

**BUSINESS PROFILE**

# TIME TO PLAN FOR THE FUTURE

La Trobe Financial's chief lending officer, **Cory Bannister**, tells brokers not to delay diversification, especially in a climate of increased regulatory uncertainty and changing lender appetite

**BROKERS** deserve some congratulations: they're writing nearly 54% of home loans, according to the latest MFAA *Industry Intelligence Service* report, showing they're clearly valued as customers' trusted advisers.

"Broker market share is improving through the exceptional work being done by brokers to demonstrate the clear benefits they deliver to customers," says La Trobe Financial's chief lending officer, Cory Bannister, who believes it's not unrealistic to expect that brokers will soon capture 60% of the market.

But as change swirls in and around the industry, and brokers face increased pressure and scrutiny from all sides, how will they go about fulfilling this prediction?

It has been said before and will be said again, but Bannister contends that "the key to future growth in market share ... will come through catering for more of a customer's needs over their life cycle - a diversified offering".

If a broker is unable to fulfil a customer's requirements - be it a lease, risk insurance or commercial finance - they will likely turn to their main financial institution, and the broker could run the risk of losing that customer altogether.

While it is a positive sign that brokers have scooped up more than half of the residential market, their commercial share is lagging at about 30%, "which tells you there is plenty of scope for further uplift in broker business", Bannister says.

"Let's not forget that a rising tide lifts all ships, so if brokers capture more commercial share, it is likely to result in further increases in residential mortgages," he adds.

Not only does diversification give a business the possibility of financial growth, but it also means protection from unpredictable market fluctuations. It prevents businesses

from many of the headwinds that are likely to be encountered over a life cycle," Bannister says.

"We have seen businesses grow during peak periods and the risk is an

**"Diversification can insulate a business and investment from many of the headwinds that are likely to be encountered over a life cycle"**

from becoming over-reliant on one product or offering and the vulnerabilities that invites.

"We strongly believe diversification can insulate a business and investment

external shock such as the GFC. These risks are mitigated by diversification."

While it's easy to get distracted by daily tasks and set 'working on the business' aside, Bannister cautions

against delaying a diversification strategy to another day, particularly now, amid so much regulatory uncertainty and lenders' rapidly evolving appetites.

The recent modernisation occurring within financial services businesses, in which many 'mortgage' brokers have become 'finance' brokers, has allowed these companies to adopt a more holistic proposition, Bannister says. This will likely continue and result in a "diversify or die" outcome, he predicts.

"[It's] not too dissimilar to the impact supermarkets had on the high-street butchers and grocers as consumers looked for the convenience of a one-stop shop."

**Don't put all your eggs in one basket**

Brokers are the "lifeblood" of La Trobe Financial's business, Bannister says, which is why the non-bank lender is continually trying to improve the broker experience from start to finish.

The credit specialist wants to help brokers implement their diversification strategy, so it has eliminated the barriers to entry for many of its specialised products, including its commercial, SMSF and development finance offerings.

By keeping its niche products accessible and removing the "stigmas of complexity", it's allowing even new brokers a chance to grow their business offering. The credit specialist prides itself on having applied a level of simplification that's

**PROS AND CONS OF BECOMING A ONE-STOP SHOP**

Source: La Trobe Financial

**Benefits**



Larger customer base



Stickier customer base



Increased revenue



Protection for your business

**Risks**



May require additional staff



Generalist rather than specialist



Trying too much too soon

Sponsored by



unique in the industry.

“We have purposely engineered our products and processes to ensure all products look and feel the same, so if a broker can write a residential loan, they can write a commercial loan just as easily,” Bannister says.

With other lenders, specialised products generally require additional accreditation and training, which can become a major reason why many brokers fail to execute their diversification plan, he says.

The non-bank lender has also developed its forms and documents so that the same application form can be used across all its products, and similarly, the same income verification policies and documents are used regardless of product type.

La Trobe provides customised training and education programs through its credit-skilled Senior Manager Client Partnerships and offers direct access to the decision-makers in credit so brokers feel supported through the process.

The credit specialist has already expanded its head office and will be adding to its national sales team in the upcoming financial year “to ensure we can continue to offer a high level of support to brokers, hopefully as part of their diversification strategy,” Bannister says.

As La Trobe Financial moves ahead with its long-term strategy of diversifying its own suite of mortgage and investment products to suit every stage of a customer’s life, it will continue to work on making brokers’ access to niche products less cumbersome.

“We will continue to assist brokers in navigating through what is a very challenging environment, stepping in where we can to assist with solutions for their clients,” Bannister says.

#### One size does not fit all

While diversification can be made to sound like a fail-safe business salve, it doesn’t suit every brokerage. Bannister recognises that there are many successful specialist brokerages that do just fine as they are.

But he suggests that those brokers thinking of sticking to a monoline operation should “go in with your eyes wide open”.

“That is, understand the risks associated with specialising in a particular market as to regulatory changes, economic conditions or moving lender appetite,” he says.

Even in a monoline operation,



Cory Bannister, chief lending officer, La Trobe Financial

diversification is still possible. While a broker may choose to focus on a particular industry such as health, for example, diversification can be applied by adding risk or leasing to a mortgage offering, or expanding one’s lender panel so as not to be beholden to one particular policy setting or product offering, he explains.

“Diversification can come in many forms. Our message is simply to fully understand the risks and benefits of whichever option you choose.”

#### Banks to brokers

As the major banks continue to make headlines following the release of the Sedgwick review into retail banking remuneration and the government’s new bank levy, non-bank lenders will likely keep accumulating market share. Likewise, as brokers address the ongoing issue of channel conflict, Bannister suspects more of them will seek alternative funders to the major banks to protect their client base from being cannibalised.

All in all, things are looking up for non-banks, and for brokers.

“We are already experiencing an increased demand from brokers looking to find alternative solutions for their clients, and we expect this to continue as consumers are exposed to the benefits that smaller, more agile operations can offer.” **AB**

#### KEY REASONS FOR CHOOSING A HOME LOAN ORIGATION CHANNEL

Source: KPMG, The Australian Home Loan Market 2017 survey report

	New to financial institution	Existing financial institution	Broker
Package arrangement provided	6%	12%	2.5%
They made it easy	8%	23%	29%
Business in one place	0%	30%	3%
Wanted to find best deal	56%	9%	50%
Ability to offset savings	3%	10%	1%
Family or friend recommended	13%	4%	0.5%
Reputation	3%	6%	14%
Other	11%	6%	0%