

# MPA

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# DIVERSIFIERS

# THE

THE BROKERS WHO ARE MAKING BIG MONEY  
FROM NON-MORTGAGE DEALS

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# **DIVERSIFIERS** **THE**

These brokers have branched out into various financial services and are thriving under a diversified business. But, as **Robin Christie** and **Amy Rosenfeld** discover, not all diversification strategies are the same

**Diversification has been a buzzword in the mortgage broking industry** for some time, but differences of opinion still remain as to whether brokers should branch out from their traditional territory of bricks and mortar loans and dip their toes into other parts of the financial services spectrum.

The amount of regulation now levelled at financial services professionals in Australia dictates that there are only a certain amount of areas that a mortgage broker can diversify into without undergoing significant additional training or taking on already qualified staff.

So, should a broker stick to the basics, wear several hats and qualify in several areas, or take on a team of specialists?

MPA canvassed some of the country's largest aggregators to put forward brokers who have successfully diversified, and discovered that it's possible to make a go of diversification by following various different strategies.

It would seem that, just as no two brokers are the same, no two diversification strategies will be identical. But it's vital to know your strengths, what you want to achieve and be realistic about the amount of work that goes into successfully branching out of the mortgage space.

Profiles of each of the brokers interviewed are presented within this special report and – whether you're looking at increasing your presence in the equipment finance, insurance, financial planning or commercial finance space – these brokers' insights make for some fascinating reading.

"Just as no two brokers are the same, no two diversification strategies will be identical"

# NICK REILLY

CEO, inovayt

**LOCATION:** North Melbourne, Vic

## How did you diversify into equipment leasing and insurance?

The leasing came first. The main reason we did that wasn't revenue based, it was purely just adding another service for our clients, rather than having to send them somewhere else. We've got the clients, we've got the trust, so we might as well write the business.

## Has that led to word of mouth referrals?

Yes, without a doubt. Existing clients may refer someone else to you who does a car loan, and then you may be able to pick them up for other things such as a home loan and insurance. It's another reason for people to call you who may not have already been on your book.

## How important are insurance sales to your business?

Insurance is a major one for us. We realise how hard it is to get a client base, so we thought 'we've worked so hard in getting the client base – why would we not offer them insurance?'. It's very relevant when you're putting people into a home loan that they've got the home loan protected. So we saw a great opportunity. If we're doing the home loan and people have our trust, why wouldn't we do a life/income protection/TPD/trauma policy? It's a similar revenue to a home loan, so the immediate thing I saw was doubling the revenue on the same amount of clients – while also assisting them.

## Is it quite easy to bring up insurance when selling a home loan?

It actually forms part of our process during our fact find: Do you have insurance? And we're looking at tightening that up even more so that as a business the process will be that the clients will go through three or four steps including a first home loan appointment and then an insurance appointment. It will be an education process; we're hoping it will convert well.

## What kind of home loan to insurance conversion rate do you have?

We've only been going at it for nine months. We've



Nick Reilly

## 2012

Business breakdown

CAR LOANS

5%

INSURANCE

15%

HOME LOANS

80%

"[Insurance is] a similar revenue to a home loan, so the immediate thing I saw was doubling the revenue on the same amount of clients – while also assisting them"

set targets around 50% and that's achievable at the moment. And it's not that the other 50% don't want insurance, it's generally the case that they've already got it. They have a relationship with a financial planner and that's ok.

## Do you have a financial planner who sells insurance?

Short term I've stepped away from home loans and I'm doing it. And I have another contractor who writes insurance and mortgages as well. I got my financial planning qualification [RG146] specifically to sell insurance, and it was all pretty painless – and time well spent. I would see home loans being around 60% of our business in future, and insurance being around 35% – and we'd be very happy with that.

## GRAHAM LEE

Director, Corporate Finance and Leasing

**LOCATION:** Keilor Park & Mt Waverley, Vic

### Which areas, other than mortgages, do you diversify into?

In addition to mortgages we do business lending, loaning to new business and franchises, and specialised industries such as hotels, motels and caravan parks. We also do construction and development finance and self-managed super fund lending. So our business is not just a one product shop. We're very diverse in what we do. We always look for a home for a client. We look after our clients and word of mouth goes a long way. That's how we pick up a lot of our business, through existing clients, existing referrals and even from time to time existing lenders. My immediate partner and myself have a strong affiliation with the lenders we deal with. We deal with senior lenders and those we know have a lot of input in the decision making process.

### Why did you choose to diversify into these areas?

It's always been a diversified business, but we went through a unification of two businesses at the end of June last year and that's where we unified with the leasing side of things. Also under the structure with PLAN we are one of two recognised brokers for the whole of Victoria who are assisting with new brokers coming into the marketplace to provide equipment finance and commercial finance. So you'll get brokers that come in who are just straight residential lenders but have enquiries in those fields. I guess it was also the changing economy and the effect that had on the residential market, as the number of buildings and subdivisions dropped off. It was also about getting out and catering for the small and medium enterprises; working with them to get them out of their rental properties and into owner occupied properties via property trusts and SMSFs.

### How did you go about adding these areas to your service proposition?

With the staff we've got here, quite a few of us are ex-bankers, so we cross-sell with everything. We're also working with other sources; and with insurance professionals, we've got agreements in place with insurance people. So to that end we're becoming a one stop shop.



## 2012

Settlement figures

**LEASING**

**\$41,748,419**

**RESIDENTIAL**

**\$15,929,533**

**COMMERCIAL**

**24,927,000**

### What kind of additional training/development have you had to do to be able to diversify?

We do a lot of webinars; we have PD days where we get lenders in to talk about product upgrades and what they actually look for in a transaction. We're continually working with all our staff to make sure they get updated in terms of current policies and procedures, so it's an ongoing thing.

### How have you handled the additional compliance burden that comes with diversification?

In terms of things like NCCP and reverse mortgages we're continually upgrading. With reverse mortgages we're going through the SEQUAL update, that's a training we're taking on board ourselves. We have no problems with paying for webinars for our staff to keep them continually updated. We also try and have staff cross-pollinate between the areas of mortgages and leasing so everyone has a grounding in both.

### What advice would you offer brokers who want to diversify?

If they're looking to diversify straight out of mortgages, like with commercial and leasing type businesses, we can work with them mentor them and get them the experience and knowledge to get into it market. But if you're looking to do that you should be doing it now. Between May and June those areas heat up. In terms of diversification, if you don't diversify you will get left behind. You need to be able to cover more than just one product. The days of single product brokers are quickly diminishing and the days of one-man brokers are diminishing as well.

## BIANCA LONG

Principal, Mortgage Choice Glenwood

**LOCATION:** Glenwood, NSW

### Why did you choose to diversify?

I personally believe it's what we have to do; it's our duty of care. It's almost unheard of that people purchase a car but don't insure it. What we're doing is offering home loans, but so many brokers aren't actually offering the other component of it, which is insuring the mortgage. When you look at the pros and cons of it – look at the value of a house versus the value of a car.

Also from personal experience, unfortunately, I lost both my mum and my dad very unexpectedly. I lost my dad not six months ago and he was insured – and I was the one who set that insurance up for him. My mother passed away without any insurance, so I watched that happen. When my father passed away, it made such a critical difference to the grieving process – to everything really.

### Were you already selling life insurance before you set a policy up for your father?

Absolutely, I've been an avid believer ever since I became a broker. My numbers stepped up significantly once I lost my dad, but prior to that I believe I was always ALI's number one policy writer almost Australia wide month-in, month-out, and that's simply because I believe in the product.

### Do you also sell income protection insurance?

I don't do any income protection. The life insurance is a 'no advice option'. When you move into income protection, that does have an advice component so, not being a financial adviser, that's where I draw the line.

### How can you sell life insurance without being a financial adviser?

It's a no advice option. I'm also heavily into building and contents insurance. I probably convert about 40% of all my purchases [from home loans to insurance], and again it's just duty of care. The other reason why I'm heavily into commercial loans, car loans, insurance and things like that is because it effectively makes the client more sticky. It provides a one-stop shop to clients. You can get them in and say that you're going to take care of absolutely everything for them, and then on the back end of the system you can go ahead and get all the quotes for insurances and show them



## 2012

Settlement figures

**LIFE INSURANCE**

**\$10.23M**

**COMMERCIAL**

**\$5.2M**

**RESIDENTIAL**

**\$39.36M**

just how cheap it is once someone's taken all that hassle and homework out of it for them.

### What can and can't you say to clients under a no advice model?

We're not allowed to go into the nitty-gritty of it. Basically we're allowed to advise them of the cost associated with it, what that cover will include and go through what the importance of it is: things like death, illnesses – and with the one we do there is a 12-month free employment benefit as well. We're not comparing it to anybody else; we're saying 'here's what we're offering, and this is what it covers'. But we can't talk about any taxation benefits to them or any other options that they have available. Existing conditions are also part of what we're not allowed to delve into.

### Would you consider moving into financial advice in the future?

I think there is a need to move into the financial advice side of things, and I think that's the way the industry's moving. I think if we don't move into that financial sector we are going to be left behind.

### Is life insurance the main area you diversified into?

No, life insurance would have the highest number [of clients] but not the highest return. I also diversify into commercial loans. I do quite a lot of car loans and leasing options for my business customers. I also move into home and contents, building insurance and LMI. Only about 10% of my business comes from commercial, but that 10% pays a significant amount of money.

## 2012

diversification  
income  
(including trail)

**Total: \$62,685**

Including:

**Life insurance:**

\$8,947

**Commercial:**

\$46,188

**Deposit bonds:**

\$2,559

**Home insurance:**

\$1,389

# GEORGE COLLINGS

Charles Knight Finance

**LOCATION:** New Farm, Qld

## Which areas have you diversified into?

We've just started to do insurance, but that's very much in the early stages. We're doing leasing, which is in the early stages, and we're now moving into the more creative aspects of mortgage broking, such as SMSF lending. We also do commercial lending. Apart from that, we've also developed some strategic alliances with both accountants and financial planners. Two years ago we changed aggregator from one of the bigger ones to Outsource Financial.

## Why did you diversify?

I looked at the increasing complexity of compliance issues and realised that mortgage broking was going down the same road as financial planning. Certainly with the changes in legislation relating to some of the issues like Storm financial that have occurred – there has been a response from the government in relation to those sort of events – and I realised in future there would be a merging of the work done by both mortgage brokers and financial planners, and they'd be subject to the same degree of rigour and legislation. So I realised that if I was going to survive in the industry I would need to attain a financial planning qualification, and develop what NAB were calling at the time a 'trusted adviser' status.

## What did you do next?

Having made those changes, I then looked for another aggregator that might be able to be more in tune with what we were doing. We moved away from a home operation into leasing a larger office, and we joined together with some other likeminded individuals – not so much in mortgage broking but in sales of property – because we saw that a lot of my referrals had been from real estate agents. So we thought if we went one step further and formed a partnership with people that were selling real estate – mainly geared towards investors – then that would be a whole new market niche.

## So have referral arrangements been central to your strategy?

Yes, and certainly being able to widen our client



George Collings

**2012**  
Business  
breakdown

**HOMELoANS**

**20%**

**DIVERSIFIED SERVICES**

**80%**

base. We decided on a couple of market niches – one being investor clients. We decided to move away from looking at the traditional referrers, such as real estate agents, and then looking at some of the niches that might be available to us.

## Have you been looking into the SMSF market?

Yes, and that's now an aspect of our business. We also have developed an advice system whereby we would offer some sort of advice to individuals looking to buy investment property.

And also we've linked with more experienced financial planners to be able to provide some of the planning advice that might be relevant [to SMSF clients]. We want to have a relationship in place to make sure that our clients are able to access advice [for compliance and estate planning]. And also, when people take on more debt, you need to ensure that whatever they're doing is going to link to some sort of key benefit for them in relation to insurance as well.

## Do you provide any financial advice yourself?

We have, as far as risk insurance is concerned. All the brokers working with us, and there are four of us, have financial planning qualifications. Only one of us focuses on insurance. I think it's really important to say to them 'you're now taking on more credit, what if something does happen?'. Unless you ask those questions, I think you're leaving yourself liable to a duty of care issue further down the track.

## MELINDA PATTERSON & GORAN JAKOVljeVIC

8888 Loan Group

**LOCATION:** Narellan, NSW

### Which areas have you diversified into?

**Melinda Patterson:** We're a one-stop shop for finance. We're very excited to be able to offer a full suite of products to our clients to ensure that everyone's best needs are met. Around 70% of our business is derived from residential home loans and construction loans, around 10% is commercial, but we plan to increase that over the next 12 months as we have been forming relationships and referral partnerships in the commercial sector. Fifteen per cent is a mix of asset and equipment finance. The remaining 5% is SMSF lending but I see this expanding rapidly as we are developing strategic alliances with business partners who specialise in this sector.

We also have 8888 Wealth, with an in-house accountancy service and an in-house risk specialist dedicated to servicing our clients' needs. We currently have a team of 12 with each credit representative specialising in specific areas. Goran Jakovljevic and myself write the majority of equipment and asset finance.

### Has being a one-stop shop been the key to diversification?

**MP:** Absolutely, I think it's very important that you can identify all of the client's individual needs and be able to offer a blanket coverage to make sure all of those needs are met. We're a team of brokers, and we have brokers that specialise in different areas. For example, my area of expertise is probably construction finance, whereas Goran specialises in equipment finance.

### How do you generate leads and service the client to meet all their needs?

**Goran Jakovljevic:** Essentially what we do is we work with developers and builders, so that's where the majority of our leads come from. And we work with a couple of referral partners as well. We sit down with them and work out their goals and requirements, and from there we move on to our proposal and guide them through the purchase – through to settlement. Once that's done we look at things like insurance.

**MP:** I believe that lending is very much relationship focused and that good referral channels are the key to



our business. We get a lot of leads from our existing accounting clients, our referral partners and a lot of it is word of mouth. People are very satisfied and they refer us on.

### What advice would you offer brokers who want to diversify?

**MP:** I think it's very important to gain a full understanding of each area you diversify into so you can take a holistic approach and make sure that the products you're offering the client are the best for them.

### Do you have specialists in each area?

**MP:** Each of our brokers is accredited in all of the areas, but you fall into being specialised in a certain area by default. If there's something that you really like doing you become very good at it very quickly.

### Which specialist areas are in demand in your area?

**MP:** This time of year people are looking at their tax positions, and we're noticing an increase in equipment leasing and an increase in the number of people looking to move their finances. People are becoming very interest rate conscious and very savvy. With the internet and product availability at their fingertips they're a lot more savvy than they were a few years ago.

### How do you deal with compliance?

**MP:** As ACL holders we're very compliance conscious in each of the activities of our business. We have a designated person in the office who manages compliance. It's pretty much a full-time job. It's something that you need to keep on top of the whole time.

## BUSINESS BREAKDOWN

RESIDENTIAL/  
CONSTRUCTION

70%

COMMERCIAL

10%

ASSET/ EQUIPMENT  
FINANCE

15%

SMSF LENDING

5%



# SCOTT BAMENT

Owner-partner, Mortgage Choice Morphett Vale

**LOCATION:** Morphett Vale, SA

## Where does most of your non-mortgage business come from?

Where I probably write most of it is risk insurance, through ALI. When I first started out Mortgage Choice went through a fair bit of work to try and find someone that was a suitable offering, and I found that really suits my clients quite well as a non-advice model.


## How do you present insurance offerings to clients under the non-advice model?

It is part of our compliance requirement that we get the clients to sign a document that says we have discussed their insurance situation. And I do a bit of home and contents via Allianz. So basically as part of my presentation and meetings with the clients we run through what sort of cover they've got within their super, and whether they've got any external insurances. We'd ask them to bring in their super statements, so we could have a look, and ask them if they have any existing insurances. I allow them to make the decision as to whether they're adequately insured or not. I just put it on the table as an alternative or addition that covers them.

We can't offer it unless we've had a conversation about the home loan, so it's purely related to their main mortgage debt. I have pretty reasonable success with it. We're in a lower socioeconomic area, so people are very price conscious. But I do point out that it's just as much protection for their family as it is for themselves.

## Are clients only insured for the amount they're borrowing?

They have the capacity to go further. We're restricted, I think, to \$750,000. There is death and terminal illness, plus the living benefit for heart attacks, paralysis, cancers, etc. There is also a small proportion of income protection in there. I position it as, at the very least, they should be covering themselves for a year's worth of income to buy themselves a bit of time if something does happen.



"If you've got an [insurance product] you can believe in, and have the client's trust and understanding then, if they're going to get it, they'll be happy enough to get it through us"



Scott Bament

## 2012 Settlement figures

**RESIDENTIAL**  
**\$42,554,278**

**LIFE INSURANCE**  
**\$4M**

**HOME AND CONTENTS  
INSURANCE**  
**\$16,778**

### Are you tempted to go down the financial planning route?

Personally, no. We have looked at it within the business – adding a financial planning arm – but I think, rather than try to be a jack of all trades, we would bring in an expert to complement the business. But that would then shift the focus, because you wouldn't look at offering the no-advice model if you've got a full advice model available.

### Which other areas do you diversify into?

Most of it is insurance. I do a little bit of personal loans and car finance, and that was generally direct to one of the local credit unions previously. But now Mortgage Choice has set us up through Mildura Finance, which is a bit of a panel lender. You need to have that diversification, while being conscious of trying not to know a little bit about a lot, so to speak. I try and concentrate on what I do know and what I'm good at, rather than spread it too thin.

### How do insurance commissions compare to mortgage commissions?

Certainly a lot less, but it's a good subsidising income. But as part of the NCCP we have to have that discussion about it and make sure they're fully aware of it, so I think it's a good add on as part of the business. If you've got something there that you can believe in, and have the client's trust and understanding then, if they're going to get it, they'll be happy enough to get it through us.

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business

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# TONY BICE

First Choice Mortgage Brokers

**LOCATION:** Chiswick, NSW

## Why did you diversify?

It wasn't long into starting to grow my mortgage business that I recognised the power of diversification. So the first thing I did, which was the easiest transition into diversification, was get into leasing and Chattel mortgages, debtor finance and stuff like that. I could see that was just a natural spin off from writing a mortgage. You can see they need to update their car, or they may be in business – straight away you can identify opportunities. And to become accredited to write leases, Chattel mortgages, commercial hire purchases – asset finance – back then was a fairly easy transition.

## How did you get into financial planning?

I toyed with the idea of setting up a cross-referral relationship [with a planner]. Many brokers go down that path. The downside to that path is you do lose control to a certain degree. And you're heavily reliant on it being a 50-50 split with regard to referrals going both ways. Invariably what happens is that one party will supply more than the other party and that leads to the demise of the relationship. The reason I know about that is I did it twice. I'm not saying it's not the way to go. I'm just saying it's not the way to go for me.

## How much training did you do to become a planner?

I got my diploma in financial planning. The first decision is to realise you've got to take on extra studies. And that comes with a little bit of heartburn and a fair bit of juggling, because your business doesn't stop. Mine was a six-month course, five or six years ago. The first transition is to get your head in the space to study again, and then come up with the funds to do it. Once you get your diploma that's where the fun starts. But there's a fair bit of anxiety around 'where am I going with this monster?' and 'how do I get it to crystallise?'. You need to find yourself a dealership group, then you've got to get your accreditations with the life groups. You've also got to undertake a number of hours of exams.

## What advice would you give brokers who want to move into planning?

Have a clear strategy, and there's a fair bit of work



involved. For me to see the growth that I've got now, it probably took two years. The first two years were really about understanding how best to cross-sell the product. The challenge in becoming a financial planner, in my case specialising in risk and superannuation, is you need to be able to make the client feel comfortable seeing it as an add-on to the original reason that they came to you – which was for a home loan. It took me quite a bit of time to get my model right to the point where I now convert 80% or 90% of my home loan clients to take out risk insurance and rollover their super.

## How do you convert home loan customers into insurance customers?

Most people don't have a lot of disposable income leftover once they budget for their mortgage instalments. So I got involved in understanding the power of superannuation, and how the client can have their instalments put inside their super. And that eases the cash flow, and that's the key.

## How do you manage the compliance burden?

The secret is support, it's that simple. Just as a mortgage broker will have a loan processor to assist them, I have a financial planning processor. I also engage a paraplanner. They have the skills and expertise to be able to analyse superannuation statements and prepare a complicated document called a statement of advice, which enables me to come back into the process and focus on selling it. I have two loan processing staff and I have a financial planning processor – and the paraplanner that I engage one day a week.

## Average settlement figures

**Mortgages:**  
\$40m pa

**Insurance (life, TPD, income protection & critical illness):**  
\$110m pa

**Asset finance:**  
\$6-8m pa

## ANDREW BARLEY

Director, Macquarie Commercial Finance

**LOCATION:** Sydney & Cronulla, NSW

### What is the main focus of your business?

Vehicle and equipment (asset) finance has been our focus since we established our business in 1997. It continues to be our principal source of revenue. Asset finance was really our core business. It assisted greatly that I had a corporate background in this market segment from my banking and finance days.

### How did you go about adding extra areas to your service proposition?

Due to my industry expertise and knowledge it really became about identifying a likely target market of clients, colleagues and referrers, then emphasising the value we could provide being a viable asset finance service from SMEs through to multinationals alike.

### How did you go about persuading your existing client base to also buy your mortgage services?

One of our challenges over the last five to 10 years has been to educate our target market of our mortgage broking services (in particular residential broking). It all comes back to customer awareness and education. Just a part of that is branding-related when you're talking about small broking enterprises with limited marketing budgets.

### What kind of additional training/development have you had to do to be able to diversify?

There are always changes to asset finance products that we need to be aware of. For example, PPSR changes (Personal Property Securities Register), accelerated tax advantages surrounding capital acquisition and GST on terms charges for hire purchase contracts to name a few. Maintaining strong links with your lender and industry bodies is imperative.

### How have you handled the additional compliance burden that comes with diversification?

As an asset finance broker in the main, we still live in an unregulated environment (although this may well change in the future). The reverse really



Andrew Barley

"Asset finance can provide another reason to contact your client, with more touch points in between mortgage transactions"

applies to us – embracing compliance under NCCP has been more of an issue than any compliance within the asset finance segment.

### What advice would you offer brokers who want to diversify?

I would strongly recommend considering adding asset finance to your range of products – of course, depending on the demographic of your client, colleague and referral network. Asset finance can provide another reason to contact your client, with more touch points in between mortgage transactions. Asset finance transactions, generally, are quicker turnaround transactions, providing a solid complement to what can often be the slow process of a mortgage transaction. From application, to settlement to commission payment!

# JAYESH KASIM

principal, YBR Mt Isa

**LOCATION:** Mt Isa, Coorparoo, Townsville (Qld)

## Which areas of finance do you service?

We look at financial plans, investment strategies, general insurance, life insurance, business insurance, corporate super... so a whole range of services. With insurance we can do the basics, which are car, and home and contents. But then we'll do the higher services like professional indemnity for contracting as well.

## Is financial planning the main focus of your business?

No. We have a very good split in our business revenue – it does come from various sources. The three main areas are mortgage broking, financial planning and risk insurance [around 30% of revenue each], and then other services such as general insurance and business insurance make up the rest.

## Where do most of your leads come from?

We did a lot of marketing in town when we started. So that was the first thing. And having a good brand behind us was the second thing. We also spoke to businesses. And the more clients you see the more word of mouth there is, so for every client we see we usually get about three referrals. But I try to keep referrals at 50% and try to get new business for the other 50%. If referrals go up to 60% then the marketing's not working well enough.

## What local marketing do you do?

The first thing is if you land at Mt Isa you'll see us at the airport. We're on the radio and local TV, plus every week we have articles in the local newspaper, and from time to time we do advertisements. And there's sponsorships: we've got sponsorships at the golf club, and we like to support the local community and are enrolled in five or six different clubs.

## What advice can you offer to regional brokers?

It's mainly customer service, because all these regional brokers are in very small places, so you've got to give the customers the best possible service. You've got to keep in touch, that's most important. We have our annual review process



Jayesh Kasim

that we follow up with our clients. So that's the key thing, because if you aren't doing a good job it won't take too long for people to find out. The second thing is supporting the local community wherever you can.

## Are you a qualified broker and planner?

I am. We like to have all of our staff dually qualified. We really believe in having a true wealth manager system. I don't like the idea of a mortgage broker passing on to a financial planner. So in our team you've got to be dually skilled. And it's not for everyone.

## How do you keep on top of both roles?

It's important to have systems and procedures in place, and it's very important to have a very good admin team as well to keep on top of these things. We have three admin staff keeping on top of all the paperwork. If you incorporate compliance into your day to day process and procedures, it's not as hard, but if you leave it to fix at the end of the month – that's a problem, it'll never get done.

## BUSINESS BREAKDOWN

### MORTGAGES

30%

### FINANCIAL PLANNING

30%

### RISK INSURANCE

30%

### OTHERS (INCLUDING GENERAL INSURANCE)

10%