



Customer Experiences of Using Mortgage Brokers

Market Research Report
prepared for the Mortgage &
Finance Association of Australia

October 2016



Contents

Executive Summary	4
Survey approach	6
Decision making	8
During the process	12
Post settlement	18
Reliances and limitations	25



Executive Summary

This is a study commissioned by the Mortgage and Finance Association of Australia ('MFAA') to survey the experience of customers that originated a home loan via either a mortgage broker or direct to a lender. In undertaking our analysis, we surveyed over 1,000 customers who had taken out a home loan in the two years up to September 2016.

We also held three consumer focus groups with customers to hear their experience of the process they had been through.

The key findings from our analysis are:

Broker customers tend to be more satisfied with their experience than direct to lender customers

While satisfaction levels are high for both channels, with over 90% of customers satisfied with the service provided through either brokers or direct to lender, broker customers were most satisfied. Some 32% of broker customers rated their experience of using a broker a 9 or 10 out of 10 (with 10 being 'exceeding expectations'), compared to only 20% of direct to lender customers giving such a ranking.

Different customers choose different channels

For those using the broker channel the decision was driven by personal relationships. An existing relationship with a broker was the most popular reason (34%) and the second most popular response was the recommendation of family/friends (32%). For direct to lender customers, the primary reason (58%) was driven by the existing banking relationship the customer had with the lender.

Customers using brokers value support, not just price

The next most important reason customers chose to go via a broker was for support through the mortgage process (19%), compared to only 7% for direct to lender customers. However, direct to lender customers ranked best price (29%) as the second most important reason behind existing relationship, compared to broker customers (18%). Through our qualitative focus groups, broker customers valued the 'navigator' role brokers played while direct to lender customers said they had performed their research and were largely focussed on best price by the time they went to the lender.

Brokers are rated as more likely to be acting 'in the best interest' of customers

While overall 82% of broker customers and 73% of direct to lender customers agreed that the broker or lender generally acted in their (ie the customer's) best interest, the degree of confidence in this was higher for broker customers. Some 40% of broker customers felt the broker acted in their best interests at all times, compared to only 22% for direct to lender customers. Focus group feedback indicated direct to lender customers felt they may have been placed in products that were more complex and had more extras than in hindsight they needed.

Customers have high loyalty to their channel of choice

Consistent with the high satisfaction through each channel, customers expressed loyalty to remaining with their channel of choice. 73% of broker customers would use the same broker again for another mortgage and 65% of direct to lender customers would go direct to the same lender again. However, some 20% of direct to lender customers said they would go direct to a different lender next time, while only 12% of broker customers would use a different broker.

Online 'end to end' a future consideration, but most customers still value 'face to face'

When asked if they would consider doing the entire loan application process online in the future, some 30% said they would consider it. However, when asked if they would use the same channel again, some 95% said they would use either a broker or go direct to the lender with less than 5% saying they would instead do it directly online. This highlights the gap between customers saying they may 'consider' online compared to less than 5% saying they actually would use it. The focus groups reflected this, with both broker and direct to lender customers less positive about using online only for the home loan process and instead saying they valued the ability to have a personal relationship and contact with the broker or lender representative.

Paying for the service

While the majority (70%) of customers using the broker channel had it explained to them by the broker how they were remunerated, some 30% were unclear on how the broker was paid. When asked if they would pay for the service provided by the broker 63% would be willing to pay a dollar amount with 22% willing to pay up to \$500, 18% willing to pay between \$500-\$1,000 and 23% willing to pay more than \$1,000. However, 37% of broker customers would either not use a broker or not want to pay anything, and would instead go direct to the lender if asked to pay. In the focus groups, customers strongly agreed that the broker should be remunerated for the value they are providing and were comfortable with the current method whereby the lender remunerates the broker by commission.

Survey approach

An outline of the scope and approach taken for this project.

There were two key elements to the scope of work completed. Our quantitative research findings were based on an online survey of over 1,000 borrowers who had taken out a residential mortgage in the two years to September 2016. We also facilitated three customer research focus groups, with between 7 and 11 participants in each, to explore the experiences of borrowers in more detail.

The breakdown of survey respondents across channel and borrower type is shown in the tables below:

Country	Number of responses	% of responses
Via broker	474	47%
Direct to lender	543	53%
Owner occupier - first time buyer	359	35%
Owner occupier - subsequent purchase	259	26%
Owner occupier - refinancing	158	16%
Investor- first time buyer	105	10%
Investor - subsequent purchase	115	11%
Investor- refinancing	21	2%
Total	1017	100%

Type of lender	Number of responses
Via broker	47%
Tier 1	38%
Tier 2 (regional)	9%
Credit union	5%
Non-bank lender	1%

Geography	Number of responses
NSW/ACT	34%
VIC/TAS	28%
QLD	19%
WA	8%
SA/NT	11%

Employment status	Number of responses
Student	1%
Employed - full time	68%
Employed - part time	15%
Self employed	6%
Retired	2%
Other	8%

Marital status	Number of responses
Single - no children	18%
Single - children	5%
Couple - no children	26%
Couple - children	51%
Other	<1%

Age of respondent	Number of responses
18 to 30 years	22%
31 to 40 years	34%
41 to 50 years	24%
51 to 60 years	20%

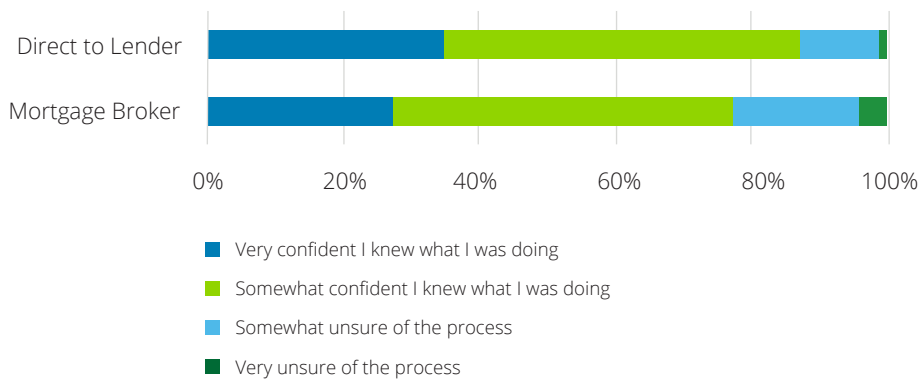
Gross annual income	Number of responses
\$37,001 to \$80,000	30%
\$80,001 to \$180,000	57%
Over \$180,001	13%

Decision making

In this section we asked customers why they decided to either go to a broker or direct to a lender to assist them in their home loan process.

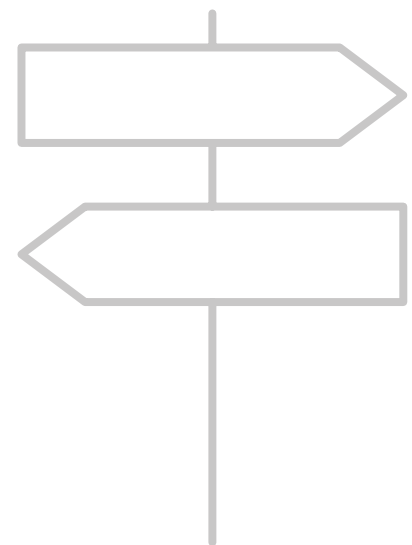
Q1: How confident did you feel prior to starting the application process?

Confidence levels were high across both groups with direct to lender customers being some 87% 'very' or 'somewhat' confident and 77% of broker customers having the same level of confidence. However, broker customers were more unsure of the process.



Insights from the qualitative research showed:

- Confidence for both groups was often determined by how much knowledge borrowers had about the mortgage process through research or whether they had been through the process before. Confidence was often enhanced when seeking advice from family, friends and trusted advisers
- Those using brokers generally had limited experience and knowledge and looked to the mortgage broker as a trusted adviser who helped them feel confident in getting the most suitable product and rate. Perception was that a brokers job is to have the most relevant and up to date knowledge of the market which is used to provide the customer with the best deal.

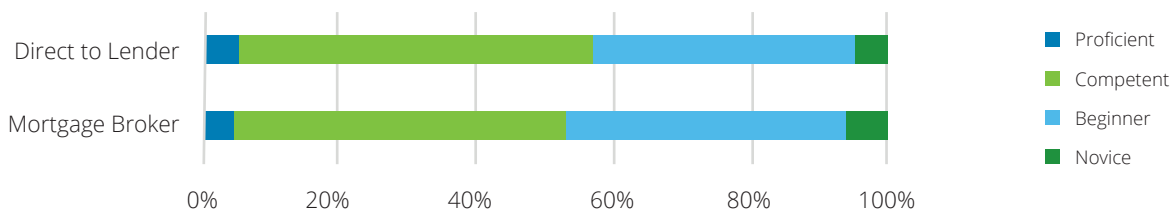


Q2: How do you regard yourself when it comes to money and finances?

Participants using both channels had a similar view of their level of financial competency, with around 45% considering themselves as beginners or novices. Very few classified themselves as either a complete novice or proficient.

Insights from the qualitative research showed:

- Financial competence covers a wide range of products and transactions, many of which occur on a far more regular basis than securing a mortgage
- Many participants who considered themselves financially competent still sought advice and support from a broker throughout the loan application process.

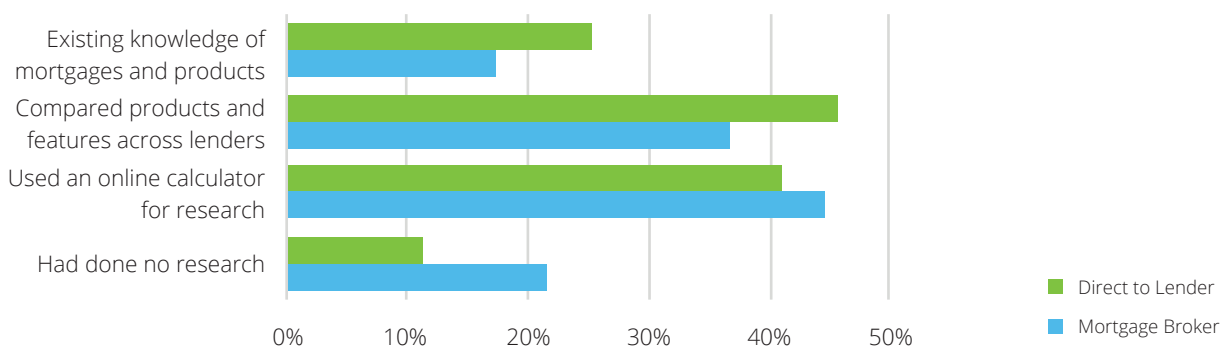


Q3: What if any research did you do prior to approaching your broker or lender?

(Participants could select 1 or 2 responses)

Most customers had done some research prior to seeing either a broker or going direct to the lender. However, some 22% of broker customers had done no research compared to only around 12% for direct to lender customers.

Also, noticeably more direct to lender customers had existing knowledge of the mortgage process (25%) compared to broker customers (17%).



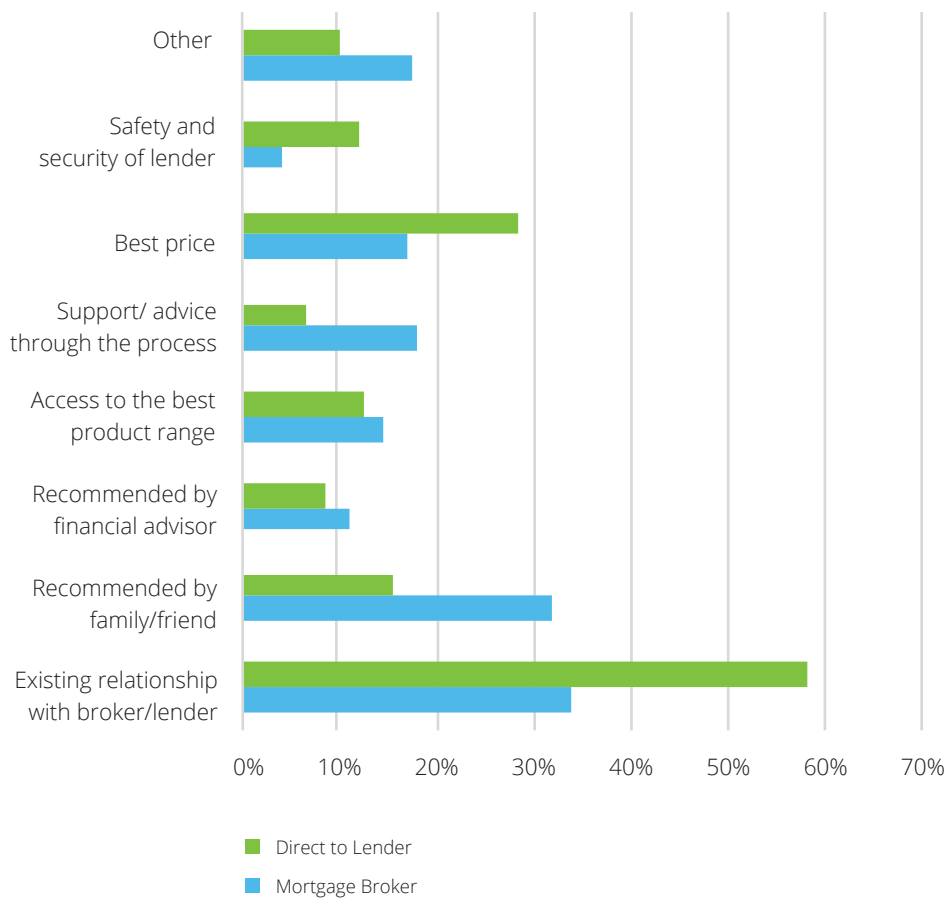
Q4: Why did you decide to use your broker or lender?

(Participants could select 1 or 2 responses)

Customers choosing a broker did so for personal relationship reasons with 34% having an existing relationship with a broker and 32% being recommended the broker by family or friends. Those going to a lender either had an existing banking relationship with the lender (58%) and/or sought the best price (28%).

Insights from the focus groups validated these findings:

- 'Word of mouth' is a powerful education and awareness channel for brokers
- For customers who went directly to a lender, the perception of brand was important as was whether the customer has a personal banker
- Direct to lender customers placed higher value on getting the best price. Broker customers perceived value beyond simply getting the best price on their loan
- A number of participants expressed the view that it was simpler and easier to go through a broker as they perceived that brokers received special treatment from financial institutions and could get things done faster than a banker in a branch
- Many also felt it was more efficient through a broker as they felt that a broker will know which banks are likely to approve their specific loan application circumstances.



During the process

In this section we asked about the customer experience during the home loan process, considering factors such as satisfaction, transparency and suitability of the mortgage offered.

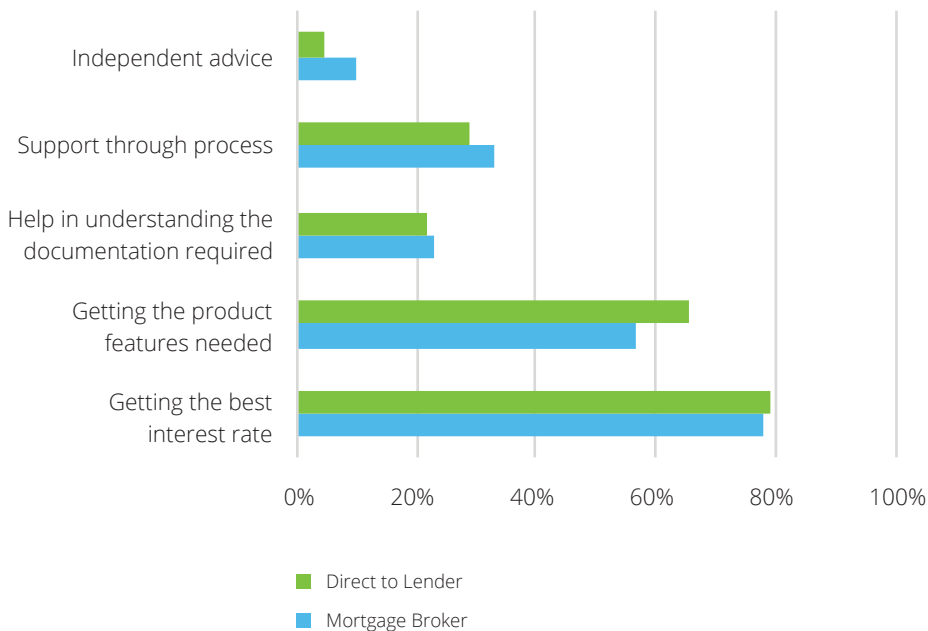
Q5: What did you value most when selecting your mortgage?

(Participants could select 1 or 2 responses)

When selecting the two outcomes of the process that customers valued most highly, the results were similar for both broker and direct to lender customers. The most popular responses were 'Getting the best interest rate' and 'Getting the product features I needed'.

Insights from the focus groups included:

- Getting the best interest rate was a factor for both groups but broker customers generally rated this of lower importance, because they felt that they were getting other value from going to a broker
- Direct to lender customers placed higher value on having the product features that they needed. However, there was a perception by direct to lender customers that they were pushed more complex products than needed and that they then had to pay more for these
- Independent advice was the least selected response in the survey, though it was more popular with broker customers. However, broker clients in the focus groups felt that independent advice added to the broker customer value proposition.

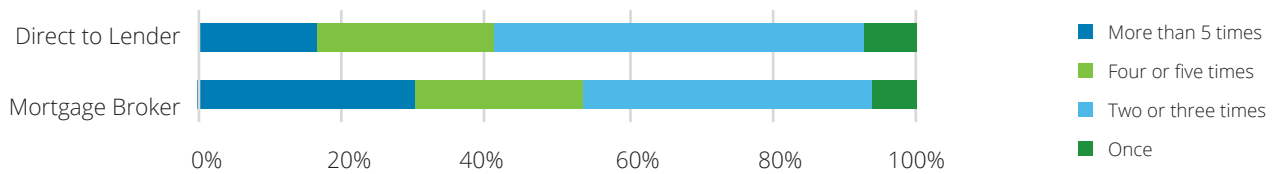


Q6: How many interactions did you have prior to settlement?

There were higher numbers of interactions for broker customers with 30% having five or more interactions (compared with direct to lender customers of only 18%).

The qualitative research told us:

- Greater interaction can either be the result of a proactive broker or initiated by a client asking for more information
- Direct to lender customers indicated that they were fine with this amount of interaction given their generally higher level of research performed and pre-existing knowledge of the process.

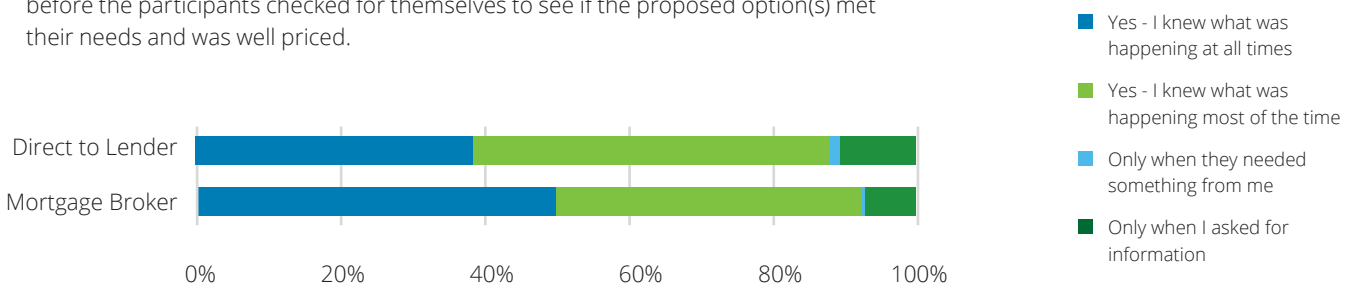


Q7: Did your broker or lender keep you up to date with progress?

More than 90% of customers through either channel felt they were kept informed during the process. However broker customers had a higher rate of being informed at all times (50%) compared to direct to lender customers (39%).

This was supported by the findings of the qualitative research:

- Broker participants cited multiple appointments with brokers investing significant time in understanding their needs and supporting them to make the right decision. This was perceived as being of great value to the customer
- Participants indicated that they valued the personal relationships they had with both brokers and lenders who took them through the mortgage application process
- Both customer types indicated that they would still undertake their own searches to make sure they were getting a good deal after receiving advice. For customers using the broker channel their broker became a researcher, who narrowed the range of options, before the participants checked for themselves to see if the proposed option(s) met their needs and was well priced.



Q8: Do you think you got the best mortgage to meet your needs?

Customers using both channels strongly felt that they got the best mortgage to meet their needs with around 90% being satisfied with the mortgage provided.

However, satisfaction varied depending on the ultimate lender who issued the mortgage. In particular, non-bank lenders, while still performing well, had the lowest positive rating at 74%.

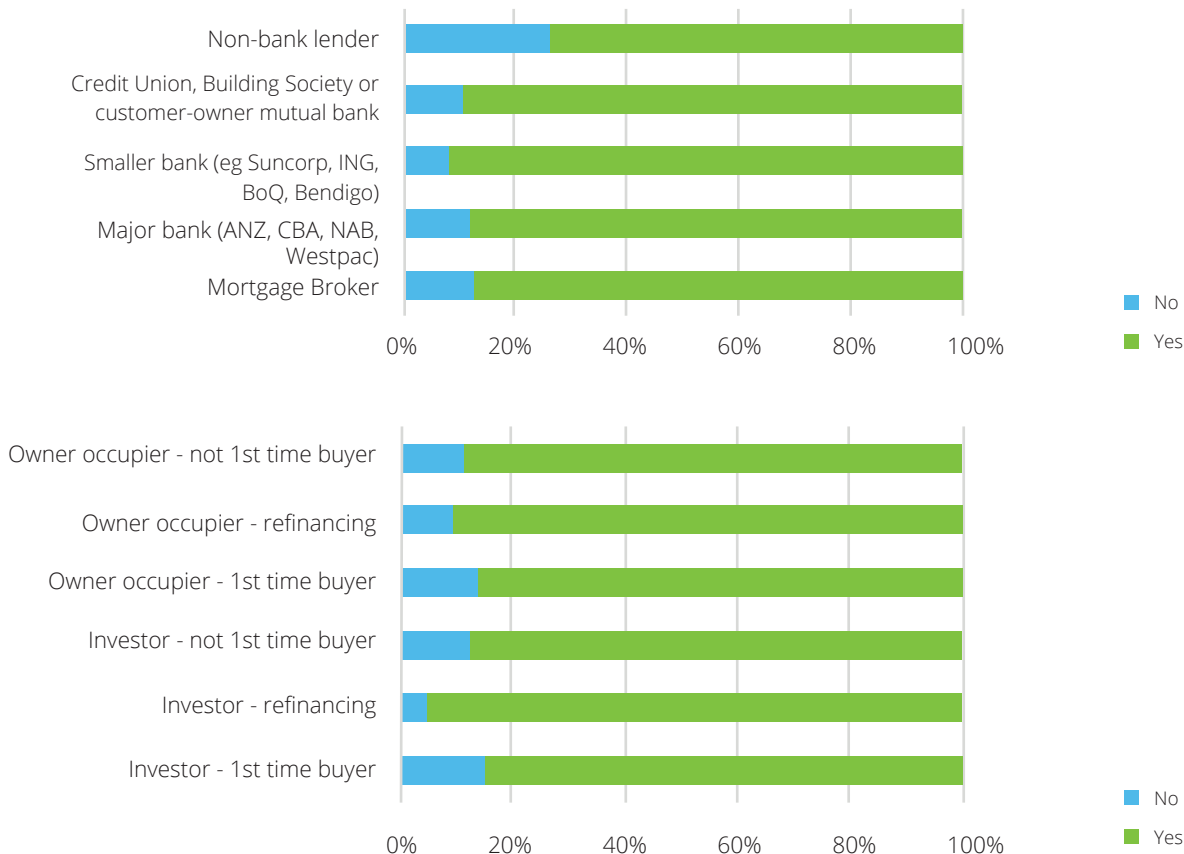
Satisfaction levels were also analysed by purpose of the mortgage:

- Refinancers tended to believe their mortgage was best matched to their needs (95% investor refinancers and 91% owner occupier refinancers)
- First time buyers were the least satisfied with 15% of first time buyer investors and 13% of first time owner occupiers believing they were not matched to the best mortgage for their needs.

Further insights from the qualitative research suggested:

- The lower rating achieved by non-bank lenders may be due to lack of options as customers of non-bank lenders were often those who found it difficult to obtain loans via other lenders
- Customers who went direct to lender presented more rigid ideas about their expectation. They were more likely to know what they were looking for in a mortgage and generally went into the process with more knowledge and this led to them being satisfied with the mortgage offered.

Best Mortgage Matched to Needs



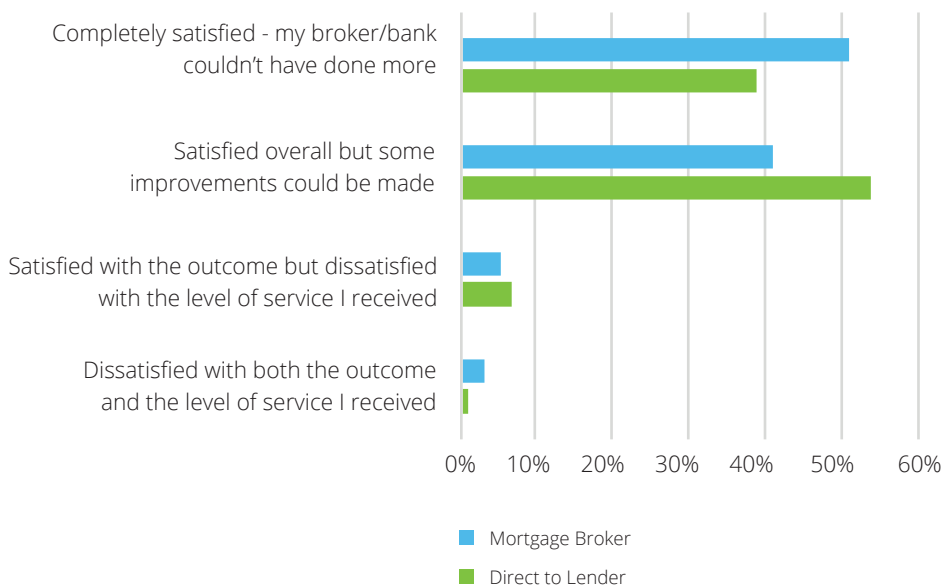
Q9: How satisfied were you with the service you received?

There was a high level of satisfaction across both groups with over 90% of participants saying their were satisfied with the service provided. However, the level of being completely satisfied did vary by channel:

- Via broker 51% of customers were completely satisfied
- Direct to lender 38% of customers were completely satisfied.

Insights from the qualitative research:

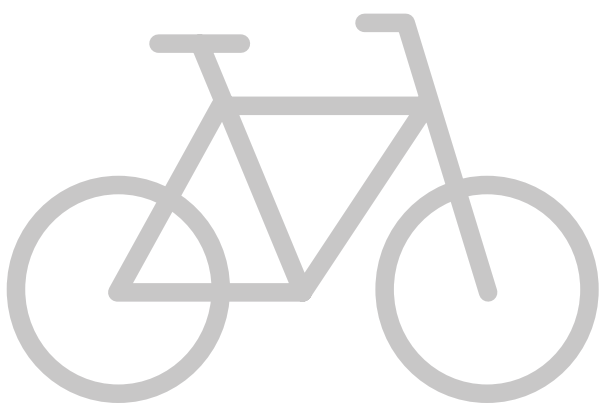
- Brokers were valued for the perceived 'value-added' services of being a 'go-to' for advice during and after the proces. Additionally they were valued for their perceived independence from the banks, for their ability to shop around a variety of lenders, and the value of their up-to-date knowledge of the markets and product options
- Participants who went direct to lender valued getting the type of mortgage they had researched going into the process, or valued the reputation of the bank. Some participants indicated that they did not expect additional service from lenders above and beyond the transaction of the mortgage.



Q10: How would you rate the effort from your broker/lender on a scale of 0 to 10 (with 0 being poor, 5 average and 10 exceeded expectations) ?

32% of broker customers ranked their broker 9 or 10 out of 10 compared to 20% for customers who went direct to lender.

From the focus groups, it was apparent that the expectation going into the process had an impact on the satisfaction outcomes. As broker customers were largely after a relationship and support, this often exceeded expectations. As direct to lender customers were more transactional and seeking product and price features, it was harder to overly exceed expectations.



Post settlement

In this section we asked about the customer experience after the home loan process, including whether customers would use the same channel in future.

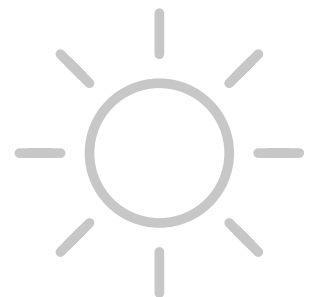
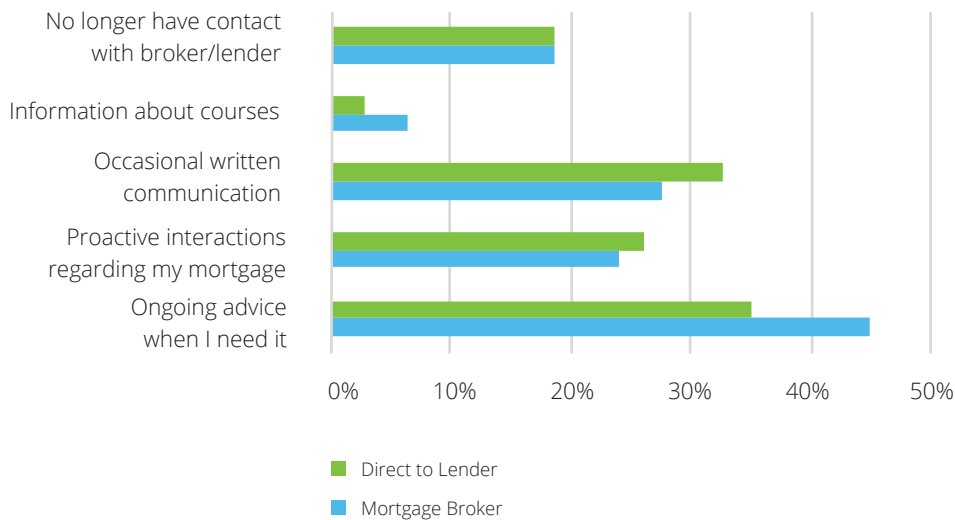
Q11: Did your broker/lender provide additional services after settlement (list all that were relevant) ?

Only 18% of customers across both channels had no ongoing contact with their broker or lender representative post settlement.

Of the ongoing interaction, mortgage broker customers tended to receive more personal interaction while direct to lender customers had more written communications.

Additional insights from the qualitative research included:

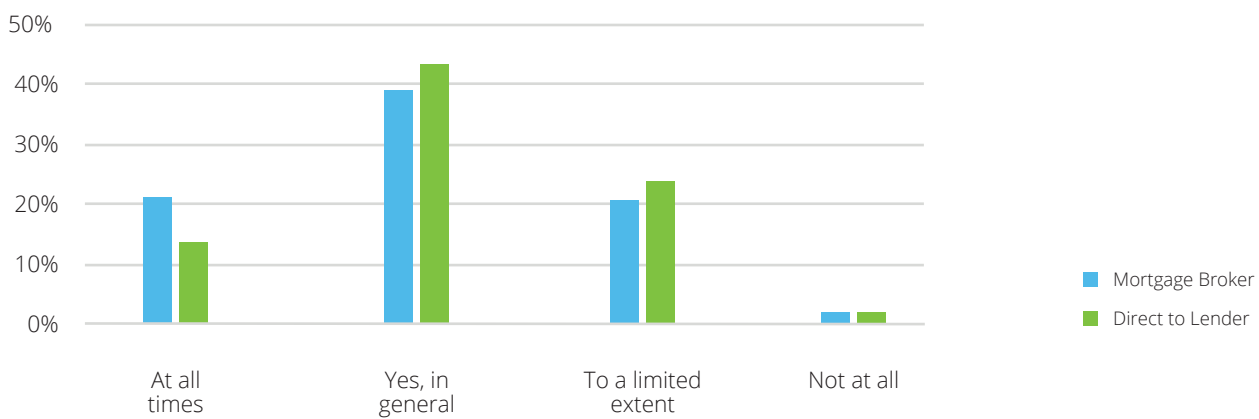
- Frequency and style of ongoing communication reflects the type of relationship lenders and brokers have with their clients. Broker relationships continued as face to face (even home or work visits) or via phone, while direct to lender relationships were more transactional and included more emailing and use of digital channels.



Q12: Did you value these ongoing interactions?

60% of broker customers and 55% of direct to lender customers valued the ongoing interactions or advice from their broker or lender after settlement. 20% of broker customers valued the ongoing interaction at all times, compared to only 12% of direct to lender customers.

This was reflected in the focus groups where broker clients value ongoing communications and largely expect it. Direct to lender customers who went to their main bank for their loan reported ongoing communication that wasn't related directly to their loan and was perceived by some customers as more product pushing and less valued communication.

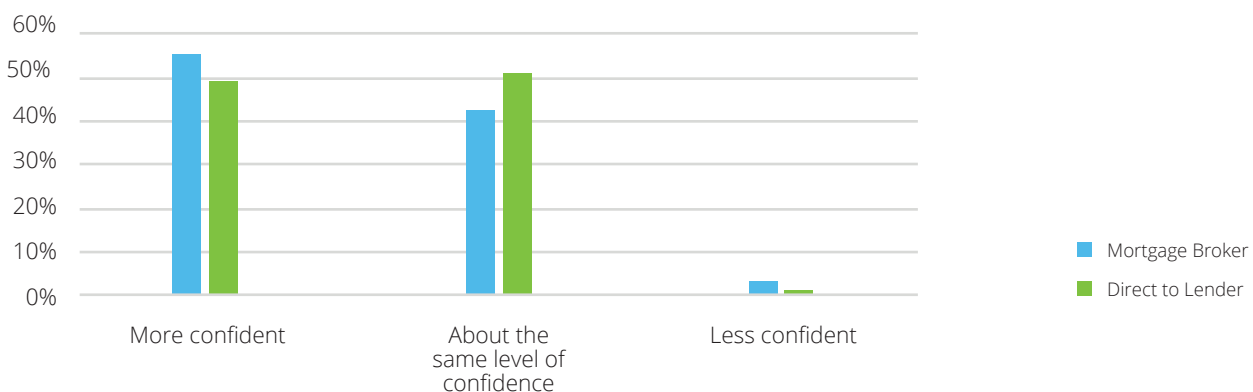


Q13: How confident would you feel going through the process next time?

Around 50% of customers have grown in confidence after being through the process, regardless of channel.

Qualitative insights include:

- Many participants who used a broker expressed the value they placed on the broker educating them about mortgage options, considerations and the potential implications of their mortgage configuration on their financial position. It was viewed that the broker plays a navigator role in helping them through the process and leading them to a mortgage option that will be suitable for their immediate and long term needs
- Participants who went direct to lender more often than not already had knowledge, so additional confidence gained wasn't as valued.

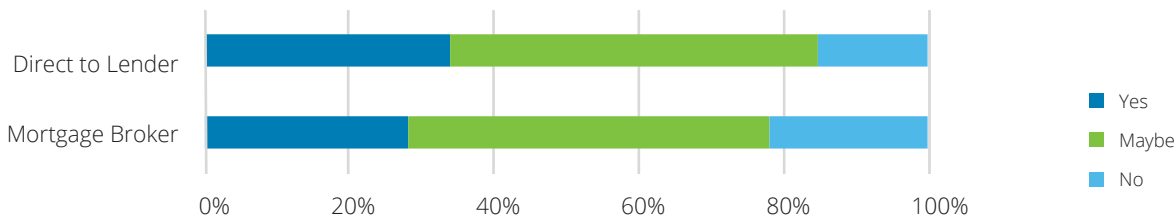


Q14: Would you consider doing the entire loan application online yourself in the future?

Around 30% of customers said they would consider doing the entire application process online in future. This was slightly higher for direct to lender customers at 34% compared to broker customers at 27%.

The qualitative research indicated less positive feeling for online applications:

- Participants were less inclined or interested to originate a home loan through online channels only. A key driver discussed was that participants valued the ability to have a personal relationship and contact with the broker or lender representative and they valued the advice and ease that comes with interactions through both channels.

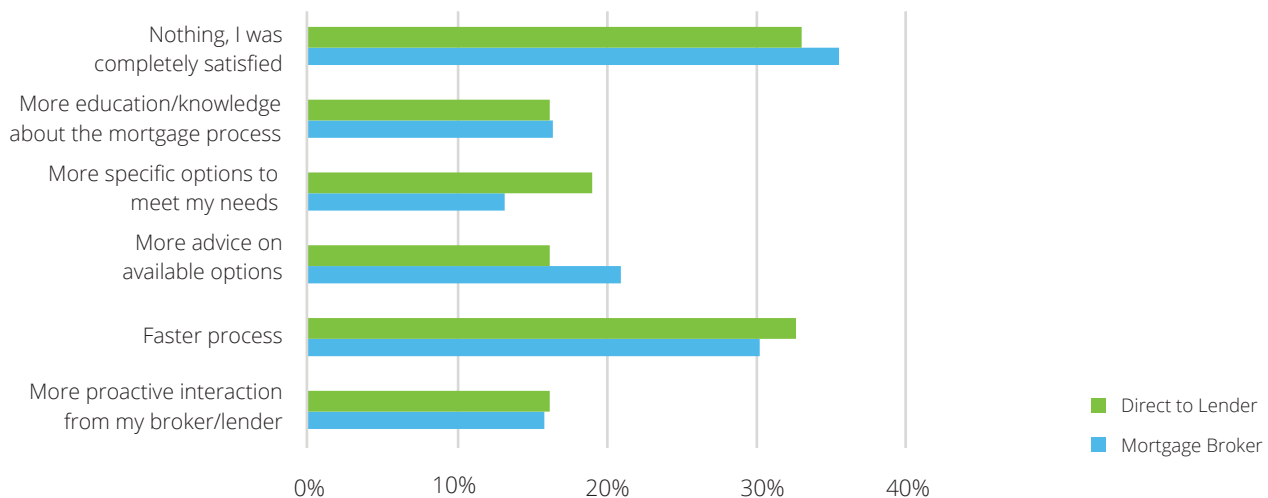


Q15: If anything, what would you like to have been different about your experience of seeking a mortgage?

(Participants could select 1 or 2 responses)

Over 30% of participants were completely satisfied and didn't think their broker or lender could do any more for them in the future.

Both groups would like the process to be completed more quickly as a key improvement if there was one.

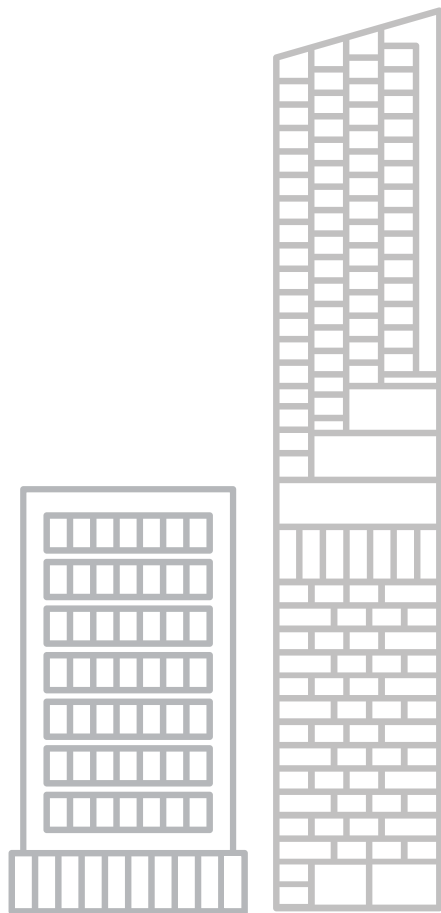
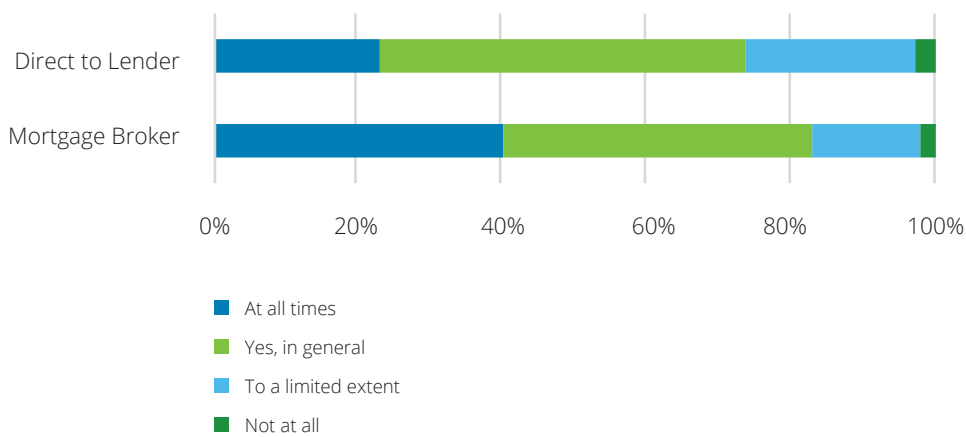


Q16: To what extent did you feel your broker/lender acted in your best interests?

A significant difference emerged in response to this question. While overall both groups had around 80% of customers saying their broker or lender had acted broadly in their best interest, 40% of broker customers said they felt this at all times compared to only 22% of direct to lender customers.

Key insights from the qualitative research:

- Most participants using the broker channel had high levels of trust in the broker delivering the deal that was right for them. Broker customers did not trust that going direct to a lender would deliver them options that were in their best interest
- Participants who went direct to lender while not as certain about their lender having their best interest at heart, did not express this view as strongly as felt by broker customers.



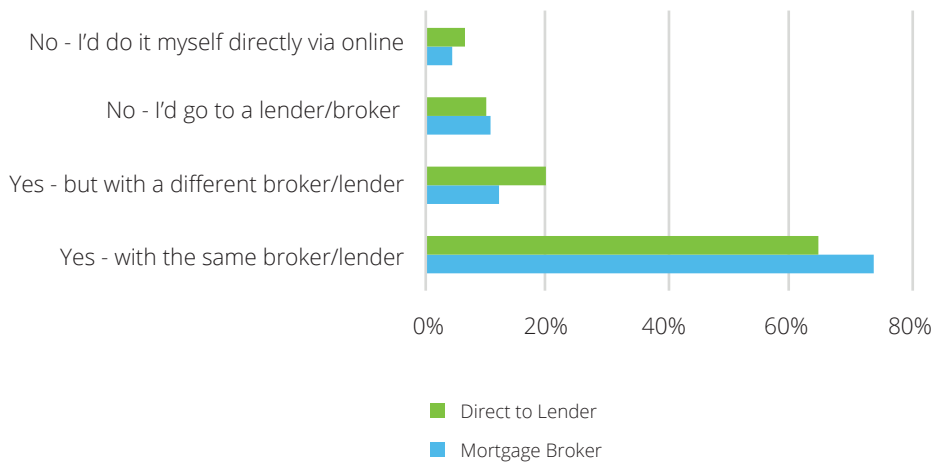
Q17: Would you use the same broker or direct to lender channel next time?

A high percentage of participants would use the same channel again. Overall, 85% of respondents would use the same channel (i.e. mortgage broker or direct to a lender), however within this some 20% of direct to lender customers would change lender compared to only 12% of broker customers choosing to change broker.

Of the 15% of respondents who would change channel, only 5% said they would in future use neither a broker or direct to lender channel but instead do it themselves directly via online.

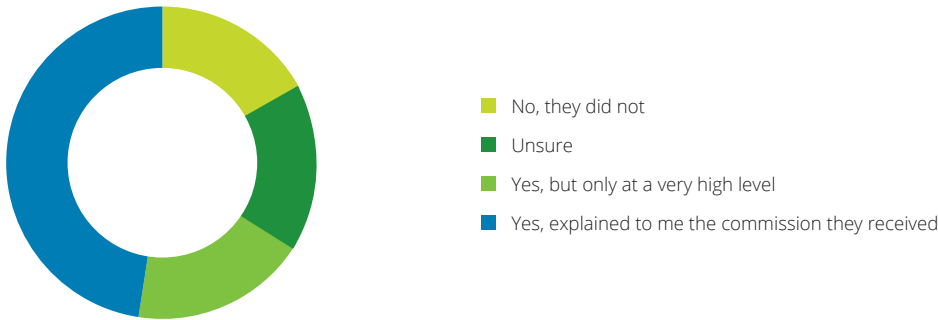
Insights from the qualitative research were:

- Customers were strongly supportive of the merit and benefits of the channel they chose and would not consider changing
- Even if participants had bad experiences with their broker/lender, they were still happy to stay with the same channel, but might consider changing their broker or lender
- Reasons cited for changing broker were: Feeling the broker did not have the most up to date knowledge, feeling the broker was not willing to explore more unique/innovative solutions and; dissatisfaction with the level of service and accessibility.



Q18: Did you broker explain how they were paid for their services?

During the application process 70% of brokers provided some level of explanation regarding how they were paid, but approximately 30% were unclear about how a broker was paid for providing their service to borrowers.



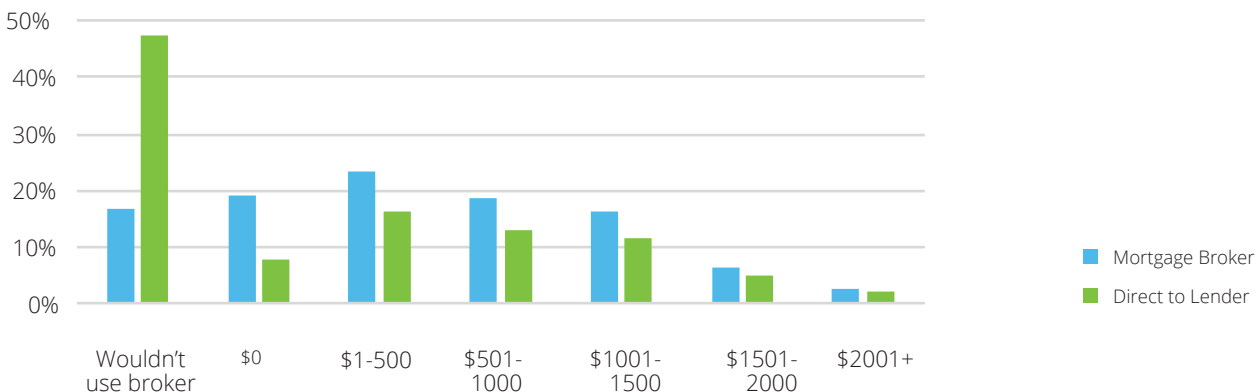
Q19: If you used a broker and they were not paid commission, would you be prepared to pay a fee for their services ?

Around 63% of customers who used a broker would be prepared to pay a fee for their services. However, some 37% would either not use a broker if asked to pay a fee or expect to continue to pay nothing for the service of a broker.

Of the 63% of broker customers who said they would be prepared to pay a fee 22% indicated they willing to pay up to \$500 with a further 18% indicating they would be willing to pay between \$500 - \$1,000 and some 23% saying they would pay a fee between \$1,000 - \$2,000.

The qualitative focus groups however were more definitive:

- In most cases participants indicated they were not prepared to pay brokers a fee directly. In this instance participants stated that they would prefer to go direct to the lender if that situation arose. For those that indicated they would be prepared to pay an amount up to \$1000 was the limit. However, in the case they had to pay they would expect added services for this fee.
- Most agreed that the current method of lenders paying brokers via commissions was suitable and meant they could afford to access the services of a broker.



Reliances and limitations

This section includes important information outlining the reliances and limitations of this research.

This document is prepared solely for the internal use of the Mortgage & Finance Association of Australia. This document is not intended to and should not be used or relied upon by anyone else and we accept no duty of care to any other person or entity.

This presentation contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively the 'Deloitte Network') is, by means of this presentation, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this presentation.







This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively the 'Deloitte Network') is, by means of this publication, rendering professional advice or services.

Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

About Deloitte Australia

In Australia, the member firm is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia's leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 6,000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit Deloitte's website at www.deloitte.com.au.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

© 2016 Deloitte Touche Tohmatsu.

MCBD_HYD_10/16_53647