



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 in partnership with The Adviser. The Adviser is the leading source of news, intelligence, and analysis of Australia's mortgage broking industry.

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

The demand for loans originated by the third-party channel (the mortgage broker) has progressively increased over the last three decades. Indeed, mortgage brokers wrote a record 70% of all new residential home loans in the March 2022 quarter¹.

The value of mortgage brokers to Australia's competitive landscape is clear as the market share of the channel continues to grow. This is underpinned by a continued drive from consumers seeking a better home loan experience.

The **Consumer Access to Mortgages Report** — which is now in its fourth year — explores the home loan experiences of consumers across Australia to better inform industry stakeholders on the behaviour, expectations, and experiences that drive the decisions consumers make when accessing finance.

A total of 451 consumers were surveyed between January and April 2022 to inform this year's report.

The objective of the **2022 Consumer Access to Mortgages Report** is to provide an overview and comparison of consumer preferences for proprietary channel lenders and third-party channel mortgage brokers, their overall levels of satisfaction with and trust in each of these channels, and the channels they would prefer if they were to apply for a loan again in the future.

Alongside this, it will gauge consumer sentiment towards the mortgage broker remuneration structure.

This report is divided into two major sections:

SECTION ONE

Channel usage and key satisfaction measures

This section examines Australian borrowers' preferred channel when securing a mortgage, their satisfaction and trust levels, and the channel they would most likely use in the future.

SECTION TWO

Borrower sentiment around their mortgage

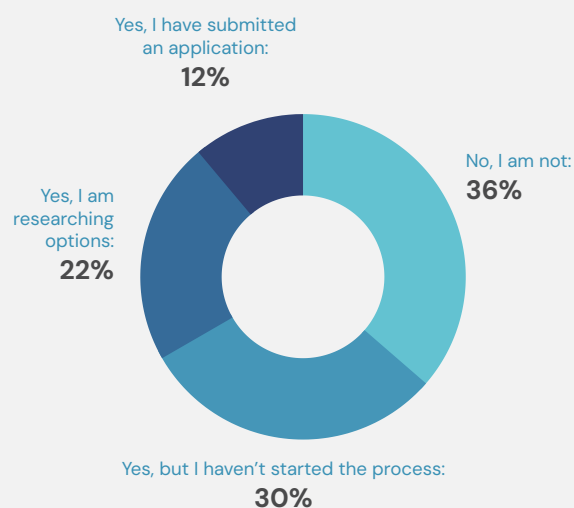
This section will explore borrower comfort with their current levels of debt and concerns over potential interest rate rises, along with sentiment around the broker remuneration structure.

Figure 1:

Have you ever taken out a mortgage?



Are you likely to secure a mortgage in the next 24 months?



¹ The Mortgage & Finance Association (MFAA) commissioned research group comparator, a CoreLogic business, to determine broker market share for its quarterly broker statistic series by calculating the value of loans settled by 18 of the leading brokers and aggregators as a percentage of ABS housing finance commitments.

Key findings

Satisfaction



86%

Of **broker clients** were satisfied with their experience



76%

Of **proprietary channel clients** were satisfied with their experience

Loyalty



90%

Of **broker clients** would choose to use a broker again in the future.



67%

Of **proprietary channel clients** would choose to approach a lender directly again in the future.

Approval speeds



70%

Of **broker clients** were satisfied with loan approval speeds.



70%

Of **proprietary channel clients** were satisfied with loan approval speeds.

Channel usage by borrowers

The availability of the third-party and proprietary channel injects competition in the mortgage market and provides borrowers with a broader range of financial products.

Mortgage brokers have facilitated the growth of smaller lenders (whose base could include regional and rural customers) and non-banks who distribute solely through the broker channel.

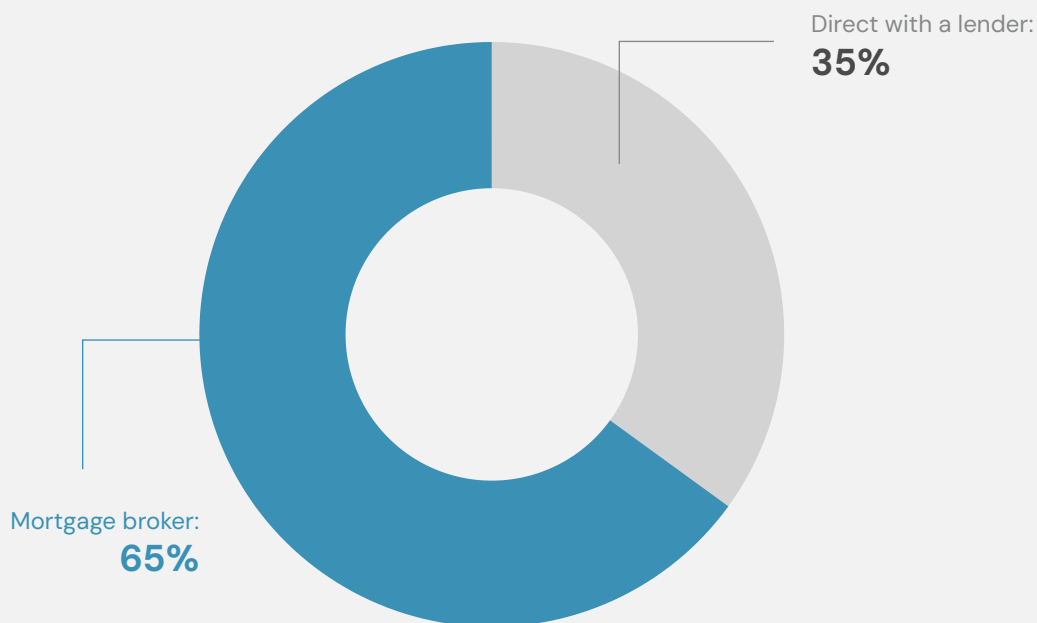
This year's Consumer Access to Mortgages survey has found that the majority of consumers (65%) used a mortgage broker the last time they secured a mortgage. The figure correlates with findings from the MFAA and highlights the current strength of the mortgage broking industry.

Conversely, only 36% of the survey respondents said they approached a lender directly the last time they secured a mortgage.



Figure 2:

The last time you took out a mortgage, which channel did you use?



Primary reasons for using each channel

The Australian property market strengthened even during the COVID-19 pandemic as the previous government rolled out measures such as the HomeBuilder scheme to cushion the blow.

Australian Bureau of Statistics (ABS) figures revealed that new housing loan commitments reached a record high of almost \$34 billion in January 2022 before declining to \$33.3 billion in March 2022 and \$31 billion in April 2022, pointing to a cooling housing market as interest rates rise.

While new investor loan commitments have had monthly increases since November 2020 (with the exception of February 2022) and reached a record high of \$11.7 billion in March 2022, they declined to \$11.1 billion in April, reversing a trend of nine months of almost uninterrupted growth.

Owner-occupier loans recorded a steeper decrease, dropping by 7.3% from March to \$19.9 billion in April — the most sizeable drop since May 2020.

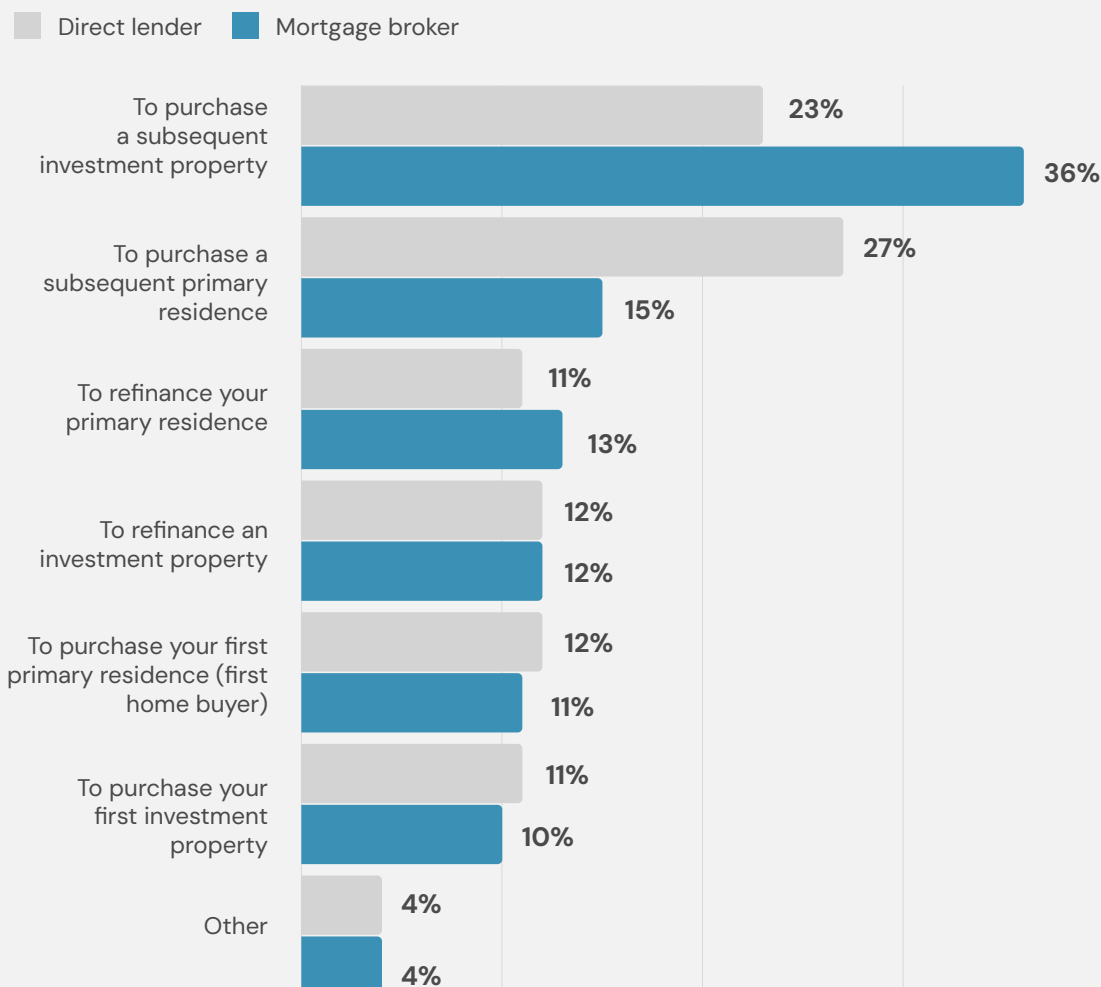
This year's Consumer Access to Mortgages survey found that 36% of borrowers sought the services of a mortgage broker to purchase a subsequent investment property, compared with 23% who approached a lender directly.

On the other hand, 27% of respondents approached a lender directly to purchase a subsequent primary residence, compared with only 15% who used a mortgage broker.

Almost an equal proportion of first home buyers (FHB) approached a direct lender and mortgage broker to purchase their first primary residence.

Figure 3:

What was the primary reason for your most recent mortgage?



Key relationship measures

■ Satisfaction

Satisfaction is a key relationship measure that not only provides an indication of the quality of the collaboration and experience between the borrower and the lender or broker, but also determines each channel's ability to retain existing customers and generate repeat business.

According to this year's findings, a higher proportion of respondents who used a mortgage broker were "extremely satisfied" with their overall experience (47%) compared to customers who chose the proprietary channel (28%).

The opposite was true, however, for those who were "satisfied" with each channel, with only 39% of respondents stating they were "satisfied" with their overall experience with their mortgage broker compared with 48% of proprietary channel clients.

A slightly higher proportion of survey respondents reported feeling "extremely dissatisfied" with their experience with the proprietary channel compared to mortgage brokers.

86%

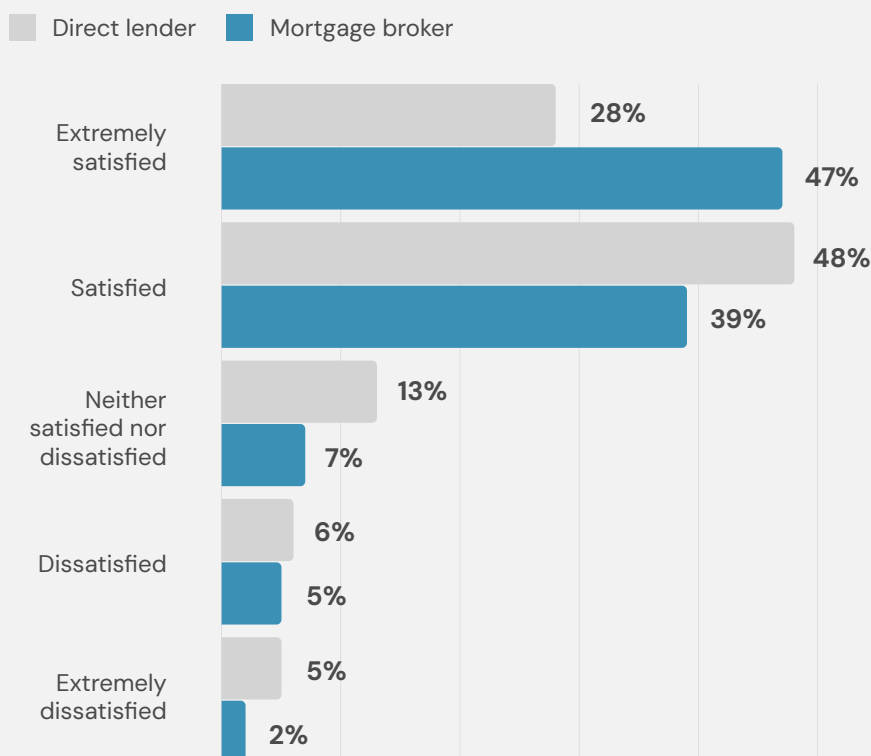
of **broker clients** were satisfied with their experience

76%

of **proprietary channel clients** were satisfied with their experience

Figure 4:

How satisfied were you with your overall experience?



Speed of approval

As the high buyer demand for property continues and brokers field a large number of enquiries from prospective borrowers, a significant pain point has been the time lenders have taken to reach an initial credit decision (turnaround times).

Now more than ever, this is one of the most crucial elements to consider when lodging loan applications with a lender because timely approval for a borrower could mean the difference between purchasing their dream home or missing out because they could not arrange their finances on time.

Reducing anxiety for the prospective borrower by reaching an initial credit decision quickly could also increase their positive experiences and and consequently result in retention and repeat business for both brokers and lenders.

Therefore, it is important to not only select the lender most likely to meet a borrower’s objectives, but also effectively manage client expectations.

Turnaround times were at 14 business days in January 2021 and 13 business days in April 2021 (almost three weeks) at the large authorised deposit-taking institutions [ADI], according to the Momentum Intelligence Broker Pulse survey.

However, a year later in April 2021, turnaround times at the large ADIs — or those used by more than 20% of broker respondents — reduced to six days.

Nevertheless, according to this year’s Consumer Access to Mortgages survey, only 25% of mortgage broker clients and 23% of proprietary channel clients reported feeling “extremely satisfied” with the speed of approval for a home loan.

Almost half of all respondents who used a mortgage broker or went directly to a lender said they were “satisfied” with the speed of approval.

However, while 12% of mortgage broker clients said they were dissatisfied with approval times, this reduced to only 6% of proprietary channel clients.

This disparity could potentially be explained by the differences in processing times between the direct lender channel and the broker channel that have been reported.

A small proportion of consumers across both channels responded that they were extremely dissatisfied with the speed of approval.

70%

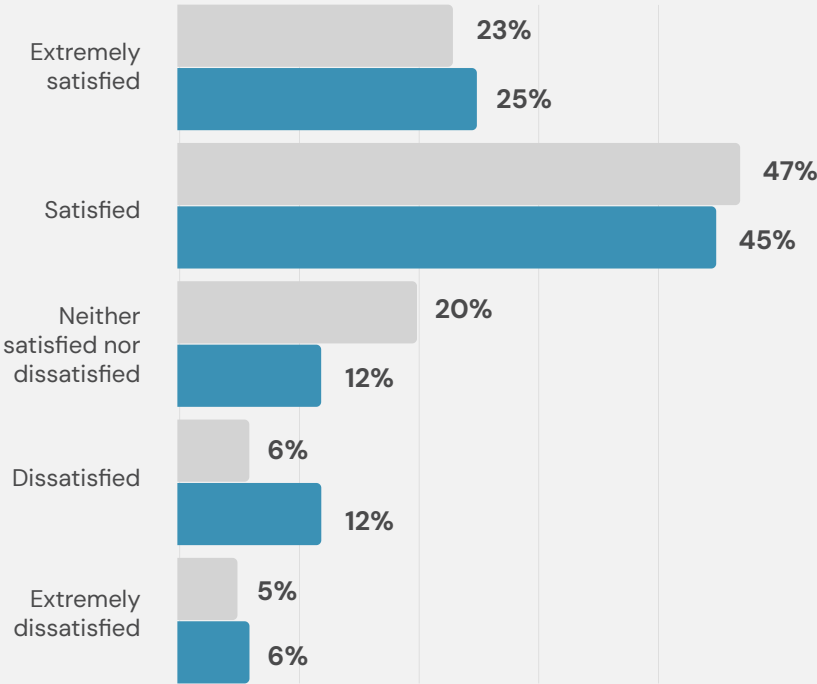
of **broker clients** were satisfied with loan approval speeds

70%

of **proprietary channel clients** were satisfied with loan approval speeds.

Figure 5:
How satisfied were you with your turnaround time?

Direct lender
Mortgage broker



Communication

The 2021 Consumer Access to Mortgages Report identified a yawning gap in satisfaction with the level of communication provided by the two channels. Consumers indicated that brokers provided significantly superior levels of communication compared with their proprietary channel counterparts.

The COVID-19 crisis and associated restrictions on movement upended communication strategies in the workplace across all industries and sectors, and the mortgage industry was no exception.

Despite the easing of restrictions, brokers, lenders, and consumers have continued to rely on virtual methods such as video conferences to communicate, saving travel time and enabling all parties to communicate more easily and frequently.

In this year's Consumer Access to Mortgages Report, more consumers were "extremely satisfied" with the communication from their brokers compared with the proprietary channel, but lenders closed the gap on other metrics.

While 45% of those surveyed were "extremely satisfied" with the communication from their broker, only 30% of proprietary channel clients reported feeling the same level of satisfaction.

On the other hand, 42% of both proprietary channel and third-party channel consumers reported feeling satisfied with the level of communication.

In previous Consumer Access to Mortgages reports, respondents emphasised their preference for receiving consistent communication from both the proprietary and mortgage broker channels, including responsive and regular updates throughout the home loan process.

However, as consumers shift towards digital banking, lenders have been closing their branches and reducing their networks, particularly in regional and rural Australia.

Indeed, last year a Regional Banking Taskforce was established to understand the impacts of branch closures and how customers are accessing banking services. In an information paper released in November 2021, the group said branch closures had surged in the recent past, with the number of branches in regional and remote Australia falling from around 2,500 to 1,900 in the four years to June 2021.

Herein lies an opportunity for brokers to increase their lines of communication with clients using their preferred method (including in-person meetings, video conferences, or phone calls).

87%

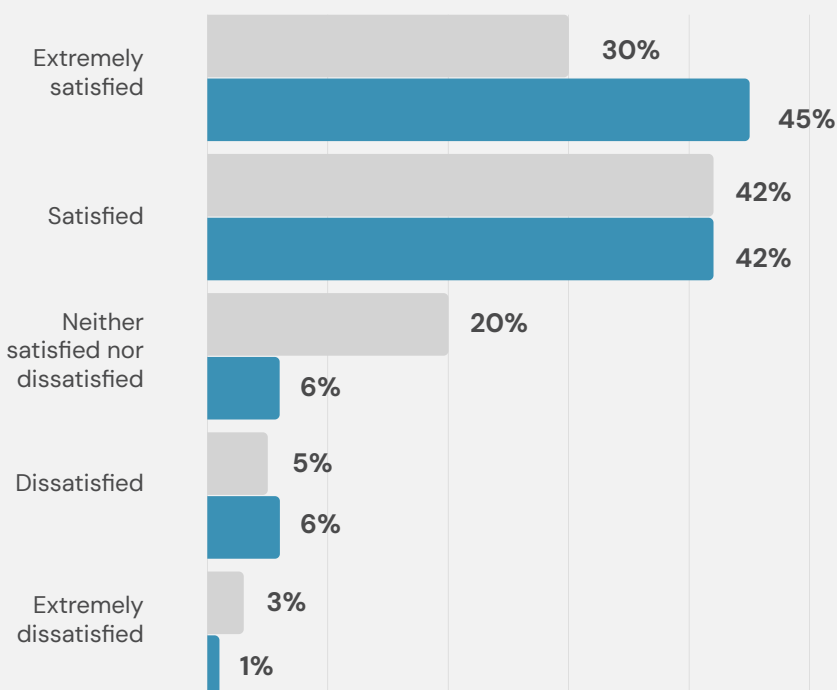
of **broker clients** were satisfied with their communication

72%

of **proprietary channel clients** were satisfied with their communication

Figure 6:
How satisfied were you with the communication from your broker or lender?

■ Direct lender
■ Mortgage broker



Broker Trust

Trust is a long-term key relationship measure, developed over an extended period after multiple quality interactions between the consumer and the broker.

It is an indication of a consumer's ability to have every confidence that their broker will act in their best interests and strive to secure a deal that meets their objectives and even improves their financial wellbeing.

As such, brokers are typically expected to engender higher levels of trust among consumers because of the long-term, high-quality relationships they form with their clients over many years.

The 2022 Consumer Access to Mortgages Report has revealed an uptick in trust levels in the broker

channel, with 87% of respondents saying they trust their brokers. This is up from 84% in 2021.

However, overall trust in the channel was lower than in 2020, when 89% of respondents said they trusted their brokers.

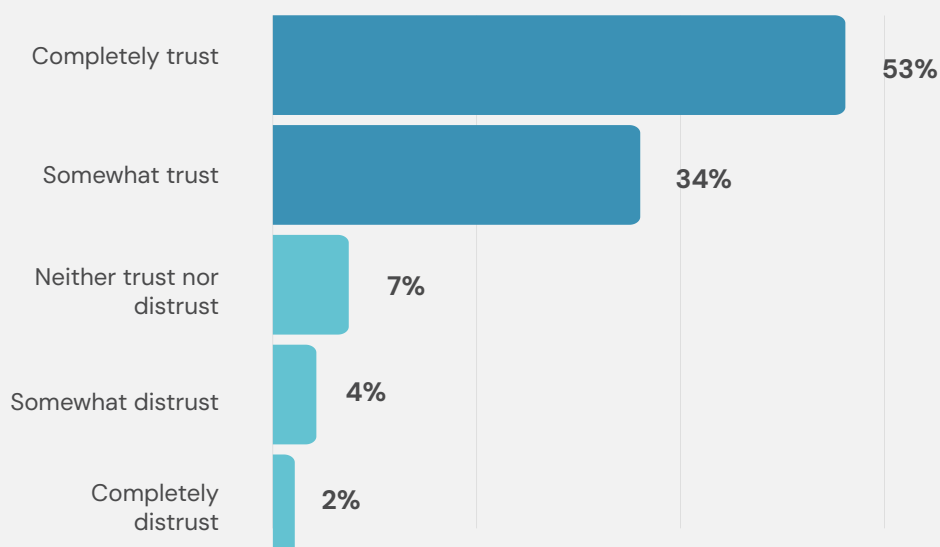
The 2022 survey found that 53% of consumers completely trust their brokers, while 34% somewhat trust them. This is up from 24% in 2021.

87%

Of consumers said **they trust** their brokers

▲ Up from 84% in 2021

Figure 7:
How much do you trust your mortgage broker?



Loyalty

Brokers and lenders who foster trust by nurturing relationships with their customers throughout the life of their loan would not only achieve higher levels of satisfaction, but would also retain existing clients and create repeat business from prospective borrowers.

This year’s survey results have not only revealed significantly higher retention rates in the mortgage broker channel than the proprietary channel, but have also underscored the potential for each channel to entice dissatisfied customers from their counterparts and grow their client base.

Of the consumers who used a mortgage broker previously, 90% said they would use one again in the future (up from 83% in 2021), while only 10% said they would approach a lender directly.

On the other hand, only 67% of those who approached a lender directly for their mortgage said they would do so again (up from only 61% in 2021), while 33% said they would switch to the broker channel.

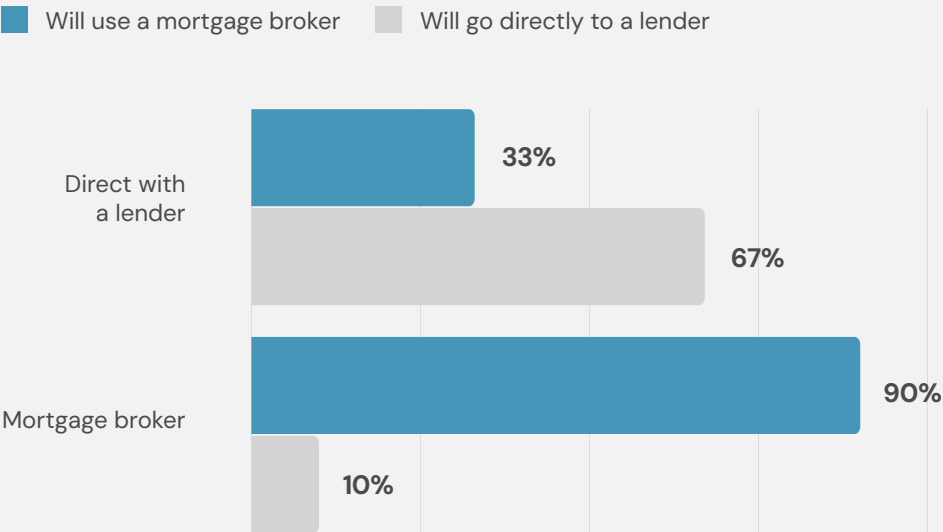
90%

Of broker clients **would use a broker again** in the future

67%

Of proprietary channel clients **would approach a lender again** in the future

Figure 8:
If you were to take out another mortgage in the future, which channel would you choose?





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