ADVERTISING FEATURE

The future of mortgage broking

Helping borrowers find the right deal

Connective supports more than 3600 broker members across the country who identify the best mortgage for residential borrowers.

Anyone planning to apply for a home loan should think twice before getting cash out at the supermarket, shut down any accounts with buy now, pay later credit providers and, of course, beware of using a credit card to fund gambling.

All such habits lose marks with mortgage lenders, who need to be sure an applicant is a good credit risk and can service a loan.

Mortgage brokers can help navigate this minefield as well as help lower the cost of a mortgage by giving applicants advice about how to make themselves more attractive to a bank, according to Mark Haron, executive director of Connective.

Established in 2003, Connective is a leading mortgage, asset finance and wholesale loan aggregator with more than 3600 broker members across the country. The firm supports brokers to identify the right mortgage for residential borrowers.

"Lenders are now using software that automatically categorises and analyses your spending, and cash-out at the register will be counted in with your fixed costs, along with your groceries, rather than as discretionary spending," Haron says.

"Buy now, pay later agreements are classified as unused credit facilities, while gambling is a red flag for any credit provider.

"Banks' lending requirements have changed and consumers could get caught out.

"More borrowers are using brokers because of their experience in this sort of detail and their ability to sort through the various lenders."

A statistical analysis by Comparator, a CoreLogic business, for the Mortgage and Finance Association of Australia (MFAA), shows brokers wrote 59.7 per cent of all home loans in the March quarter.

This was 4.4 percentage points up on the same quarter of 2018 and 6.1 percentage points higher than in the same period in 2017.

In 2012, brokers wrote only 44 per cent of residential loans.

The rise in market share comes despite recurrent criticism of the sector.

At present, brokers operate under the National Consumer Credit Protection Act 2009, that requires lenders to check only that a credit contract is "not unsuitable" for the customer and the borrower can repay the loan without "substantial hardship".

But Haron says the Combined Industry Forum (CIF), a consulting body of which he is deputy chairman, is already pushing to establish an industry standard requiring that "the customer's interest must be put first".

The CIF brings together stakeholders including bank and non-bank lenders, aggregators and brokers, and peak bodies such as the MFAA, the Australian Bankers' Association, the Finance Brokers Association of Australia and the Australian Finance Industry Association.

The growth in brokers' market share has come about as a result of changes to lending policy, he says.

ASIC tightened its interpretation of the requirement that lenders make "adequate inquiries" about a borrower's capacity to repay a loan, especially in regard to verification of income and expenses.

The Australian Prudential and Regulatory Authority also reviewed the serviceability assessment rate, confirming that lenders should add a buffer of at least 2.5 percentage points to the stated loan rate when calculating the amount they will lend.

"It became harder for consumers to understand and they started to turn to brokers if they had complex borrowing requirements," Haron says.

The pressure is likely to grow as changes to the Comprehensive Credit Reporting regime come into effect.

Since July 1, banks have been required to share 100 per cent of their customers' credit data with credit bureaus.

> "More borrowers are using brokers because of their experience and their ability to sort through the various lenders."
> Mark Haron, Connective

"Some consumers will win through that process, while others will find it harder and harder to get a loan," says Haron. "This is where mortgage brokers are going to become more and more sought after by borrowers, to help them navigate the complexities."

Mortgage aggregators bring together "panels" of banks and other lenders through which brokers can give their clients access to a selection of loans.

As a wholesale aggregator, Connective works with independent brokers who prefer to operate under their own brands.

Although it is not as well known among consumers nationwide as some of the branded, franchised aggregators, Connective brokers write 22 per cent of all broker-negotiated loans, Haron says.

Under the National Credit Consumer Protection Act, brokers must be licensed to give credit advice.

"We have more than 1400 brokers operating under our licence and the customer knows we are the licensed entity and will ultimately be responsible for the credit advice," Haron says.