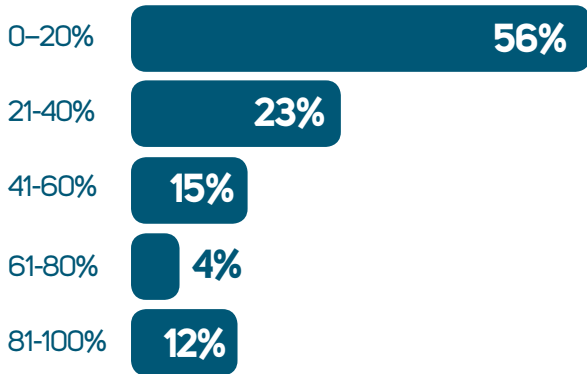
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2012 WINNER

2012 WINNER

HOW MUCH OF YOUR BUSINESS WOULD YOU LIKE TO SEND THROUGH NON-BANKS?



DIVERSIFICATION OPPORTUNITIES

1ST PLACE	Better Mortgage Management
2ND PLACE	Australian First Mortgage
3RD PLACE	Homeloans
HIGHLY COMMENDED	Pepper, National Finance Club

Offering brokers the opportunity to diversify their income is an area where non-banks have generally fallen down. The lenders were uniformly rated the lowest in this category. The four-way tie for first place saw lenders picking up their lowest winning scores of any category in the survey.

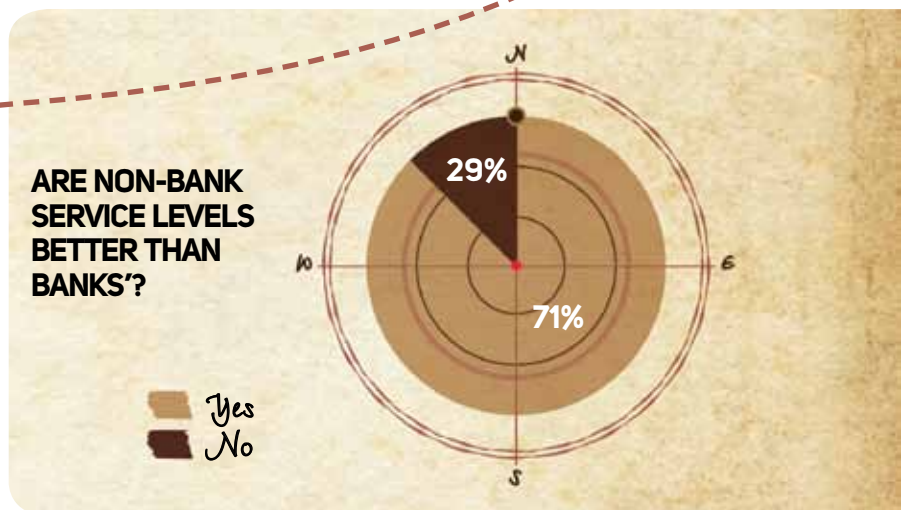
But brokers still gave recognition to some non-banks for offering opportunities outside of traditional residential mortgages. Better Mortgage Management, Australian First Mortgage and Homeloans were all acknowledged for diversification, taking the top three spots. Pepper and National Finance Club also rated well. **MPA**

Brokers have their say ... on whether non-banks are outdoing the banks on service

"Infinitely better, especially with the mortgage managers where you can have a common sense discussion before and during the application process to avoid wasting any time."

"Generally, but not at the moment regarding turnaround times. Access to credit assessors is very important."

"'Big is beautiful' be buggered! The banks tend to forget who they are dealing with and act as though brokers are idiots. Non-banks are better."



PROVEN ADVANTEDGE

To win this award once was a dream fulfilled.
To win it again proves the strength of innovation!
Our commitment to innovative initiatives, market leading products and standards of excellence in service, has continued to strengthen our lender of choice position.

Just as importantly, it has also enhanced the services offered by our business partners, with flexible, sustainable lending solutions. We have seen our partners create opportunities to grow and thrive within a challenging environment.

We intend to continue leading the industry consistently delivering quality funding to Mortgage Managers and originators.



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