AustralianBroker

NOVEMBER 2019 ISSUE 16.23



CEO Darren Little discusses the tools that have helped Smartmove's brokers give their clients winning customer service – and how to thrive in an ever-changing marketplace /14



Gaining clarity on clawback reform Industry players discuss the issue of clawbacks and potential reform /16



A closer look at SMSF lending La Trobe Financial and Thinktank discuss the essentials of SMSF lending /18



A big deal Greg Woolley of Performance Finance Solutions on believing in clients /22

ALSO IN THIS ISSUE...

86 400 goes live with home loans Australia's first smartbank launches an entirely digital home loan offering /10

APRA addresses majors' slipping dominance

Chair Wayne Byres embraces 'Stronger Together' at COBA 2019 /12

In the hot seat

Tom Morison of Smartmove reflects on winning his first client referral at age 12/30

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Liberty Financial announces FY19 results /04

Technology

86 400 goes live with digital home loans /10

Associations

MFAA makes the case for women in broking /06

Regulators

APRA addresses major banks' slipping dominance /12

Market

Brokers continue to shine in customers' eyes /08

DATES TO WATCH

Upcoming can't-miss events



5 DECEMBER

Ethics for Financial Services

Melbourne-based Deakin Business School is offering an intensive three-day course in Ethics for Financial Services. Combined with "comprehensive" online is an important materials, the course is intended to provide materials, the course is intended to provide materials and practical knowledge to fulfil new FASEA requirements.



16-18 DECEMBER

Australasian Finance and **Banking Conference**

To be held at the Shangri-La Hotel in Sydney, this three-day business conference is organised by the Australia International Business School and covers current news, products and services across the banking and finance industry.



FEBRUARY 12-26

MFAA PD Days

The MFAA has confirmed its 2020 calendar, kicking off the year with a round of PD events across the country. First up is Sydney (12 February), followed by Perth (14 February), Melbourne (19 February), Adelaide (20 February), Launceston (25 February), Darwin (26 February) and Brisbane (26 February).



FEBRUARY 24-27

Women in Banking & Financial Services Leadership Summit

The ninth iteration of this summit will take place in Sydney at the Radisson Blu Plaza Hotel. The event will address how to effectively lead when faced with change and adversity, with a particular emphasis on how to position oneself for success in the wake of the royal commission



27-28 FEBRUARY

Australian Mortgage Innovation Summit 2019

RFi Group will be hosting the 10th annual summit in Sydney, covering everything from the aftermath of the royal commission to the "visibly turning" credit cycle. In addition to the two days focused on innovation and efficiency, the group will be holding its Australian Lending Awards.



2-3 MARCH

Responsible Lending and Borrowing Summit

Taking place at the Radisson Blu Plaza Hotel in Sydney, Informa's fourth responsible lending summit includes addresses from ASIC exec Tim Gough and Mortgage Choice CEO Susan Mitchell. Along with other speakers, they will shed light on open banking's impact on financial services and the industry's recalibration following the royal commission.



18 - 19 MARCH

Financial Inclusion Conference

The fourth edition of this event, dubbed 'Roads to Resilience', will be held in Sydney roads to resilience, will be ned in Sydney and is looking to engage the community sector, government and peak organisations in working towards a more financially inclusive future for Australians. Conference content will address the building blocks of



30-31 MARCH

AFR Banking and Wealth Summit

Banking and wealth leaders, regulators, policymakers and stakeholder groups will gather to debate the future of financial services at the Sofitel Wentworth in Sydney. The 2020 summit will provide the opportunity to hear from "key industry leaders" during the implementation stages of many royal commission recommendations.



7 MAY

Banking Summit Sydney

To be held at Dottone House, Hyde Park, this event will bring together over 100 chiefs and divisional heads of Australia is largest banks and financial services organisations to share insights on industry trends and emerging technologies that will change the face of the industry in the coming years.

AustralianBroker

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DECEMBER 2019

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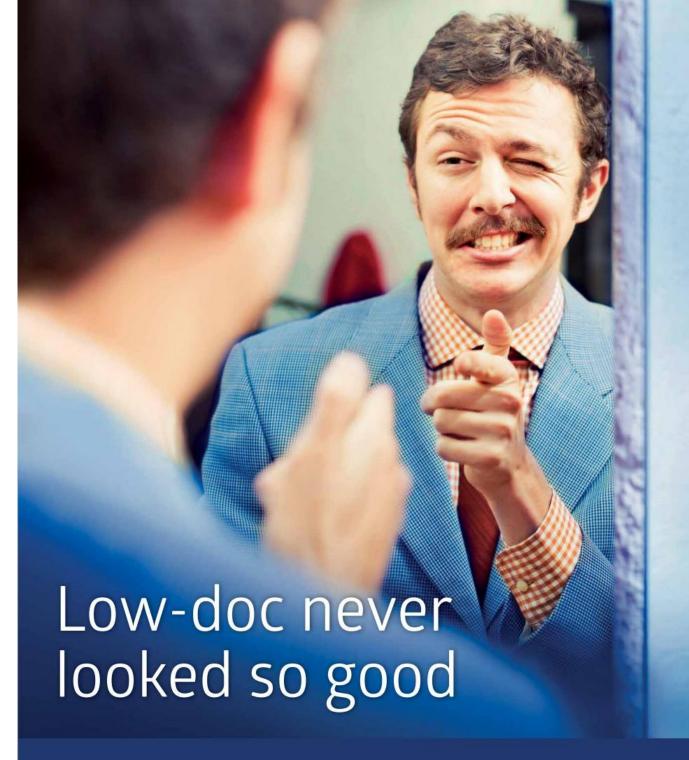
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LENDERS

BLUESTONE MOVES INTO PRIME LENDING

BLUESTONE has replaced its entire product suite with a streamlined offering of four products - prime, near prime, specialist, and specialist+. The non-bank lender is targeting mainstream borrowers for the first time, with fixed rates starting from 2.99%. "This is the evolution of Bluestone as a lender," said CEO Campbell Smyth. "Moving into prime means we now offer home loan solutions for the full spectrum of borrowers and increase our relevance in this changing market."

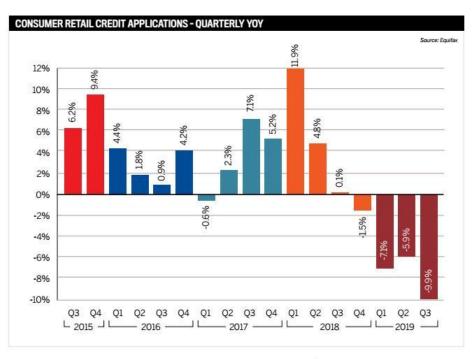
DATA CHARTS MIGRATION FROM THE MAJORS

AFTER partnering with a sustainability program nearly 10 years ago, Resimac has contributed to the planting of 30,000 native mallee eucalypt trees. With one planted for every new Resimac-branded loan that is settled, the company has helped to offset 4.5 million kilograms of CO2 in the atmosphere. "We support the Carbon Conscious program as we believe that all companies have a duty to behave in an environmentally responsible fashion," said CEO Scott McWilliam.



"[Big four] management will face the careful balancing act of fixing problems and rebuilding trust while at the same time creating capacity to invest in technology in a lower growth cycle"

> Ian Pollaro Head of banking, KPMG Australia



LIBERTY FINANCIAL ANNOUNCES FY19 RESULTS

CEO confirms group "will continue to stand with brokers", whatever may come in the future

lender Liberty NON-BANK Financial has

reported a 12% increase in profit before tax of \$94.1m, a strong result the group has attributed to the continued growth in its loan portfolio.

Liberty's total assets reached \$12.7bn in 2019, up from \$10.2bn in 2018 and spanning residential, commercial, motor and personal loans.

CEO James Boyle said, "In a testing year for the industry, we have continued to back the broker channel, providing stability and support amid the uncertainty that followed the royal commission and the federal election.

"We are listening carefully to the

needs of mortgage brokers and customers. The feedback has helped us improve the application experience for brokers and customers and guided the development of new lending solutions.

"As an agile business that is continually innovating to help customers, we recently responded to demand for greater access to small business finance. Building on our leading range of secured lending options for small businesses, we now also have a solution that does not require real estate as mortgage security."

According to Boyle, Liberty is always looking for opportunities to help mortgage brokers diversify

and strengthen their business for the future.

"We continue to support MoneyPlace to engage the mortgage broker channel for personal loans. We have seen exceptional business partner take-up of the MoneyPlace product. This not only means customers have better access to finance options; it also strengthens business for brokers," he said.

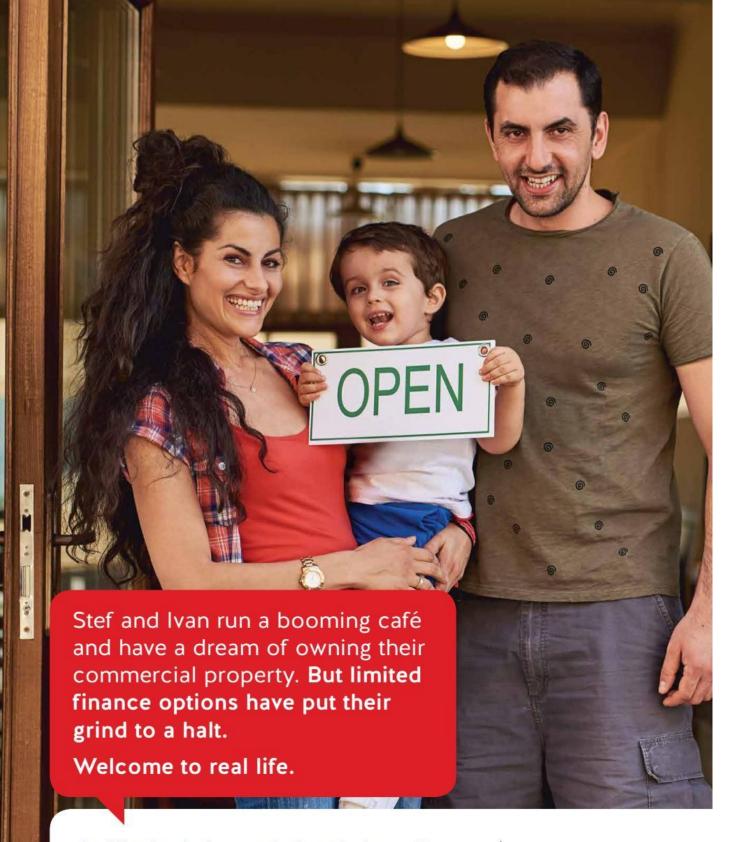
As another significant milestone of the last year, Liberty joined the Financial Inclusion Action Plan (FIAP) program, which aims to increase financial wellbeing in the

"We help people from all walks of life access credit, and have long supported the important goal of improving financial inclusion among Australians. It's for this reason that we are pleased to join FIAP. It will enable us to contribute in an even more considered and measurable way," Boyle said.

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ASSOCIATIONS



MFAA MAKES THE CASE FOR WOMEN IN BROKING

Association says intentionally promoting female participants within the industry is crucial to thriving in the new era of "unprecedented change"

UPON the release of its second Opportunities for Women report, the MFAA has highlighted the importance of improving diversity and inclusion within broking, addressing the crucial role such efforts play in preserving the longevity and sustainability of the industry.

"Women are vital to the finance broking industry. They bring new perspectives, they have different strengths, and they bring a whole set of values that are absolutely necessary for our success," said MFAA CEO Mike Felton.

"If we don't do better for the women in our industry, we're not only failing in a moral sense but we're failing in a business sense." Currently, just 27% of brokers in the industry are female.

Jane Counsel, MFAA panel member and diversity and inclusion expert, has outlined the concrete business benefits that arise from prioritising diversity within an industry.

"We don't just want to say,
'Let's focus on inclusion because
it's socially responsible'. If we keep
focusing on it because it's socially
responsible, we will be disrupted,
our industry will change and
we won't have control over it,"
Counsel said.

Conversely, successful navigation of the rapidly changing financial services environment by the broking industry requires a wide range of experiences and perspectives, all of which contribute to an agile sector that is able to maintain its relevance. This can only be achieved by creating an industry, as well as localised work environments, that esteem and protect individual differences and allow employees to bring their 'whole selves' to work, boosting employee engagement and effort.

"Culture eats strategy for breakfast every time. We can sit here as an industry and say we have all these great strategies around addressing market performance, being innovative and being nimble, but if we can't create industry culture where we truly do value and respect difference, then we risk being disrupted," said Counsel.

Moving into 2020, one of the key priorities of the MFAA's Opportunities for Women program is the development of a peer-to-peer support program for women, made available both virtually and face-to-face.

FBAA NAMES BOARD MEMBERS FOR 2020

THE FBAA has appointed Angelo Lauro as a new director for 2020, while Nick Wormald has been named new state president for NSW and Bernard Desmond for Victoria. MD Peter White said, "This is a team who understand our members and their needs because they are all successful brokers themselves. Our newest member, Angelo Lauro, will slot in with ease after many years in broking."

BROKERS UNITE AT ANNUAL CONFERENCE

THE FBAA's annual conference and 'Awards of Supremacy' have highlighted the importance of unification, according to MD Peter White. "The conference keeps our industry connected and removes the fragmentation of geography as brokers from around Australia come together. This cannot be underestimated in the current environment," he said. "[Award] recipients were more emotional this year. It was clearly a big deal to be recognised for their hard work and success."



"Using the one-size-fits-all approach for all ADIs, with no consideration of the size or complexity of the organisation, has serious consequences"



Michael Lawrence CEO, Customer Owned Banking Association

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MARKET

DEVELOPER PUTS CAIRNS IN THE SPOTLIGHT

AN executive at property developer Urbex has said that with the country's focus heavily resting on NSW and Victoria investors are missing out on opportunities elsewhere. "Media coverage of the residential market is very Sydney and Melbourne focused, but the effects of the credit squeeze in Cairns are far different," said Craig Covacich. "There, rent rates have gone up, vacancy rates have gone down, and Cairns has become one of the best investment opportunities in Australia."

OPEN BANKING DEMANDS CREDIT INNOVATION

OPEN banking has 72% of Australian and New Zealand businesses rethinking how they approve credit and other loan applications, Experian research shows. "As open banking gains full momentum, customer expectations will continue to grow, expecting faster approvals and more value," said Poli Konstantinidis, GM of credit services and decision analytics A/NZ. "Ultimately, businesses must challenge their traditional credit processes and become proactive in addressing the identified pain points."



"With the current low rates, strong auction clearance rates and the Federal Government Deposit Scheme - the new year is looking positive for first home buyers"



James Symond CEO. Aussie



BROKERS CONTINUE TO SHINE IN CUSTOMERS' EYES

The industry accounts for less than half a per cent of the complaints received by AFCA in its first 12 months

its first year of operation, just 0.35% of the complaints lodged with the Australian Financial Complaints Authority were related to mortgage brokers. From 1 November 2018 to

31 October 2019, Australians lodged 73,272 complaints against their banks, insurance providers, super funds, or other financial firms - receiving \$185m in compensation over the 12 months.

In that same period, just 254 complaints were brought against mortgage brokers, resulting in \$455,000 in compensation - well under 0.1% of the payout from the dispute resolution scheme.

The industry celebrated when AFCA shared that just 0.44% of complaints received in its first month of operation were against brokers; now, 11 months later, that figure has shrunk further amid the ongoing conversations around best interest and questioning of whether consumers are receiving appropriate care from brokers.

The data - averaging less than one broker complaint lodged per day - confirms that consumers are overwhelmingly satisfied with their dealings with mortgage brokers.

Conversely, the 73,272 lodgements in total fielded by AFCA over the year represent a 40% increase in complaints received compared to its predecessor schemes, which in the 2017/18 financial year received a combined total of 52,232 complaints.

"The increase in complaint

numbers we are witnessing at AFCA indicates that there is still work to be done by firms to improve their practices and restore public faith in financial firms," said AFCA CEO and chief ombudsman David Locke.

"Establishing AFCA as a new organisation and handling a 40% increase in complaints was never going to be easy, and we are still improving the way we operate," he said.

"AFCA has also been in a major growth phase of staff to meet demand and has launched the first leg of a national roadshow to promote its service across the country."

In September, AFCA launched its Financial Fairness Roadshow, which serves as a "roaming information centre" to inform consumers and small businesses of its services and walk them through the process of lodging a complaint.

"If it's something you've felt strongly enough to complain about to your friends and family, chances are you have a case to pursue," said Locke.

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DVS MAKING IDENTITY CHECKS EASY IN APPLYONLINE

NEXTGEN.NET is rolling out its Document

Verification Service (DVS) integration in ApplyOnline.

Fully integrated with ApplyOnline, the DVS provides electronic validation of government-issued documents, such as birth certificates, citizenship, drivers' licences, marriage certificates, Medicare and passport information.

"This is yet another instance of our team being proactive in order to make lending easy," says NextGen.Net Chief Customer Officer Tony Carn.

Carn spells out the advantages of the new ApplyOnline DVS integrated service for lenders, brokers and customers.

"The availability of the DVS service means that in a millisecond *ApplyOnline* checks and validates all relevant documents on all 22 government databases.

"The big benefit for brokers is that they don't need to source copies of these documents, and for lenders it means that when they receive the loan, these documents don't need to be validated because they've been auto-validated within ApplyOnline. Ultimately, for customers the gain is a faster turnaround time."

The traditional manual processes dealing with identity documents for mortgage applications were subject to broker input errors, requiring lender staff to manually follow up and thereby delaying application approval.

"Validating borrower documents is a big driver of reworks and requests for missing information, and the ApplyOnline DVS integration completely eradicates all that. It's a much more efficient, seamless and contemporary methodology for verifying identity," says Carn.

A number of lenders are already in the process of rolling out the DVS functionality and therefore maximising their use of ApplyOnline.

"It's a real game changer," Carn declares.

"Brokers and lenders are continually looking for ways to



cut costs and at the same time obtain a quicker time to approval.

"The DVS integration isn't a silver bullet, but it's a fundamental part of an incremental process that is moving towards achieving those targets.

"I say that because what we learn when we work with lenders and brokers to examine the things that slow down loan approval time is that reworks and missing information requests regarding identity-related documentation inevitably emerge as key issues." Integrating the DVS within ApplyOnline demonstrates the ongoing commitment of NextGen.Net to delivering smarter solutions for both brokers and lenders, and to being proactive in its quest to make lending easy. Every single evolutionary change to ApplyOnline has that aim.

"So much of what we do is about quality at the point of sale, and digitising and removing paper from the application process. This is a very important step towards attaining that end goal," says Carn. "Integrating the DVS is another significant innovative component on the road towards Straight-Through Processing," adds Carn.

"STP is achieved through a dedication to quality. So the more we help brokers and lenders enhance the quality of applications, the more we enable 'no-touch' application processing to approval.

"For consumers that means increased confidence in their application meeting the lender's requirements, and the time in which it is likely to be approved."

TECHNOLOGY



86 400 GOES LIVE WITH DIGITAL HOME LOANS

The fully digital offering, available exclusively through brokers, has been designed to remove friction for the broker and borrower alike

AUSTRALIA'S has launched an entirely digital home loan offering that will be distributed exclusively through brokers.

The team at 86 400 spent 18 months working through key pain points for brokers and customers before developing the offering, which it says is "unmatched by any other bank in the broker market" and boasts an approval process up to six times faster than that of the big four.

The digital product was built to save both the broker and homebuyer time, effort and frustration through electronic statement capture, simplified identity verification on a mobile, electronic signatures, and next to no paperwork.

Melissa Christy, 86 400 home loan lead, said, "Our smart technology works on the broker's behalf to make their life simpler every step of the way. This is the first offering in recent years that offers real, tangible benefits to both brokers and homebuyers."

"As a bank, we can provide the customer with a full suite of products, but we can also provide them a fully featured loan. We have an offset account on our variable rate loan, and both our pay account and our savings account can be offset against the loan."

The home loans, with rates starting from 2.88%, are available

for purchasers, refinancers, owner-occupiers and investors as fully featured loans, with fixed and variable rate options, and both with redraw.

The offering will progressively roll out to brokers. In May of this year, the smartbank joined the panel of lenders at Vow Financial before also partnering with Specialist Finance Group.

"We have a number of conversations with others that are ongoing, but nothing we're ready to announce yet. But clearly we want to make sure 86 400 smart loans are available to as many people as possible, which means working with more brokers over time," said Robert Bell, CEO of 86 400.

"This is the best of both worlds. This is a process that's fully enabled by tech to make it as easy as possible for the broker and the customer, so the broker can actually spend time on what we think is the important part discussing home loan options with customers."



TOOL RATES BORROWERS' CHANCES OF APPROVAL

ONLINE mortgage broker Lendi has launched a tool to give borrowers a more realistic view of their home loan options. The Approval Confidence rating informs borrowers in real time of the likelihood of approval by Lendi's integrated lender partners, without impacting their credit score. "Customers will now be able to ascertain whether they meet a lender's requirements, subject to verification, in under an hour," said David Hyman, Lendi's co-founder and MD.

NAB'S NEW RESOURCE FOR BROKER CUSTOMERS

has launched a new service, Small Business Broker Connect, which gives brokerintroduced SME customers access to a dedicated team of specialists who are able to assist with internet banking, the NAB Connect online business banking portal, term deposits, transactions and general enquiries. NAB GM of commercial broker Chris Thomas said, "As the largest business bank in Australia. we are dedicated to supporting the growth of Australian businesses in partnership with brokers."



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REGULATORS



ASIC SPEAKS OUT ON RESPONSIBLE LENDING

Commissioner Sean Hughes has sought to address the "inaccurate criticisms" circulating around the pending changes to current responsible lending guidelines. According to Hughes, the "exaggerated claims" that ASIC is contributing to the small business credit crunch, lengthening application processing times, and climbing rejection rates are simply not supported by fact. "The main reason for slower credit growth has been a decline in the demand for credit," he said.



THE RBA CATCHES ITS BREATH

THE RBA is expected to wait until February 2020 before deciding whether further interest rate stimulus is required. According to the Housing Industry Association, interest rate cuts have offset the rise in home prices, with the HIA Affordability Index improving by 2.2% in the September 2019 quarter. However, further progress depends on the "right economic conditions", namely "a strong volume of new homes, low interest rates and supportive policy settings from state and federal governments".



APRA ADDRESSES MAJOR BANKS' SLIPPING DOMINANCE

Chair Wayne Byres embraces COBA convention's theme of 'Stronger Together', telling the mutual sector its best bet is to band together

APRA chair Wayne Byres addressed the 650 delegates in attendance at COBA 2019, the customer-owned banking sector's annual convention, speaking to the year's theme of 'Stronger Together'.

Byres focused on competition within the banking industry, claiming it was not so clear-cut that it could be said smaller banks were definitely at a disadvantage compared to the big four players.

"I would contend that in recent times, smaller ADIs have developed some competitive advantages – the most critical of which is a far better reputation among consumers after the royal commission and other revelations of poor customer outcomes," said Byres. "This is contributing to the slow but steady erosion of the dominance of the majors. There is undoubtedly a real opportunity for the mutual sector to take collective advantage of its favourable perception."

As the figures across the big four have been slowly dropping, mutuals are continuing to gather momentum.

"The seemingly ever-present dominance of the majors is in contrast to the dynamic nature of the mutual sector," said Byres.

"Over the past decade, the number of mutual ADIs has almost halved as the industry has seen substantial consolidation [see table below]. Yet that consolidation has not hampered growth. "Over the decade, mutual ADIs have grown their collective assets by 87%; by comparison, the corresponding figure for the majors is 57%. Albeit slowly, mutuals are starting to win back market share."

However, the APRA chair did acknowledge that the low interest rate environment, squeezed margins and dulled profitability were likely to impact smaller banks more significantly than their larger counterparts.

Citing the 'Stronger Together' theme, Byres pointed out that, looked at collectively, the mutual sector had \$120bn in assets and ranked as the sixth-largest ADI in Australia – behind only the majors and Macquarie Bank.

"Collective initiatives that promote and support the mutual sector as a whole have the potential to generate the scale efficiencies that are needed to genuinely alter the competitive landscape," he said.

"They are not necessarily easy, but they are likely to be essential."

ADI SECTOR IN NUMBERS

	1999	2004	2009	2014	2019
Major banks	4	4	4	4	4
Other domestic ADIs	256	204	146	117	89
of which: mutuals	242	187	126	99	69
Foreign bank subsidiaries	11	11	9	8	7
Foreign bank branches	25	28	34	40	47
Restricted ADIs	0	0	0	0	1
Total ADIs	296	247	193	169	148

Source: APR

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SPECIAL REPORT

THE ANCHOR AMID THE CHANGE

Mortgage brokerage Smartmove is consistently recognised for its industry-leading customer service. CEO **Darren Little** explains how this was achieved and why the current environment makes this focus on the customer more crucial than ever

SMARTMOVE AT A GLANCE



Firm established



Number of lenders on panel



Offices in Sydney



Named Brokerage of the Year at the AMAs



2016, 2018, 2019

Named Best Customer

Service from an Individual

Office at the AMAs

SINCE

2003, Smartmove has been on a client-centric journey.

Winning the Best Customer Service award for an individual office at the Australian Mortgage Awards in three out of the past four years has been a humbling experience for the award-winning brokerage firm.

"Our vision to be unparalleled leaders through trusted lifelong relationships with clients and business partners has enabled us to continue to thrive and adapt in an ever-changing marketplace," explains Smartmove CEO Darren Little.

"A clear focus on the client, all the way from recruitment of new team members through the application process and beyond to post-settlement, has seen our business meet and exceed clients' expectations."

He says Smartmove runs its business with a very clear strategy for how it goes to market.

"We are very systematic and deliberate to ensure our clients get the same Smartmove experience in all their dealings, regardless of whether they are working with a new broker or a broker who has been with us for 15 years," Little says.

This allows its brokers' individual personalities to shine through, while a meticulous approach to the application process, compliance and Smartmove's post-settlement systems ensures strong advocacy of the brand.

Ensuring strong recruitment processes

Smartmove runs a pay-as-you-go salaried model – with regular payments (instalments) throughout the year – because it believes this is the way to go from a team and client perspective.

"This model allows team members to better focus on our clients' needs, rather than having a perceived self-interest around remuneration, as the pressure of not having a regular income has been removed."

It also enables Smartmove to recruit very client-focused team members. The brokerage looks for team members who are hungry to do the best for their clients, as it has the coaching and technical side covered. to 18 months for them to reach the level they need to be at before they can approach clients.

"At Smartmove we have built a strong and defined career path for them to transition from brokers to leaders of teams," says Little. "Having stability in our team, with minimal turnover, has become an advantage and has really helped bring that consistent approach to our clients.

"Our clients' feedback has been positive with respect to the Smartmove approach, regardless

"Our vision to be unparalleled leaders through trusted, lifelong relationships with clients has enabled us to thrive in an ever-changing marketplace"

Most of Smartmove's brokers are in their 20s and new to the industry when they join, says Little.

"We also recruit from various sources, with a focus on those with experience in client service roles, and we have found these team members join with a better client service philosophy," he explains.

"We are methodical when we hire, and during the recruitment process the candidate spends time within our business with a variety of team members to get a good feel for how we do things. This gives us a great opportunity to see them interacting with the team, not just in an interview situation."

All new Smartmove brokers work with a team leader to learn the Smartmove way. It can take about six of the tenure of the team member, which is a testament to our process."

Supporting brokers

Smartmove has an operations business that focuses solely on the processing side of the client experience to support its brokers. This enables the brokerage to provide a seamless and coherent experience that is smooth and orderly, and ultimately puts both its clients and business partners first in all their interactions with Smartmove.

Little says this defined separation of duties allows Smartmove to focus on helping its people become experts in their chosen niche.

The brokerage also does a full Kaizen review annually – a methodology that reassesses, rethinks





and constructively challenges each of its business activities, with the intention of continuously improving all functions, involving all team members – with an external facilitator to ensure its clients receive the best experience possible.

"I always find it interesting how much a process can creep in a year. What often looks good in isolation can end up looking completely different when combined, so if done poorly the end-to-end process can make the client experience less than it could be," says Little.

"A great example of how we are tackling this is our strong focus on the broker getting everything upfront from clients at the application stage, which allows the operations team to prepare the necessary
documentation. This is more
efficient for everyone and creates an
exceptional experience for the client."

its brokers and op
regular training fr
been critical to he
meet these needs.

its brokers and operations team with regular training from its partners has been critical to helping Smartmove meet these needs.

"We are now more proactive than ever in finding a bank that will take clients outside the box transaction, with appropriate mitigants"

Navigating changing client needs

Clients' needs continue to grow, as does the number of lenders the brokerage deals with consistently each month. Therefore, upskilling "The support we get from our business partners has been fantastic, from the face-to-face broker training to the webinars with our operations team," explains Little.

"No longer can we rely on fitting

a square peg into a round hole at our main banks, and this is because clients today are more diverse and their needs are more complex than ever before, as are banks' credit appetites," he adds.

"We need to make sure we keep pace with clients' needs, and as a result, we are now more proactive than ever in finding a bank that will take them outside of the box transaction, with appropriate mitigants."

Smartmove is a big supporter of technology and will always be curious about how it can help the business and in turn enrich the client experience, Little says.

"We see technology as an enabler, but the true disrupter is the trusted relationship we have with our clients. The key is being open-minded about the possibilities technology can bring to us," he adds.

"We made the decision three years ago to buy off-the-shelf technology and customise it to suit the needs of Smartmove, rather than build technology – we are a broker business after all and didn't want to become a tech company."

But times have changed and peer reviews now hold immense clout.

"Take TripAdvisor as an example. Many people check its reviews before they book a holiday, and we use Google Reviews very much like this as well," Little explains.

"To have a client complete a Google review is our best form of advertising, and while we can't control the review, we can control our part in the client experience.

"This is the essence of who we are and is our passage to a long-term client relationship."

Little says Smartmove is confident in the model it has built over the years and that it will see the brokerage continue to grow and meet client needs in a sustainable way.

NEWS ANALYSIS

CLAWBACK REFORM: GAINING CLARITY

With the government proposing to legislate changes to the clawback period, the industry is calling for the future arrangements to become fairer still. *Australian Broker* examines the proposed changes and the impact of clawbacks on brokers' businesses

RESPONDING

to recommendations of the Royal

Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, the government recently consulted on the best interests duty and remuneration reforms for mortgage brokers.

The National Consumer Credit Protection Amendment (Mortgage Brokers) Bill 2019 includes proposed measures to limit the period in which commissions can be clawed back from brokers to two years, and to prohibit the cost of clawbacks being passed on to clients.

The industry was asked for feedback on the proposals in the draft bill, which outlines the best interest obligations of mortgage brokers as recommended by Commissioner Kenneth Hayne in the final report of the royal commission.

Some amendments have already been clarified, with the government saying it will extend the net of offset – the amount drawn down by borrowers – payment period from 90 days to 365 days, a move that was welcomed by the FBAA and the MFAA earlier in the month.

But with the government expected to table its best interests duty bill in Parliament before the end of the year, Peter White, managing director of the FBAA, says he is pushing for further amendments to be considered, including revisions to existing clawback arrangements.

If passed, the regulations are due to take effect on 1 July 2020.

Shorter clawback period

Many in the industry are calling on the government to reform the clawback period and bring it down from two years – as proposed by the draft bill - to 12 months.

Currently, many credit providers have clawback arrangements with aggregators, which in turn have arrangements with brokers allowing credit providers to recover some or all of the commission paid by the lender to the aggregator if the loan does not continue beyond the minimum 'clawback period'.

potentially earn a new upfront commission with a new lender, adding costs to lenders and ultimately consumers.

According to the latest Review of Mortgage Broker Remuneration report by ASIC, lenders typically recovered between 4% and 10% of upfront commissions as a result of their clawback arrangements.

"I've had clawbacks that have really hurt me... the banks are much bigger businesses than us; it would be better to share the hit and the loss, rather than taking 100% off of the broker"

The aggregator will then claw back the commission from the broker, with some brokers even passing on clawback fees to their clients.

This arrangement was initially designed to discourage brokers from refinancing or 'churning' consumers to a new lender, since the broker can The findings also showed the average value of upfront commissions recovered across all lenders exceeded \$1,000, and for two non-bank lenders this was nearly \$3,000.

But some brokers can lose up to 100% of the original commission, with some also passing on clawback fees to clients.

"Mortgage brokers can have a clause in place that they hand to clients when they're doing the mortgage application, and in the clause you can say there's a clawback fee," explains Louisa Sanghera, managing director at Zippy Financial.

"But not everyone does that."

But clawbacks could also be discouraging mortgage brokers and their clients from exploring new and better loans, as they add to the cost of switching products, and so many are calling for clawbacks to be scrapped, or at least shortened down to a fairer period, when loans are the least likely to be refinanced.

For example, White has been backing the implementation of fairer clawback arrangements, saying the existing arrangements of up to two years "are unfair" because "no one should be at risk of losing the money that they've rightfully earned".

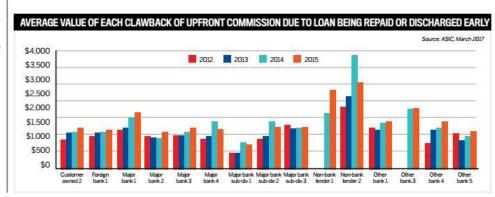
But if the current bill is passed, mortgage brokers could be at risk of losing upfront commissions for up to two years.

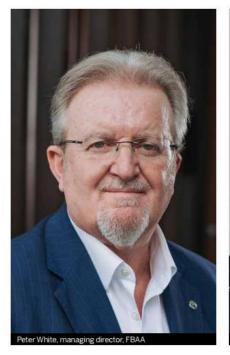
"Lenders would have the right to take that money off them for up to two years if the loan terminates early," reiterates White.

However, if the original loan is terminated because the broker did something wrong, for example churning out loans, then White says "you get what you deserve for that".

But most clawbacks occur after a client experiences a big life event, like moving overseas for work, etc, within the early years of the loan being taken out, so it's usually outside of the broker's control.

In such instances, brokers could lose money for "just doing their job", which "is ludicrous", says White.









Anthony Justice, CEO, Uno Home Loans

He continues: "The productivity commission identified that as a risk – for brokers acting in the best interest of the client – because you may not look after the client in the right way if you're worried about losing all the money that you've earned."

But with the government expected to table its best interests duty bill before the end of the year, it is difficult to say what the final bill will look like.

"Nothing is guaranteed until it's done," says White.

While it is unlikely that clawbacks will be scrapped altogether, he says there is very real hope for the time frame to be brought down to one year.

Whatever the outcome, White says brokers should not be discouraged and should instead focus their energy on the opportunity for growth presented by the best interest duty bill, especially when it comes to cultivating greater accountability and transparency across the industry.

Focus on client outcomes

Whatever commission structure the industry lands on, it should enable customers to move around in a way that gets them on the best deal as regularly as possible, according to Anthony Justice, CEO at Uno Home Loans.

"We should always be thinking about the customer and how to make sure they get the least friction in the market and are on deals that are within their best interests all the time," says Justice.

But clawbacks could be discouraging brokers from refinancing customers in the first couple of years, when there might be better deals out there for them.

"It reduces the incentive for a broker to actively move somebody to a new lender for the first couple of years," explains Justice.

"Anything you can do to remove the friction for the customer switching to a better deal is a good thing, and removing or reducing clawback would certainly help that," he adds.

But what's tricky is that there is no way to know when clients' circumstances might change, which could lead to clawback, suggests Sanghera.

"When my clients take out a mortgage, they don't know that they might be divorced within 12 to 18 months, or they don't know that they're going to move with a job. "I had a client who within three months of doing his mortgage moved to Queensland with his job and bought a new house in cash because house prices are much cheaper there, and I needed to pay all my commission back for the initial loan," she says.

"This was a second example where a Westpac member of staff settled with us and within months moved his mortgage over to a staff deal and I got clawback on it.

"I worked on that mortgage in good faith and actually took a loss; it cost my business, and the client felt terrible as well. How can that be fair?"

There has also been some argument that instead of brokers shouldering 100% of the burden, some of it should be passed on to the banks.

"I've had clawbacks that have really hurt me ... the banks are much bigger businesses than us; it would be better to share the hit and the loss, rather than taking 100% off of the broker," says Sanghera.

Struggle for small businesses

It can be especially difficult for smaller brokerage firms to plan for clawbacks. "If you're running a business, how do you provision for that on your balance sheet? You've got a risk there that could hit you at any time, so it's very challenging from a business point of view," explains White.

While clawbacks were put in place to stop brokers from churning mortgages, Sanghera argues that this is such a small portion of the industry it does not reflect the true nature of the profession.

"It makes it extremely difficult to manage cash flow ... it's an administrative nightmare," she adds.

"We need to focus on looking for those brokers [churning mortgages] and not punishing the whole industry ... I welcome the 12-month clawback period rather than 24 months; it's a step in the right direction and a small win for brokers."

But if the draft bill is not finalised and passed by early December, it is likely to be pushed out to next year.

"There must be another system where they can monitor brokers with high volumes of mortgages within a short time frame. Clawbacks should be scrapped," Sanghera says.

Industry expects the legislation to take effect by July 2020. AB

BUSINESS PROFILE

A CLOSER LOOK AT SMSF LENDING

SMSF-lending-based property assets have increased from under 5% to over 20% of total assets from 2012 to the present day. Thinktank's Per Anderson and La Trobe Financial's Cory Bannister discuss whether this growth can be sustained, the drivers, and the inherent risks brokers should be aware of



THINKTANK

Growth in LRBAs (limited recourse borrowing arrangements) has been strong since 2012, part of the reason being that they are a fairly recent innovation, having only been introduced in 2010.

However, this growth has been levelling off, and based on the latest statistics released by the ATO, the SMSF regulator, the number of LRBAs has in fact reduced slightly between June 2018 and June 2019 and now represents about 6% of total SMSF assets.

This is approximately double the 3% they represented back in 2014 when Thinktank started making LRBAs available.

At the same time, SMSFs have only grown about 15% from 521,417 in June 2014 to 599,678 in June 2019.

In looking at these numbers it is also important to consider how SMSFs are made up with respect to residential and non-residential property. Over the past year, the split has remained fairly steady at 35% residential and 65% non-residential, but this is a shift from five years ago when it was 25% residential and 75% non-residential.

That still represents a heavy preference for commercial property, which may have contributed to the growth over that five-year period.

Generally, Australian investors view real estate as a positive long-term investment. There is

Diversify and educate

SMSF lending requires a sound level of knowledge of the need for compliance with the legislation governing SMSFs – that is, the Superannuation Industry (Supervision) Act 1993 (SIS Act) and the Superannuation Industry (Supervision) Regulations 1994, together with a number of ATO rulings and interpretive decisions to be found on the ATO Legal Database.

There are lots of industry body courses available that can provide an introduction to these, and

There is a great deal of life left in SMSF LRBAs in their own right, and we are still seeing considerable demand for broker assistance in arranging and structuring the associated funding

also the added bonus of 'business real property' – which generally means land and buildings used wholly and exclusively in a business – where SME operators can own the business premises that the fund invests in.

Long-term growth in the sector is driven by these motivating factors, and it is likely to continue at a steady pace, which we think would reflect the attractiveness of investing in real property as well as the particular benefits enjoyed by commercial owner-occupiers.

lender workshops are also a good source of both product and regulatory information.

For ongoing professional development, there are numerous online sources of information from SMSF industry groups, and a wide range of periodicals that brokers can access directly, which Thinktank can also help them access.

Pros and cons

The client has to be willing to take the responsibility that goes with having an SMSF and becoming a trustee or director of a corporate trustee. There are strict qualifications and requirements that have to be met, and there are certain costs involved in setting up an SMSF. Accounts must be prepared annually and an audit conducted, as well as time spent on reviewing and implementing the investment strategy.

This means the asset base of the SMSF has to be sufficient to justify both the cost and the time. The guide for this varies anywhere from the minimum net tangible asset base of \$250,000 that Thinktank requires, to as high as \$500,000 recently suggested by the Productivity Commission.

The major limitation imposed on members once the funds are in their SMSFs is that these cannot be withdrawn until certain conditions of release are met, which are primarily around age and retirement.

With respect to assets that are subject to LRBAs, the major drawback is that you cannot borrow further funds against them after the initial LRBA is established, and they cannot be used as collateral for another loan when the value goes up, as you can with traditional non-SMSF mortgages.

But SMSFs are also an uncommonly tax-effective vehicle for creating and retaining mediumto longer-term wealth.

Given the current commercial property yields and loan terms available from Thinktank, commercial property that is acquired to accommodate a member's business operations could see loan repayments at similar levels to, or in some cases lower than, market rents.

There may be no or minimal change in cash flow; however, the member's business now trades from their own property, thus removing rent relocation risk at the expiry of the lease and preserving goodwill and creating wealth.

The refinancing of LRBAs is permissible, plus costs and loan terms can be reset to optimise cash flow, which should mitigate concerns over restrictions to additional borrowing.

This can overcome the impost of shorter loan terms that can necessitate higher repayments and in turn lead to potential cash flow issues separate to the creation of 'dead equity' that cannot be accessed other than through the sale of the asset.

Overall, there is a great deal of life left in SMSF LRBAs in their own right, and we are still seeing considerable demand for broker assistance in arranging and structuring the associated funding.

LA TROBE FINANCIAL

SMSF exposure to property is – if anything – below what could be expected and experienced in most wealth accumulation vehicles.

SMSF exposure specifically to residential property is smaller again at just \$34.5bn (4.6% of sector AUM), and exposure to commercial property is just \$64bn (8.6% of sector AUM).

While these investment numbers are not material in a percentage accounting sense, the investments in both residential and commercial property being made by SMSF trustees on behalf of their beneficiaries total 13.20% of total SMSF corpus or AUM.

The degree by which the SMSF sector continues to be embraced by ordinary Australians is a staggering endorsement of its ongoing value.

Driving growth

A fundamental principle driving the growth in SMSFs is the basic desire of Australians to control their own destiny and remain independent.

This drive to 'self-manage' their own retirement superannuation funding and to choose how to manage it, without complex or exorbitant manager fees, is complemented by the property being an asset class that most Cory Bannister, chief lending officer, La Trobe Financial

and appears to be a much safer outcome than allowing superannuates to invest in asset classes they aren't as familiar with or experienced in assessing with respect to their associated risks.

Unless brokers cater to their clients' full finance needs, there is an increasing risk that they will leave you for someone who can, as often consumers are looking for a one-stop shop

Australians understand and are comfortable with.

These two factors combine to drive the growth and accumulation of wealth of over 599,678 SMSFs – an asset class that has low volatility These 599,678 SMSFs each have over 1.1 million members who have taken control of their superannuation. With this in mind, we expect to see continued but slower growth of the SMSF sector,

because while many Australians have a penchant for DIY generally, there are also signs of continued younger entrant growth, particularly in the 35–49 age bracket.

The majority of SMSFs are established by self-employed business people, who are astute and understand investment risks, after having run their own businesses. And because there are some 2.4 million self-employed persons in Australia, this indicates plenty of growth opportunities for SMSFs.

Positive mechanism

La Trobe Financial genuinely believes that LRBAs are a positive mechanism enabling consumers to accumulate wealth for their retirement, and expects that the number of SMSF participants will continue to grow and pay dividends.

Brokers should consider offering SMSF loan products as part of their overall diversification strategies, as they offer such significant growth potential.

Unless brokers cater to their clients' full finance needs, there is an increasing risk that they will leave you for someone who can, as often consumers are looking for a one-stop shop.

La Trobe Financial recommends that brokers looking to get into this space should undertake a relevant training program that covers the basics of SMSF lending, such as, or similar to, the MFAA's SMSF Lending Program.

A broker's aggregator may also offer training and education, and lastly, it would be a good idea to partner with a lender that offers direct access to credit staff who are willing to educate and assist brokers throughout the process.

Benefits and risks

The most fundamental benefit of SMSF loans is that they allow a borrower to invest directly in residential or commercial property using funds they have accumulated in their super.

There may be some tax advantages, as interest and borrowing expenses are generally tax deductible, which can reduce the tax payable within the fund; however, La Trobe Financial strongly recommends financial advice is obtained to ascertain this prior to committing.

And for the many SME business owners, there is the attractive proposition of being able to acquire or transfer their business premises into their SMSFs to take advantage of potential concessional tax benefits. Again, La Trobe Financial highly recommends finance advice is sought prior to committing.

The primary risk with SMSF lending is being unable to meet the loan obligations – a risk which is consistent with any other loan product a client chooses. [AB]





Cash flow – Loan repayments must be made from your SMSF, which means your fund must always have sufficient liquidity or cash flow to meet the payments.



Hard to cancel – If your SMSF property loan documentation and contract is not set up correctly, unwinding the arrangement may not be allowed and you may be required to sell the property, potentially causing substantial losses to the SMSF.



Possible tax losses – Any tax losses from the property cannot be offset against your taxable income outside the fund.



No alterations to the property – Until the SMSF property loan is paid off, alterations to a property cannot be made if they change the character of the property.



Members' personal guarantees – While SMSF loans are limited recourse, often SMSF members are required to give personal guarantees, which means they are personally liable for the performance of the loan, like standard corporate or trust borrowing structures.



Cost of operating – Some operators suggest that the cost of operating SMSFs is between \$3,500 and \$5,000.



Succession planning – Planning for the succession of the fund's trustee, before their death, is important. There are generally two SMSF trustee structures, an individual or a company-appointed trustee.

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BIG DEAL

Greg Woolley, director of Performance Finance Solutions, explains how believing in his client when no one else did sustained him through a series of rejections before ultimately securing a happy ending

















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client I had helped get into their first home years earlier recently contacted me, explaining that they had sold their previous property and bought another off the plan that was due for registration and settlement in the coming weeks. With no time to do a pre-approval, we discussed his options and decided to put an application through with a non-bank lender offering one of the better rates available at the time.

The application seemed to run through smoothly, but when it went for approval and sign-off by the mortgage insurers, there was a delay, and the lender was unable to explain why.

The lender then came back and asked for six months of bank statements to confirm income. By this time, the solicitor had advised that the property had been registered and settlement was due in the coming weeks. I contacted my BDM again and, after a few days of chasing, he eventually advised that the file had been declined. He was unable to help further and gave no explanation.

I was shocked and wanted to understand why this had happened. I dug deeper and found that the mortgage insurers had declined the file, but again no real explanation was provided.

Because of the short timeline, we promptly approached another lender, and the same thing happened: the file moved through the assessment process before it was again delayed, then knocked back. The client was quite frantic, with

settlement just days away at this point.

My aggregator BDM thought the mortgage insurer's issue with the income verification was due to the client's employment letter not having an ABN, the payslips having no YTD, and the reference of bank statements differing. All of this together could have made it seem that he was staging his income.

At this point, the client decided to try to get finance through other avenues. After not hearing from him for a while, I reached out to make sure everything

application and had met up with him at his place of employment, so I believed he wasn't doing anything wrong. I knew we had to give it one last try.

I did my homework and noticed that each lender he had tried was associated with one specific mortgage insurer, so I decided to seek one out that was aligned with a different insurer. But, based on the number of enquiries he had made, I knew that point-scoring might be an issue.

I remembered that St. George had its own sign-off with mortgage insurance, as well as 24-hour turnaround times I spoke to my St. George BDM straight away. After explaining the situation in great detail, he told me he was confident and would support the deal as long as we had the supporting information to back everything up.

We immediately ordered the upfront valuation, submitting the deal the same day. We received the initial conditional approval within 24 hours, which was great, but we knew that we had more work to do.

The client was asked to visit a St. George branch to be formally identified and to provide further clarification of income, six months of bank statements for each of his accounts, and explanations of all large deposits and the previous applications that had been declined.

I worked with the client around the clock, and when we finally got through it all, the application went up to senior

He had been knocked back three more times. He was on the verge of losing \$72,500 - the 10% initial deposit



Greg Woolley Director, Performance Finance Solutions

was OK. It wasn't. He had been knocked back three more times with other lenders. He had an extended notice to complete and was on the verge of losing \$72,500 the 10% initial deposit.

Further, he had been told by another broker that he had a mark against his name with the mortgage insurer. He tried to contact the lenders and insurer directly to find out what the problem was, but with no success.

To me, it seemed that if this was someone dodgy he would have given up rather than making direct contact. I also knew the client from his previous credit for sign-off. I passed an anxious 48 hours before being notified that the loan had gone formal. I let the client know, who immediately rang me up saying how appreciative he was for believing in him when no one else did. He also said St. George had a home loan client for life.

The bank organised the documents quickly and, even though the client had just under a month's notice to complete, the other side waived the penalty interest - a great result following a process riddled with moments when the application seemed unlikely to ever be approved. [AB]

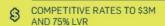


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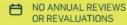
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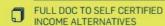
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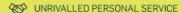






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CAUGHT ON CAMERA

At the end of October, Finsure & LoanKit hosted 200 delegates at their National Summit in the picturesque Hunter Valley, NSW. All attendees were treated to presentations by behavioural expert **Dr Kerry Maberly**, futurist **Bernard Salt AM**, and inspirational figure **Dylan Alcott**, before enjoying a gala dinner that included the annual national awards ceremony. Among the award winners were **Anthony Alabakov** from My Mortgage Freedom, **Hai Truong** from Essendon Finance, **Yoyo Yuan** from Mr Loan Finance Group, **Colin Lamb** from Mortgage & Finance Solutions, and **Trent Lee** from Mates Rates Mortgage Brokers. To cap off the night, guests hit the dance floor when legendary Australian rock band **The Hoodoo Gurus** took to the stage and brought the house down.

Photography by Simon Kerslake







































WESTERN AUSTRALIA

Perth's figures hint at future growth after a long stint as the weakest capital

While Perth's economy has continued to struggle, the city's performance in the August 2019 quarter gives some hope for future growth.

"We have consistently heard that housing market confidence has improved, and the data since then continues to confirm the improved sentiment," says CoreLogic head of research Tim Lawless.

Overall, rental rates dropped in Perth, but there are a few standout suburbs. Notably, Katanning ranked fifth out of 100 suburbs in CoreLogic's *Top Rental Performers* list for September 2019. The suburb has a very affordable median house price of just over \$150,000, and its median rent comes in at \$250 a week.

Mortgage lending has been on the up as well. CoreLogic data indicated that in July the value of lending to owner-occupier first home buyers rose by 17.4%, hitting its first peak since November 2018. Meanwhile, the value of lending to investors increased by 14.1% from July to August 2019.

Area	Туре	Median value	Quarterly growth	12-month growth
Perth	н	\$472,500	-1.8%	-3.8%
WA Country	н	\$320,000	-1.2%	-1.5%
Perth	U	\$372,500	-1.3%	-6.3%
WA Country	U	\$180,000	-5.8%	-5.8%

SOUTH AUSTRALIA

Investors keep their attention focused on the Adelaide market

The substantial infrastructure projects underway in South Australia are achieving their goal of boosting the state's economy. The establishment of hospitals and research centres will attract highly skilled labour to the state, according to Peter Koulizos, program director of the Master of Property at the University of Adelaide's School of Architecture and Built Environment.

With new stock hitting the city's market, buyers have more investment-grade property to choose from. Quality dwellings are sold within days.

"The month of August 2019 saw a stark contrast in activity between the first half of the month and the last, as well as a general feel in the market," says Katherine Skinner, director of National Property Buyers SA.

"In early August, we felt the desperation of investors wanting to jump into poor investment choices just to make a purchase, whereas now there is an air of calm and calculation felt among investors who now have some solid options."

Area	Туре	Median value	Quarterly growth	12-month growth
Brisbane	н	\$530,000	0.0%	1.9%
QLD Country	н	\$430,000	-0.2%	-1.6%
Brisbane	U	\$380,000	0.0%	-1.3%
QLD Country	U	\$365,000	-0.8%	-1.3%

QLD SPOTLIGHT

ALL EYES ON BRISBANE

While Queensland's rental markets continue to tighten, experts see good things on the horizon for the southeast

Prices remain very low in the Sunshine State at a median of under \$150,000, while rental returns average as high as 11.7%. Queensland thus dominated CoreLogic's latest Top Rental Performers report, claiming 42 out of 100 spots on the list, indicating the rising rental demand in this state.

The tightest rental market in Queensland is Maryborough, which saw vacancy rates drop to 0.3% in the March quarter from 1.6% in September 2018. Vacancies are also very limited in the Fraser Coast region, where the average vacancy rate comes in at just 0.9%.

"The Gold Coast and Sunshine Coast have each enjoyed solid house price rises, benefiting from strong migration inflows and an undersupplied market. Vacancy rates are low, but supply is rising," says BIS Oxford Economics associate director Angie Zigomanis.

"This will slow price growth, with total rises of 9% and 7% respectively forecast in the three years to June 2022."

He adds that "the greatest upside to house prices is expected to emerge in Brisbane, although it will not be immediate. Net interstate migration flows into Queensland have increased".

With mining a slow industry these days in Queensland, tourism could be the sector to facilitate an uptick in the state's economy. According to the CoreLogic CHIP (Cordell House Index Price) Report for July 2019, overseas investors are looking to construct large-scale resorts in the northern part of the state, as well as new residential properties in 2020. This could foster population growth in the coming years.

However, Zigomanis does warn investors to be mindful of supply levels in Queensland.

"There remains an oversupply of dwellings in the state, mainly in the apartment sector, and any economic recovery in the state is yet to gain traction. This is forecast to keep any price rises modest in 2019/2020." AB

HIGHEST-YIELD SUBURBS IN QUEENSLAND

Suburb	Туре	Median price	Quarterly growth	12-month growth	Weekly median advertised rent	Gross rental yield
Blackall	н	\$63,000	-10%	-50%	\$150	12%
East Innisfail	н	\$140,000	-11%	-16%	\$310	12%
Mount Morgan	н	\$94,000	11%	4%	\$200	11%
Bungalow	U	\$130,000	-1%	-12%	\$275	11%
Dysart	Н	\$99,000	4%	45%	\$200	11%
Edmonton	U	\$141,250	-2%	-4%	\$265	10%
Holloways Beach	U	\$160,700	0%	-10%	\$290	9%
Home Hill	н	\$133,750	7%	-5%	\$240	9%
Murgon	н	\$123,000	1%	-21%	\$220	9%
Charleville	н	\$117,500	-20%	-19%	\$210	9%
Mundebbera	н	\$160,500	-7%	10%	\$280	9%
Raceview	U	\$175,000	-3%	-14%	\$300	9%



SUBURB TO WATCH: SCARNESS

Median price (houses)	12-month growth	3-year growth	5-year growth	Indicative gross rental yield
\$283,092	-0.6%	-0.8%	3.1%	5.6%
Median price (units)	12-month growth	3-year growth	5-year growth	Indicative gross rental yield
\$256,701	-1.7%	-6.6%	3.5%	5.5%



Value of tourism's direct contribution to Oueensland economy



Value of tourism's indirect contribution to Oueensland economy

AUSTRALIAN CAPITAL TERRITORY Canberra chugs along steadily as tax exemptions and stable prices sustain demand

While an increase in the median vendor discount over the 2018/19 period reflected a slowing in the market, the low interest rates and relaxed borrowing restrictions have helped shift negotiating power from buyers back to sellers, which could cause discounts to fall again. The value of lending in the ACT also showed an increase over July 2019, signalling an uptick in mortgage demand, especially from first home buyers. CoreLogic data indicated that the value of lending to owner-occupier first home buyers skyrocketed by 76.4%, peaking for the first time since November 2018.

Despite unit supply dampening price growth, the unit market in the suburb of Gungahlin edged into CoreLogic's *Top Rental Performers* list for September 2019, ranking

99th out of 100 suburbs. The market offers rental returns of 6.4% and the median price is an affordable \$360,713.

Area	Туре	Median value	Quarterly growth	12-month growth
Canberra	н	\$670,000	0.8%	2.3%
Canberra	υ	\$420,000	-0.2%	0.0%

VICTORIA

Surging prices have homebuyers scrambling into action in Melbourne

As the market stabilises in Melbourne, conditions are looking perfect for first home buyers in particular, who have the chance to grab a slice of the market before property values rise again.

"First home buyers are already emerging, hoping to find a bargain before prices take off again. If interest rates stay low, which by all indications they need to, and the lending policies become more flexible, then there is the desire and the confidence for investors to continue to grow their portfolios," says Income 2Wealth director Paul Wilson.

Short supply is contributing to the increased demand, as it is fostering renewed competition.

Antony Bucello, general manager of National Property Buyers Victoria, says, "The current environment is being fuelled by the shortage of properties on the market, and we expect this trend to continue while demand is at these current high levels and vendors sit on their hands."

Area	Туре	Median value	Quarterly growth	12-month growth
Melbourne	н	\$682,000	-1.4%	-4.8%
VIC Country	Н	\$370,000	1.4%	4.3%
Melbourne	U	\$539,000	0.2%	-0.5%
VIC Country	U	\$280,000	3.0%	1.9%

CAPITAL CITY AUCTION CLEARANCE RATES

WEEK ENDING 24 NOVEMBER 2019

There were 2,599 homes taken to auction across the combined capital cities this week, returning a preliminary auction clearance rate of 72.9%, similar to last week's 2,590 auctions and final clearance rate of 70.1%. Over the same week last year, auction volumes were higher, with 2,701 homes across the capital cities but a final clearance rate of just 41.9%. With advertised supply remaining low and buyer demand rising, the fear of missing out has once again become a factor in the market as buyers sense some urgency to buy before prices rise further. However, auction volumes are set to increase over the coming weeks, so the jury is out as to whether clearance rates can hold up under the increased level of supply brought to market.



NEW SOUTH WALES

Sydney works to reclaim its crown as Australia's best-performing market

Strong indicators on the horizon will likely see confidence in the Sydney market resurge.

"First home owners will hope this gives them the chance to get back into the market, and upgraders will see this as an opportunity to upgrade while the perceived affordability has come back into the market," says Paul Wilson, director of Income2Wealth. However, there are investors who remain hesitant to get back into the capital city market. CoreLogic's Cordell House Index Price (CHIP) Report noted that off-the-plan apartments in Sydney were recording low valuations, which could become an obstacle for future developments.

"Investors are abandoning the off-the-plan apartment sectors for many reasons ... Many of those who purchased off the plan a few years ago are now having trouble settling, with valuations coming in on completion at well below contract price at a time when banks are more reluctant to lend on these properties," says Metropole Property Strategists national director Kate Forbes.

Area	Type	Median value	Quarterly growth	12-month growth
Sydney	н	\$860,000	-2.7%	-7.2%
NSW country	н	\$468,000	-0.7%	-0.9%
Sydney	υ	\$680,000	-1.5%	-3.4%
NSW country	U	\$400,000	0.0%	1.3%



CAPITAL CITY HOME VALUE CHANGES

Capital city	Weekly change	Monthly change	Year-to-date change	12-month change
Sydney	0.5%	2.5%	3.0%	0.7%
Melbourne	0.5%	1.9%	3.1%	1.2%
Brisbane	0.3%	0.9%	-0.5%	-0.7%
Adelaide	0.1%	0.4%	-0.9%	-0.5%
Perth	0.4%	0.3%	-6.8%	-7.9%
Combined 5 capitals	0.5%	1.8%	1.3%	-0.3%

^{*}The monthly change is the change over the past 28 days



The Apple Isle loses its crown as rising prices threaten housing affordability

TASMANIA

Price affordability fell in Tasmania over the June 2019 quarter, with the proportion of income required to make loan repayments rising to 25.8%, according to the Real Estate Institute of Australia (REIA). "This represents an increase of 0.4% over the quarter and an increase of 0.4% from the June quarter 2018," says REIA president Adrian Kelly. In addition, the number of first home buyers slipped by 6.1% compared to 12 months previously.

However, Kelly does not see this as a sign of negativity, but rather as another iteration of an annual pattern. "The number of loans to owner-occupier first home buyers has recorded increases in five of the six months of 2019," he says. "This upward trend in first home buyer loans is expected to continue as over the past few years there has been an increase in the final quarter of the year."

Area	Туре	Median value	Quarterly growth	12-month growth
Hobart	н	\$480,000	2.2%	7.8%
TAS Country	н	\$310,000	1.2%	6.0%
Hobart	U	\$361,500	2.1%	8.3%
TAS Country	U	\$251,250	0.4%	0.4%

All data sourced from CoreLogic.com.au

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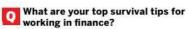
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IN THE HOT SEAT

Tom Morison, mortgage and finance adviser at Smartmove, shares how winning his first client referral at the age of 12 ignited a lasting passion that guides his business to this day



In an ever-changing mortgage marketplace, with more developments over the past 12 months than the previous 12 years combined, my number one tip is to manage client expectations – something I've often found to be underestimated. My word is my bond and, except in circumstances outside my control, I must always deliver to preserve my clients' trust, be it an email or a bank approval.

What was your first job?

From a young age, my dad had me take care of the family yard, mowing the grass and trimming the edges. He was, and is, self-employed, so when I was in Year 6 he encouraged me to distribute homemade flyers through the neighbourhood offering my services. The business grew quickly; at its height, I had 15 customers, which made for a full schedule with having school all week and only working on weekends. I received my first-ever client referral from an existing customer during that time. Thirteen years later, I still have one customer whose yard I take care of once a month.



What's your favourite way to relax after a stressful time at work?

A I don't feel intensely stressed in my work, as I feel I need to be calm and collected to deliver the best results. However, when I've had multiple clients purchase a home at once with short settlements, or clients with very complex circumstances, it's especially beneficial to have a strong routine to help clear my mind and reset. Every Sunday, I go for a walk of at least 20km on the coast around Sydney. Waverton to Neutral Bay or North Bondi to South Coogee are a couple of my favourites.

What's one of your recent career highlights?

Receiving support from an existing client who has referred family, friends or work colleagues to me always has and always will be a career highlight. There is no feeling as rewarding or humbling as that level of trust. Further, the industry recognition I've received, such as being named the Australian Mortgage Awards Young Gun of the Year, confirms that my practices and strategies are on track and heading in the right direction.

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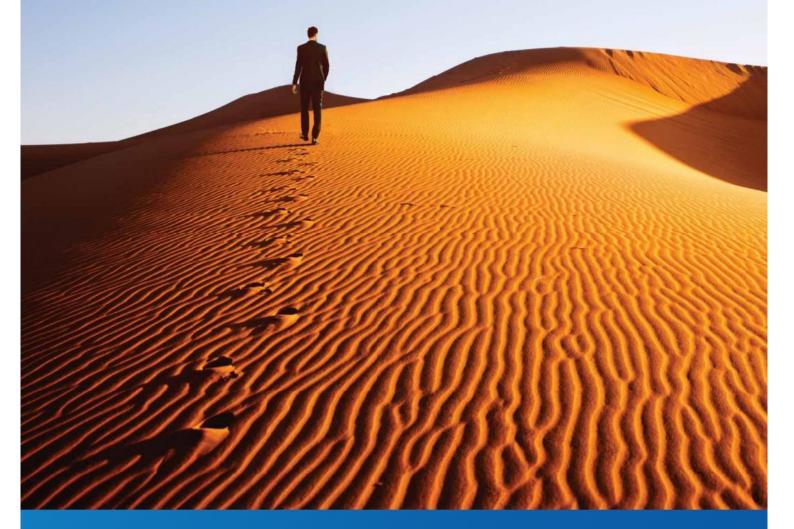
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