



2021

Consumer Access to Mortgages Report

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Introduction

The Consumer Access to Mortgages Report is an annual research initiative conducted by independent research firm Momentum Intelligence on behalf of The Adviser. The Adviser is the leading source of news, intelligence and analysis of Australia's mortgage broking industry.

The Consumer Access to Mortgages Report was launched in 2019 in response to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry to uncover the experiences of consumers and the implications for Australian borrowers in any change made to the current remuneration of mortgage brokers.

Now in its third year, this report explores the experiences of consumers across Australia (including those that have never secured a mortgage) to better inform industry stakeholders on the behaviour, expectations and experiences that drive the decisions that consumers make when accessing finance. This year's Consumer Access to Mortgages survey included 1,036 consumers between January and April 2020.

The focus of this year's Consumer Access to Mortgages is on deepening the industry's understanding of how consumers perceive their experiences of mortgage brokers and proprietary channel lenders across a range of factors including turnaround times, communication, open banking and more.

There are two major sections to this report:

● Section one:

Key relationship measures

This section explores Australian borrowers' satisfaction with their most recent experience with securing a mortgage, the channel they are most likely to use in the future.

● Section two:

Drivers of strong client relationships

This section contrasts and compares borrower perceptions and preferences of communication, approval speed, cashback offers and the lender recommendation process.

Figure 1: Have you ever taken out a mortgage?

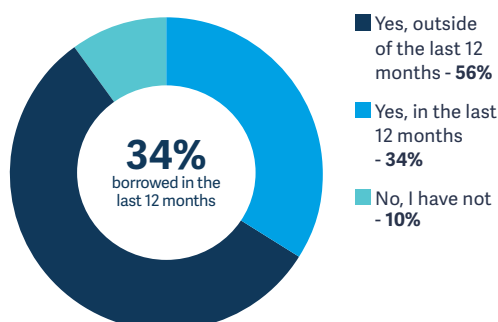
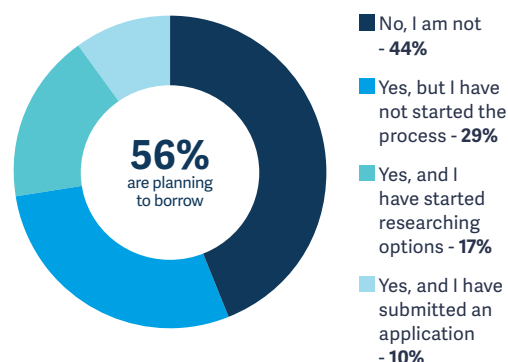


Figure 2: Are you likely to secure a mortgage in the next two years?



Key findings



1 in 3

proprietary channel customers will seek to use a mortgage broker the next time they secure a mortgage indicating further growth for the broker channel.



Only 57%

of borrowers were satisfied with their application's speed of approval leading to significantly lower overall satisfaction among borrowers.



56%

of first home-buyers plan to use a mortgage broker.



1 in 4 borrowers

believe they were only given one single lender as a recommendation from their broker.



1 in 3 consumers

are aware of Open Banking or the Consumer Data right (CDR)

Section one:

The experiences of Australian borrowers

This section explores Australian borrowers' satisfaction with their most recent experience with securing a mortgage, the channel they are most likely to use in the future.

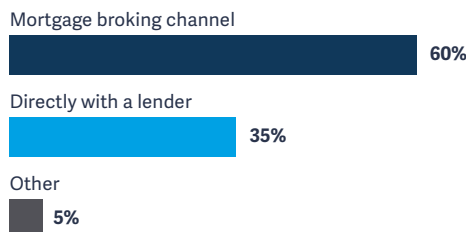
Preferred channel for existing borrowers

Competition between the third-party and proprietary channel provides borrowers with a competitive mortgage lending market and with a wider choice of financial products as smaller lenders have entered the market with the help of broker distribution.

This year's Consumer Access to Mortgages survey has uncovered that the mortgage broking channel continues to be the preferred channel among existing borrowers with 60% intending to use a mortgage broker the next time they take out a mortgage.

This level of preference is in line with the flow of new mortgages being written via mortgage brokers and reflects the strength of the mortgage broking industry at this time.

Figure 3: If you were to take out another mortgage in the future, which channel would you most likely choose?



Preferred channel for future first-home buyers

First-home buyers are a key market segment as they are the emerging demographic of home owners who will continue to be active in the marketplace in the future.

Due to the fact that they have not previously taken out a mortgage, they are often the market segment that may require the most guidance from brokers and lenders as they progress on their journey.

The ability for the third-party and proprietary channels to engage, educate and help first-home buyers secure their first home is likely to have future implications on which channel they use if they are to ever secure another mortgage.

This year's Consumer Access to Mortgages survey shows that the majority of future first-home buyers are more likely to engage with a mortgage broker rather than working directly with a single lender.

This preference highlights that the broker proposition has continued to resonate even with those who are yet to make their first move in the property market.

Figure 4: If you were to take out a mortgage in the future, which avenue would you most likely follow?

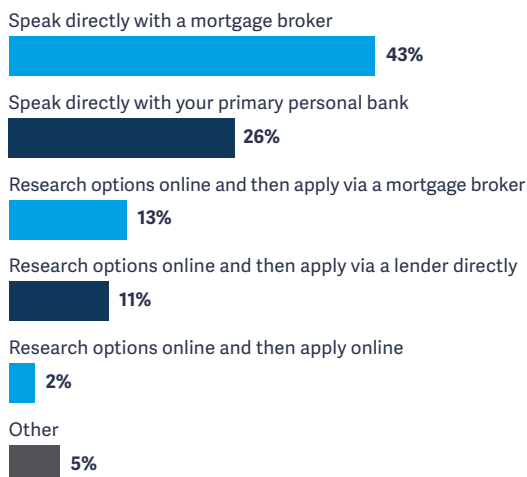
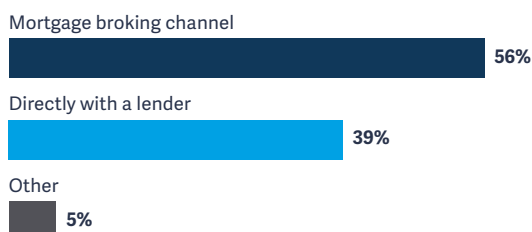


Figure 5: Preferred channel for future first-home buyers



Retention

Creating ongoing and repeat business from prospective borrowers is the most important outcome from successful experiences with the broker and proprietary channel.

Importantly, the statistics relating to the future intentions of consumers not only show the retention of customers within each channel but also the potential growth each channel can experience from the detractors of the other.

The higher levels of satisfaction and trust in the mortgage broking channel are reflective in the

future decision making of individuals as the results indicate that mortgage brokers have a significantly higher retention rate than the proprietary channel.

Of consumers who used a mortgage broker previously, 83% are likely to use a mortgage broker again in the future, with the remainder (13%) planning to approach a lender directly. Only 61% of consumers who secured their previous loan through the proprietary channel are likely to return to this channel, with the remaining (34%) switching to the broker channel.

Figure 6: If you were to take out another mortgage in the future, which channel would you most likely choose?

■ Proprietary channel ■ Mortgage broker channel ■ Other

Existing proprietary channel customer

Would return to the proprietary channel



Would switch to the broker channel



Are unsure or would use another method



Existing mortgage broker customer

Would switch to the proprietary channel



Would return to the broker channel



Are unsure or would use another method



Key relationship measures

Satisfaction

Satisfaction is a key relationship measure and provides an indication of the quality of the interaction and experience of the consumer with lenders or brokers.

The survey results indicate that consumers who have previously engaged a mortgage broker in the last 12 months have higher levels of satisfaction (72%) than proprietary channel customers (68%).

However, this gap has significantly reduced compared to previous years with broker channel satisfaction dropping from 88% in 2020 to 72% in 2021.

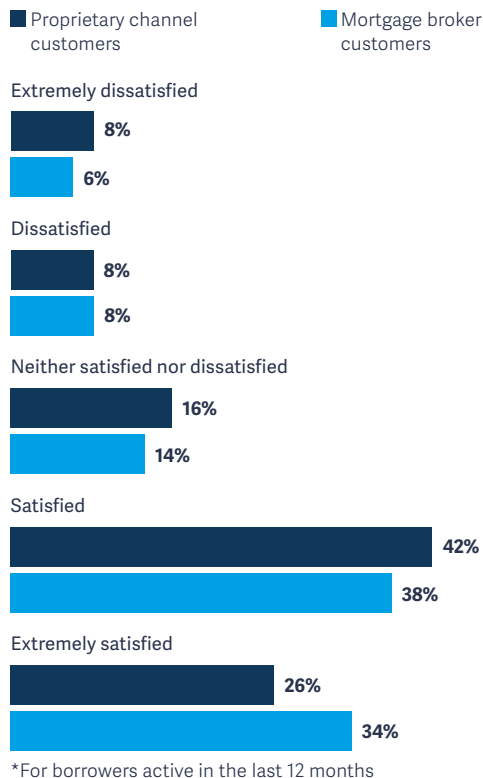
72%

Broker channel
satisfaction

68%

Proprietary channel
satisfaction

Figure 7: How satisfied were you with the overall experience?



Trust

Trust is a long-term key relationship measure that evaluates the quality of multiple interactions between consumers and lenders or brokers. Naturally, brokers are typically expected to create stronger and more high quality trust relationships.

The results indicate that customers of mortgage brokers have higher levels of trust (84%) compared with proprietary channel customers (58%).

Trust levels across both of these channels have dropped compared to last year with the broking channel dropping from 89% in 2020 to 83% in 2021. While for the proprietary channel it has dropped at a faster rate from 67% in 2020 to 57% in 2021.

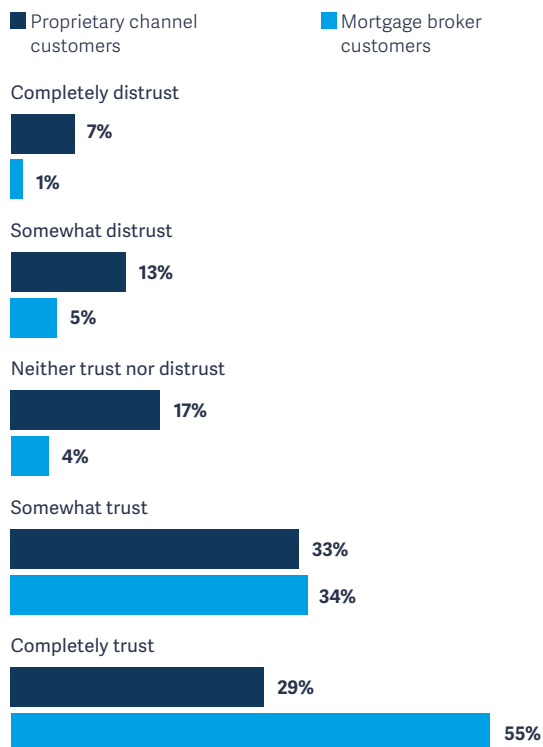
84%

Broker channel
trust

58%

Proprietary channel
trust

Figure 8: How much do you trust your mortgage broker/lender?



Section two: Drivers of strong client relationships

This section contrasts and compares borrower perceptions and preferences of communication, approval speed, cashback offers and the lender recommendation process.

Communication

Last year's Consumer Access to Mortgages report highlighted that receiving better customer service is one of the top three drivers in channel selection.

Communication is a critical element of customer service and ensures that the prospective borrower understands what's required, what's next and what's ahead. This year's survey results indicate that brokers provide significantly better levels of communication compared to their proprietary channel counterparts.

The ability for lenders and brokers to adapt in the face of disruptions of the COVID-19 pandemic has led to an increase in virtual and remote communication methods being relied upon due to restrictions. However, this year's survey results indicate that while these virtual methods will still have a place, many consumers still prefer face-to-face contact.

For broker channel customers, there are fewer variances between the different methods, while "in-person" contact is the most desired method. For proprietary channel customers, their preferences are significantly more weighted to the "in-person" contact.

With the closing of many bank branches across Australia, there is an opportunity for brokers to provide that level of service to proprietary channel customers to give them the service they need via the communication method they value the most.

Figure 9: How satisfied were you with the communication from your broker/lender?

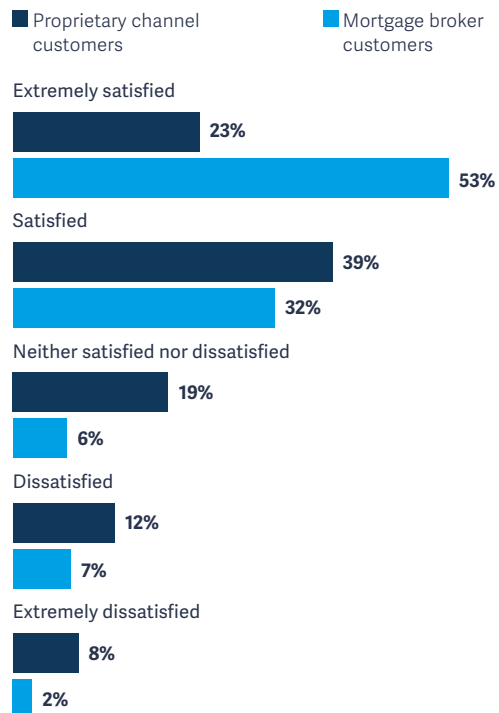
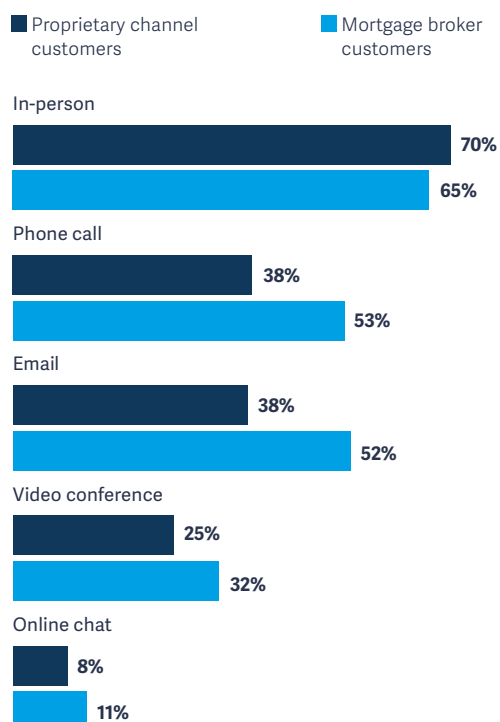


Figure 10: Which channel(s) would you prefer to use with a broker or lender?



Lender recommendations

The process of evaluating and recommending lenders to clients is a core skill of mortgage brokers. Their ability to be able to align the prospective borrower's circumstances with the lender products is core to the broker's intellectual property.

In this year's survey we asked consumers how many different lender options they were offered by their mortgage broker. The results show that 25% of borrowers believe they were only provided a single option to consider.

In the Broker Pulse survey we asked brokers how many options they provide their prospective borrowers and the results indicate that 93% of brokers provide their clients with three or more options. While only 4% provide a single option.

This mismatch between borrower perceptions and broker processes indicate that there may be potential issues with how brokers are providing these options to their prospective borrowers which may be limiting the consumer's understanding of what options are available to them.

However, it appears this has been improving as for the consumers who took out a loan outside the last 12 months, they had an average of 2.60 lenders offered while those inside the last 12 months had an average 2.81 lenders.

This pattern was also identified when we asked consumers whether their broker explained the process of how they chose the lenders. Overall, close to 4 out of 5 (79%) borrowers were explained the process, however 1 in 5 answered either "no" (18%) or unsure (3%).

Comparing these segments we see that for those who look out their loan within the last 12 months - 82% said yes compared to 74% who took out their loans outside the last 12 months.

Figure 11: How many different lenders did your mortgage broker provide to you as options to consider for your most recent mortgage?

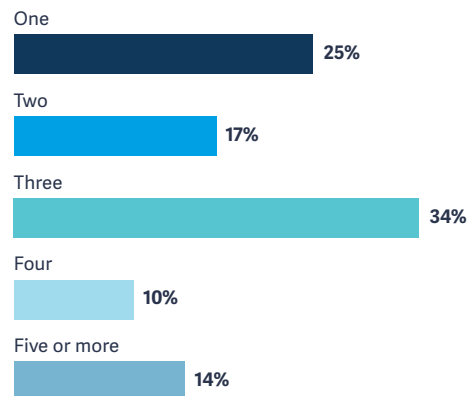
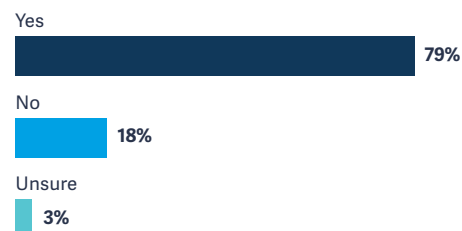


Figure 12: Did your broker explain the process of how they chose these lenders for you to consider?



Approval speed

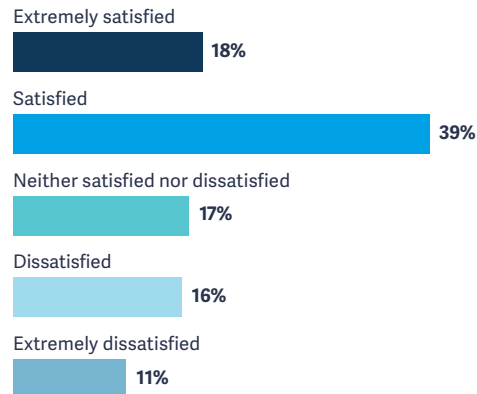
Turnaround times are one of the most important factors to consider when placing a loan with a lender due to the timely nature of settlements.

A timely approval will not only reduce anxiety and stress for the prospective borrower but it will mean the experience is positive and increases the likelihood of repeat business. Therefore, it is critically important that not only the lender selection is optimal (see variances between lenders Source: Broker Pulse) but that the client's expectations are managed effectively.

This year's survey results have uncovered that only 57% of borrowers were satisfied with the speed of their loan approval. Those borrowers who took out their loan through the proprietary channel indicated that they were slightly more satisfied with their speed of approval (61%) compared to those via the broker channel (53%).

These differences may potentially indicate variances in processing times between the proprietary and broker channels that have been reported.

Figure 13: How satisfied were you with the speed of approval



61%

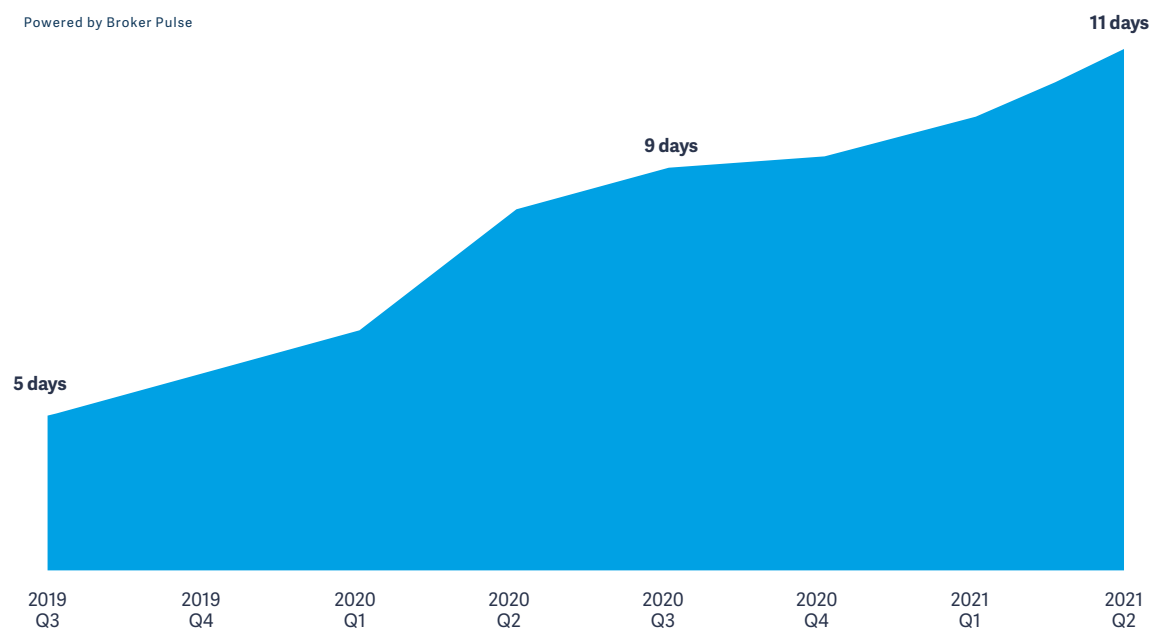
of proprietary
channel customers
were satisfied with
speed of approval

53%

of mortgage broker
customers were
satisfied with speed
of approval

Figure 14: Reported average turnaround times of residential mortgages Sep-19 to Apr-21

Powered by Broker Pulse



Cashback offers

Cashback offers are a popular way for lenders to incentivise consumers to choose their product over their competitors' and throughout 2020 and 2021 we have seen a number of lenders deploy cashback offers to attract customers.

We found this increased popularity evident in this year's survey where we compared the incidence of cashback offers among borrowers who had taken out a loan within or outside of the last 12 months.

Close to 1 in 5 borrowers who took out their most recent mortgage in the last 12 months had a cashback offer attached to their loan compared to 1 in 16 for those who had taken out a loan outside of the last 12 months.

Perhaps unsurprisingly, refinances were the most common loan type to be attached to a cashback offer followed by investment loans, first-home buyers and owner-occupied loans.

From the outside, cashback offers may often be perceived as a great way to access free cash flows at a time when they may need additional funds to furnish their new house or cover other purchase-related costs.

However, this year's survey results found that the large majority of borrowers surveyed used the funds from their cashback offer to pay down the mortgage, grow their savings or to pay down other existing debts. While less than 10% of consumers used the cashback funds they received for other purposes.

Figure 15: Did this mortgage/refinance have a cashback offer attached to it? (last 12 months)

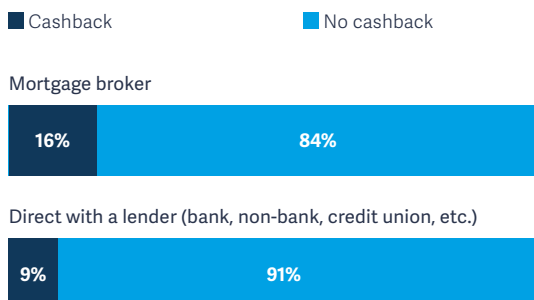


Figure 16: What did you use your cashback funds for?

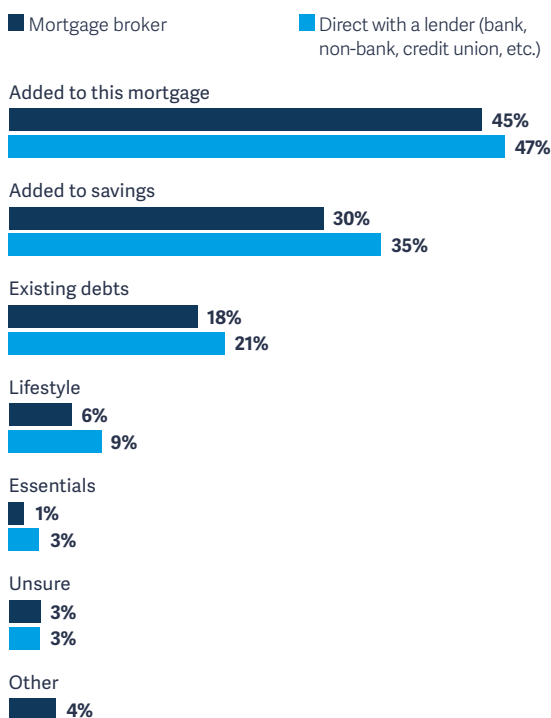
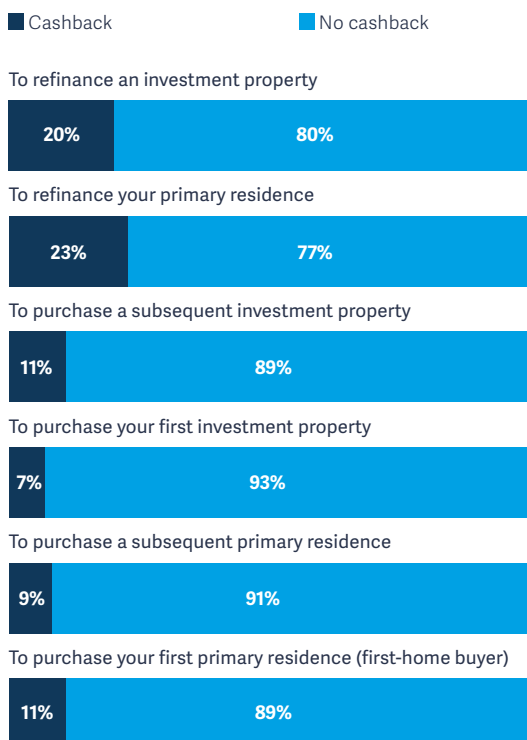


Figure 17: Incidence of cashback offers by loan types



Brokers on cashbacks

In the Broker Pulse survey we asked brokers the following question about cashbacks: “Are your clients more likely to choose a cashback offer or a cheaper interest rate?”

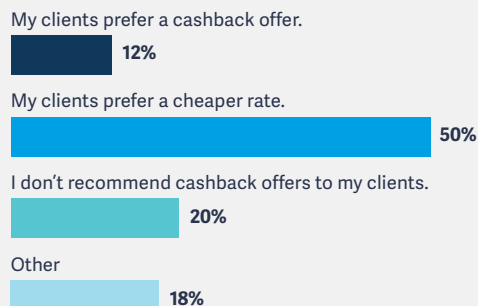
The results indicate that the majority of broker customers would generally prefer a cheaper rate (50%) rather than a cashback offer (12%). Meanwhile, a proportion of brokers indicated that they generally do not recommend cashback offers to their clients.

The remaining portion of brokers selected “other” and provided additional reasoning to their answers which can be generally summarised into one of three sentiments:

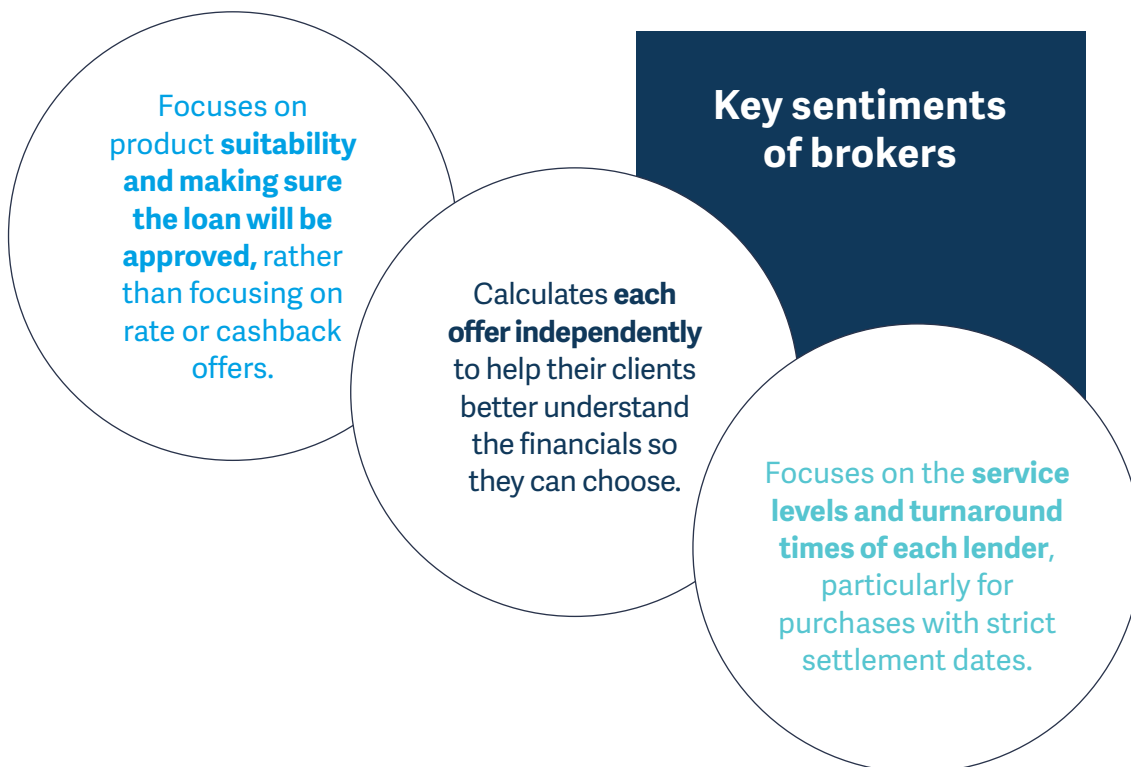
Nevertheless, it appears that the cashback offer for consumers is generally a “nice to have” rather than a necessity as many of these consumers are likely to apply these funds directly to their mortgage, savings or other debts after receiving them.

For brokers, the driving factors continue to be product policy/suitability, lender turnaround times (for purchases) and then a consideration of pricing based on a trade-off between cashbacks and lower interest rates.

Figure 18: Broker Pulse brokers were asked: Are your clients more likely to choose a cashback offer or a cheaper rate?



Powered by Broker Pulse



Brokerage awareness

In this year’s Consumer Access to Mortgages Report, we uncover the brokerages that are most well-known among consumers and their perceptions towards using a mortgage brokerage that is not widely known or has no national footprint.

The survey results indicate that there are three brands that are widely recognised among consumers, including Aussie (92%), Mortgage Choice (91%) and RAMS mortgages (89%). These three brokerages have a significant difference between the remainder listed with the next closest being Loan Market with 26% of consumers recognising the brand.

In this survey we found that consumers do place value in the recognition of these brands with 21% of consumers indicating that they would not use a mortgage broker that is not widely known. This is significantly higher for existing proprietary channel customers (32%) and significantly lower for existing broker channel customers (11%).

Figure 19: Top five most recognised brokerages

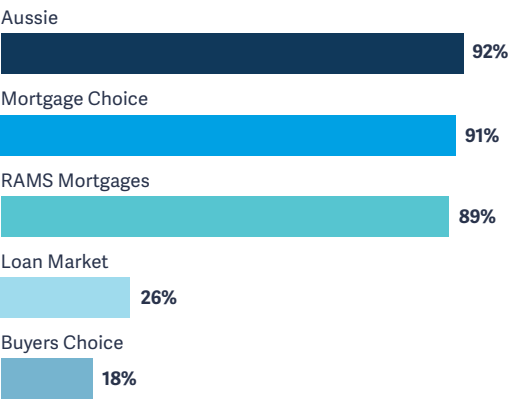


Figure 20: Would you consider using a mortgage broker that is not widely known or has no national footprint?

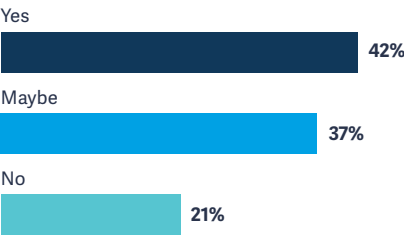
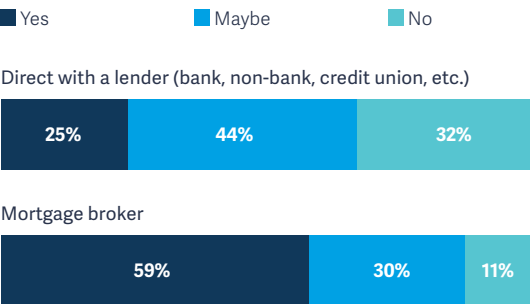


Figure 21: Would you consider using a mortgage broker that is not widely known or has no national footprint?



Open Banking and CDR

Open Banking is slated to have a major impact on the ability of customers to take control of their financial data and to more easily compare and contrast banking products they choose to purchase, including mortgages.

In the future, mortgage brokers may be able to access this data to reduce friction points in the application process, improve validation of income and expenses and make their customer experience smoother through the use of technology.

In this year's survey, we found that close to 1 in 3 (31%) consumers had heard of Open Banking or the Consumer Data Right (CDR).

At a point in time consumers will need to make decisions about who they are willing to share this personal, banking and mortgage data with. In this year's survey we measured the willingness of consumers to share this data with three types of organisations; accountants, lenders and mortgage brokers.

The survey results indicate that consumers are most willing to share this data with their accountant (72%) followed by lenders (67%) and mortgage brokers (56%).

72%

are willing to share
their data with an
accountant

67%

are willing to share
their data with a
lender

56%

are willing to share
their data with a
mortgage broker

Figure 22: Have you heard of open banking and/or the consumer data right (CDR)?

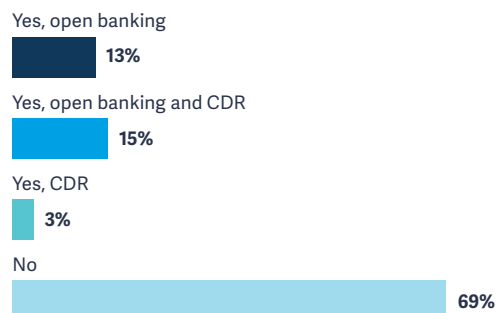
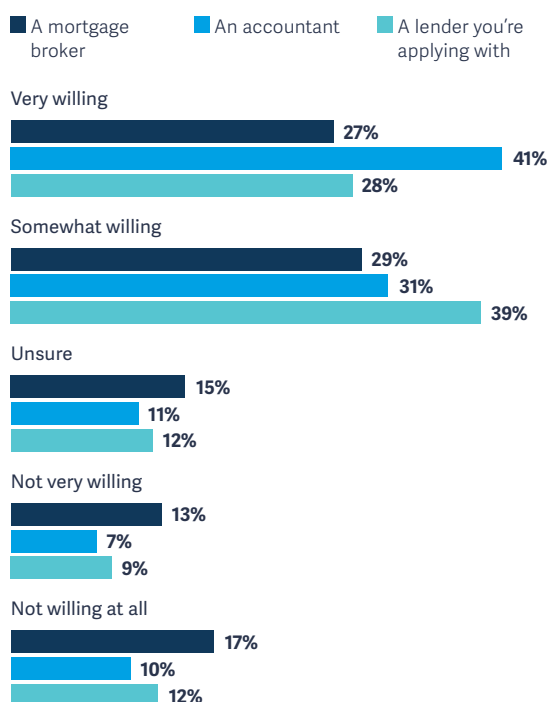


Figure 23: How willing would you be to provide direct access to your personal, banking and mortgage data to the following professionals?





About Momentum Intelligence

Momentum Intelligence emerged from Momentum Media, Australia's leading business media and events company. We conduct market research to help business leaders roadmap their strategic goals.

Having access to Momentum Media Group's highly engaged audiences, we are able to provide research on the perceptions, preferences and priorities of a range of professionals, including mortgage brokers, real estate agents, accountants, lawyers, financial advisers, small-business owners and the defence industry.



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