



# WHO'D DUNNIT?

## THE MORTGAGE MYSTERY SHOP

When it came time to refinance his own mortgage, *The Adviser's* deputy editor **Adam Zuchetti** decided to compare the service offerings and response times of third-party and other channels.

Here's his account of the process from start to finish from a consumer's point of view, and the verdict on 'whodunnit' when it came to offering the best service proposition

**IN BOTH** of my last two property purchases, I consulted a broker - yet I found that better options were available by going through lenders directly. One of those was in the UK, the other in Sydney in 2009. In my experience, back then at least, channel conflict remained alive and well.

Yet with it coming time to refinance my current home, I found myself in something of a conundrum - working for

the broking industry's leading publication, surely I would have to support the third-party channel? Yet from the experience of my own history, direct lender approaches yielded better outcomes.

What was I to do? Hence the idea of this feature came about - to test out each of the channels available to consumers nowadays for myself and make my findings public.

This is by no means a fully representative survey of the mortgage market, but simply the real-life experience of one consumer navigating what is a diverse and complex lending market. However, by sharing this experience, hopefully both lenders and brokers will be able to learn a thing or two about what consumers really think of their respective service offerings.



●●●  
**THE METHODOLOGY**

**IN PUTTING** together my analysis, I tried to remain as objective as possible. As such, I left the choice of which lenders and brokers to approach to my partner, stipulating only that we needed one of each of the following: a major bank, a non-major lender or non-bank, a loan comparison website, a franchise broker and an independent broker.

One of these was our incumbent lender - a major bank - while the others were selected from a combination of recommendations by friends and family as well as online research and reviews.

None of the parties I approached were informed that I would be reviewing my experience with them in *The Adviser*, since I wanted to be treated like a typical consumer.

As such, I have deliberately withheld the names of each of the parties profiled.

My criteria were fairly straightforward. I wanted to improve the current interest rate on my owner-occupied loan, release equity, and have a variable rate, fully flexible offset account, additional repayments/redraw facilities and be with a reputable lender.



Suspect No. 1  
**A MAJOR LENDER**

- Attempts made to establish contact: 2
- Lead time to an appointment/consultation: 3 business days
- Convenience: Average
- Best rate offered: 4.30 per cent

**THE INCUMBENT** always had a competitive edge, with loan relocation costs a factor to consider with other lenders but not itself. However, as is the case with the majority of consumers these days, I don't necessarily feel loyalty to the bank - this is effectively a business decision, and I will base each option on its own merits.

Initially, I tried to make an appointment with a loan officer at the bank through its online scheduling service. This was an epic fail on the bank's part, given that I am still waiting to receive some form of response. Not a great start, and had I not already been with the bank, this may well have cost them a new customer.

However, I had forgotten that when taking out the loan in the first place, we had been assigned a 'relationship manager', and so I established contact with him to explore our options. After some initial confusion as to what I actually wanted to do, and email exchanges over three days to schedule the appointment, we had our meeting in person at the bank's branch.

Everything in the branch ran like clockwork, the people were very friendly and our appointment lasted 20 minutes, the majority of which was spent

by us asking questions of the bank. Despite being advised that I did not need to bring any documentation, it did prove useful that I brought copies of my payslips as confirmation of my earnings, although these deposits were viewable in our account history.

I was a little disappointed to be informed it would likely be three business days before we would be told what rate the bank was prepared to provide us - we had thought this was the point of the meeting, and this seemed an excessive amount of time, particularly in the digital age.

True to his word, our relationship manager came back to us within that timeframe, offering a small reduction in our rate of five basis points and accepting our estimated value of the property, negating the need for a valuation.

**Based on this experience, would I use this provider again or recommend them?**

While a little bureaucratic on the processing side but very slick and efficient on the customer-facing aspects, I can't deny that the experience was a positive one and as such, yes, the major bank gets a look-in.



Suspect No. 2  
**A NON-MAJOR BANK**

- Attempts made to establish contact: 1
- Lead time to an appointment/consultation: Immediate
- Convenience: Satisfactory
- Best rate offered: 4.41 per cent

**GIVEN THE** lack of a branch network with this particular non-major, my dealings were confined to phone contact and perusing the website. The call centre not being open seven days a week, and only until 8pm on weekdays, does limit its accessibility given my work arrangements.

However, I was surprised to find a service representative readily available, with just a few automated prompts required before being put straight through. The service rep was very friendly, and at no time made me feel like my questions were insignificant. She also asked questions of me and my situation in order to recommend their product most aligned to my needs.

There was a sales pitch about the benefits of the product, but it was by no means a hard sell. She was also upfront in advising that the lender had recently announced an increase in its rates, and what the new rate would be once it took effect.

I really liked that the service rep actively promoted brokers, telling

me that I can apply by phone (30 to 40-minute anticipated call duration), or that I could contact a mortgage broker should I prefer to sit down with someone face to face.

Total call length was around 15 minutes, and I felt engaged and listened to in that time, and walked away feeling positive from the experience. Sadly though, despite this good customer service, the product was a complete letdown - it was more expensive than even my current rate, negating the purpose of refinancing at all. It also did not include a credit card linked to the offset account, meaning I would have to split my loan and banking operations across multiple institutions.

**Based on this experience, would I use this provider again or recommend them?**

Fewer features and products than a major bank, yet more expensive? In the famous words of Darryl Kerrigan in *The Castle*, 'Tell 'em they're dreaming!'

**SERVICE COMPARISON**

**BEFORE LAUNCHING** into the loan refinancing process, I approached a local estate agent to provide an appraisal of the property. This agent, an independent agency owner, was someone I had personally encountered when house hunting, and for whom I had received a personal recommendation, again from someone buying rather than selling.

Clearly for a salesperson to receive recommendations from buyers dealing with them, rather than sellers as their direct clients, shows an outstanding level of professionalism and service, and recognition of the value of referrals from any source.

Looking at my list of suggested improvements for brokers and lenders at the end of this feature, I



Suspect No. 3  
**AN ONLINE COMPARISON SITE**

- Attempts made to establish contact: 1
- Lead time to an appointment/consultation: Immediate
- Convenience: Excellent
- Best rate offered: 3.95 per cent

**ON PAPER**, a comparison website such as the one I examined looks to have it all. Accessible 24/7, no waiting times to start the process, can be completed anywhere, and a huge range of lenders and loans to choose from.

However, in practice, there are a few cracks in the façade.

Both in its mode of delivery and the actual presentation of the information, the website had a really sterile, impersonal look and feel. There was no mention of who its loan reviewers actually are and what their experience to do so might be, which leaves the door open to suspicion and uncertainty in the consumer's mind. It also did not stipulate when these ratings were actually conducted.

Personally, I found the site clunky to use. It took some time and playing around to determine its functionality in terms of sorting the various loans and tailoring them to my needs.

I did find its 'value' based ratings somewhat confusing as well, given that its top three rated products had wildly divergent comparison rates of 3.95, 4.81 and 5.05 per cent respectively.

**Based on this experience, would I use this provider again or recommend them?**

Only to research loans in the marketplace, not to make an application. The personal connection is essential.



## Suspect No. 4

# FRANCHISE BROKER

- Attempts made to establish contact: 3
- Lead time to an appointment/consultation: 5 business days
- Convenience: Excellent
- Best rate offered: 3.99 per cent

I MADE three separate attempts to reach the broker by phone - on his mobile and at his office - and each time to no avail. His voicemail message itself was also less than inspiring, and came across as rather abrupt and unfriendly.

After these repeated failures to reach him directly, or receive a response, I was preparing to abandon my dealings with this particular broker and find another one, until he finally called me back. He apologised for not returning my earlier message, but simply said 'don't know what happened there', adding that he was out on the road and unable to take my details, and so requested I initiate an email trail.

He requested that I complete a detailed personal form, which took me roughly an hour to complete,

even with me estimating some of the figures that weren't readily accessible.

The broker returned my message the following day, and asked when I would be available for a meeting, or as an alternative he could run some numbers remotely based on the information I had provided.

Several back-and-forth emails followed to arrange a meeting for a few days later. Pleasantly, he offered to meet me at my workplace, a good half-hour drive from his office, minimising disruption to my work day.

The in-person meeting ran smoothly: he was on time for our appointment, appropriately dressed and was a lot friendlier than in previous communications.

He answered all of my questions and outlined several viable options. He

**3.95%**  
The lowest home loan rate offered by any source

**46bp**  
The difference between the lowest and highest loan rates offered

**5**  
Longest number of days' lead time to an appointment or consultation



was also upfront in disclosing and explaining his commission structure.

It was frustrating, however, that the first five minutes of the meeting were spent with him asking me the same questions that I had spent an hour answering on the personal details form - why had I bothered completing it when he didn't even appear to have read it?

I'm in two minds, however, about whether I appreciate his push for me to consider fixed rates.

This is something I openly stipulated was not a consideration of ours, and yet he repeatedly pushed the point, both in person and in his follow-up email.

Was he trying to get me to be more open-minded, or simply disregarding my preferences? I still can't tell which way this might have been. Arguably, the fact I can't tell means the broker could have done more explaining to eliminate this doubt.

Interestingly, he suggested that based on recent experiences with other clients, my current lender would be willing drop the rate as much as 11 basis points, but noted that even with this discount, it was still the most expensive rate among his recommendations.

### Based on this experience, would I use this provider again or recommend them?

To be honest, I'm undecided. I found him frustrating to deal with initially, and had actually given up on him before he finally returned my calls. However, the face-to-face experience was markedly better. I think significant changes would need to be made to capture me as a repeat customer.

## CHANNEL CONFLICT: ALIVE AND WELL OR DEAD AND BURIED?

CHANNEL CONFLICT is an oft-discussed topic within the mortgage market. Some brokers readily share stories, while other people - particularly lenders - suggest that the only conflict nowadays is between brokers themselves.

From my own experience, I can provide a simple, honest answer to the age-old question about whether channel conflict still exists: yes, it does.

Headline rates are standard across the board, but

the real challenge to maintain a level playing field between lenders and brokers comes with the level of discounting.

I was advised that my already discounted current rate with the major bank was fairly competitive as far as the majors go. Indeed, the independent broker - the first to respond - advised me that he had lodged a request for a further rate reduction, which was denied.

However, when approaching the bank directly, I was informed that a modest reduction of five basis points would be possible - a clear contrast to the broker. Yet it was a different story again when dealing with the branded broker, who said that he had had recent success with this same lender securing rates 11 basis points lower than what I was currently paying.

Three different figures from three different sources clearly shows that the playing field is far from level.

●●●  
**SUGGESTIONS FOR IMPROVEMENT**

**DELIVER ON YOUR PROMISES**

Not getting what has been promised to you as a consumer is frustrating. If you say you will do something, always do it. If you subsequently find that you are unable to meet a promise, proactively broach this with the client and offer them a considered alternative.

**RESPOND, RESPOND, RESPOND!**

One of my pet peeves is being left in the lurch. I hate it at work, and I hate it at home. But it's in matters of my personal finances that I hate it the most. A simple 'Received your message thanks, busy now but will respond to you (within a specified time frame)' is an easy task for a broker or lender, but it's mighty reassuring for your prospective client. And if it is the holiday season or you are unavailable for whatever reason, be sure to put a simple out-of-office message on your email and change your voicemail advising when you expect to be back and where clients can go in your absence.

**BE FRIENDLY**

It's a daunting task looking to refinance the loan over your biggest single asset. A friendly demeanour plays a surprisingly big part in alleviating the client's nerves. This should be across the board - your phone manner, in person, your voicemail, written and email communications... everything.

**MEET THE CLIENT ON THEIR TERMS**

Different people operate in different ways. For me, particularly about matters of money, I like to sit down face-to-face with someone to explore my options. Yet only one of the brokers I approached raised this as an option with me, while both lenders provided avenues for this (one by suggesting I contact a broker to do so). I would suggest asking the client outright which method of contact they prefer, and tailor your service to suit.

**DON'T MAKE ASSUMPTIONS**

You know the process inside out, but your client is unlikely to, which is why they have come to you for assistance. Find out how much they know about the process, whether they are familiar with lenders you would consider recommending to them, whether this is the first time they have refinanced a property/purchased an investment/taken out a personal loan (whichever is relevant). Armed with this knowledge, you can tailor your language and degree of explanation to their level of understanding, allowing you to better connect with them and not risk coming across as arrogant, condescending or dismissive.

**TREAT EVERY CLIENT AS A BIG DEAL**

They may not be a big commission driver for you in this particular deal, but who knows what the future holds. So why risk alienating them and driving their future business and referrals to a competitor down the road?

**EXPERIENCES GET SHARED**

Admittedly not every loan you write will be for a journalist who will publish articles about their personal experiences, but I can guarantee that pretty much every single client of yours will share their experience of dealing with you in some way. Go out of your way to make it an experience worth sharing for all the right reasons!



Suspect No. 5  
**AN INDEPENDENT BROKER**

- Attempts made to establish contact: 1
- Lead time to an appointment/consultation: 15 minutes
- Convenience: Good
- Best rate offered: 3.99 per cent

**THE INDEPENDENT** broker was the easiest of all to establish initial contact with, answering his phone on the second ring. After a brief chat, he said that he was currently at lunch and would I mind if he rang me back in 15 minutes, which he promptly did.

Sounding very friendly and relaxed, the broker asked a range of relevant questions about the property, our income, intentions with the refinancing, current loan arrangements, any preference for lenders to look at/avoid.

Having told him he was referred to me by a friend, he asked who that was so that he may be able to personally thank them for making the recommendation (which this friend advised he did).

The broker was upfront in explaining the changing rates environment, and that most lenders had recently increased rates at short notice, and there was no guarantee this would not happen again.

He provided two initial suggestions, but said he would come back to me with

more detailed suggestions and would also see whether a better pricing option would be available with our current lender.

Everything was managed remotely, and we had back-and-forth emails sporadically over the holiday season, including one as soon as he received a response from our current lender.

He also proactively reached out to follow up on details he had requested but which I had overlooked sending him.

His final recommendations varied slightly from his initial suggestions, and he outlined his reasoning for this, noting that he dropped one suggestion due to its rate increase and the lack of any specials on offer, which had reduced its competitiveness.

**Based on this experience, would I use this provider again or recommend them?**

Yes, although I would like to be given the opportunity to meet the broker in person to cement a longer-term relationship.



**THE VERDICT**

**IT WAS** interesting to see the disparity in loan products, packages and prices that were offered, as well as the vastly different services offerings of each of the institutions I approached.

Interest rates on the loans recommended varied by 46 basis points - perhaps not a significant margin in the grand scheme of things, but substantial enough given that rates are at historic lows and that competition for non-investor loans is said to be cutthroat.

Admittedly I carried out this process during the December/January period, with interruptions on both sides owing to the holidays slowing down progress. However, from a consumer's point

of view, this shouldn't matter - any day that is not a public holiday is a business day.

A service provider is either at work or they're not; there should be no in-between. If you're not working, say so - and both stipulate when you will return and where the enquirer can go in your absence.

Overall, suspects two and three (the non-major bank and the comparison website) were promptly ruled out of contention. The former was simply too expensive and too restrictive in its product offering to be even considered, while the latter created uncertainty as to its legitimacy and accuracy, and was highly impersonal - I for

one am reluctant to trust such a large financial decision with an unknown entity.

Suspect four, the branded broker, was decidedly hit and miss - not a great impression to leave for a prospective new client. I think there is potential, if I was prepared to invest the time, to develop this as a longer-term relationship. However, many consumers would ask themselves: is it really worth giving this broker a second chance when there are so many others now available to choose from?

That leaves suspects one and five, the major bank and the independent broker, to duke it out for top honours. Just as with the difference in size between a banking behemoth and a one-person operation, so too were there polar opposites in the areas in which each excelled and could make improvements. I guess the deciding factor is simply a personal one - which aspects do I place greatest importance on, and which of the two came up trumps in those areas.

I was surprised that not one of the five suspects took the opportunity to cross-sell. While I did not seek recommendations, I went in with an open mind about also reviewing my insurance options and potentially obtaining

a referral to a financial planner, yet none was forthcoming from any of the parties.

Perhaps this is something they planned to raise once a loan application was completed instead of at the outset.

I won't tell you which way we opted to go in the end - for fear of raising accusations of bias either for or against the broking industry. What I will say is that competition for brokers is fierce, as much among yourselves as with lenders, and that 'steady as she goes' is simply not good enough.

As a consumer, I want to feel like I matter, that whoever I am dealing with makes the effort to understand my needs and circumstances, makes fully tailored recommendations and provides their services in an efficient, appealing and timely manner.

In my role as deputy editor of *The Adviser*, I am advising our readers to actively seek and learn from consumer feedback at every chance. By doing so, savvy brokers will gain the competitive edge, to better their service delivery and achieve greater levels of customer satisfaction than those brokers and lenders who continue along on the straight and narrow. ■

**"Want to find non-bank commercial and bridging finance from a sympathetic brand you can trust? I did!"**

- Low rates, low fees
- Quick answer and rapid drawdown
- Structured approach to risk
- Fees for referrals

Call 1800 SEMPER



Supporting SME's since 2000

