

INDUSTRY SPOTLIGHT

GROWING WITH YOUR CLIENTS

Cory Bannister of La Trobe Financial explains how brokers can future-proof their business by looking at their clients' changing life stages as opportunities



ANY BROKER will tell you that their biggest selling point is their relationship-focused proposition. Consumers are switching from bank branches and online lenders to brokers in droves, not only to get access to a wider range of credit products, but to get that hands-on, personalised service that only an unbiased third party can provide. From a mortgage broker, consumers not only get a loan, they get personal advice and reassurance – they get a relationship.

According to the MFAA's industry-first Observations on the Value of Mortgage Broking report released last year, two in five (38%) of consumers indicated that brokers are better able to match a product to your needs by providing a more personable service. This is more than double the 18% who said going direct to a branch provided a more individual service.

Further to that point, 92% of consumers surveyed said they were 'very' or 'fairly' satisfied with the process of arranging their recent mortgage through a mortgage broker. Clearly, mortgage brokers aren't just facilitators of loan products, they are trusted financial advisers.

But whilst it is indisputable that mortgage brokers will build the relationship that naturally develops with their clients, how far into the future are brokers looking, and how many are considering their customers' lifestyle and lifecycle?

According to Cory Bannister, VP chief lending officer of La Trobe Financial, customer lifecycle management should be the new focus for mortgage and finance brokers, if they really want to deepen and solidify their customer relationships. It is also a foolproof way of diversifying their business in that it is simply leveraging the relationship-building skills that brokers already have.

"We believe the key factor for finance broker businesses to consider now is their Customer Lifecycle Management (CLM) strategy, as this is the key to building a sustainable business over the long term," Bannister told *Australian Broker*.

He defines a customer lifecycle as the "progression of stages" a customer moves through from the initial consideration to use your products and services, to conversion, and finally, post-conversion – and how they move through these stages in the different chapters of their life.

Bridging the affordability gap

To help brokers better service their clients' lifecycles, La Trobe has developed its unique Parent-to-Child (P2C) loan and Aged Care loan.

"We encourage brokers to think about their customers and consider whether they are actively catering for their customer's full lifecycle of needs," Bannister said. "If not, now is the time

to act, or risk losing your customers to someone who can.

"At La Trobe Financial, we are focused on the strategy of retention, which for us, is to be able to cater for more clients' needs over their life's journey."

The P2C loan, said Bannister, formalises the parent-to-child mortgage to address the affordability issue facing many young Australians looking to enter the property market. Recent figures released by the Real Estate Institute of Australia (REIA) show first home buyers make up just 14.6% of the owner-occupier market, the lowest level since 2004, despite national housing affordability improving to its best levels since 2013.

The P2C loan tries to partly remedy this problem, by allowing the child to involve their parents in their property purchase without the need for onerous bank guarantees, which can put parents at risk. It formally documents the assistance, registers a mortgage on the security property, and then manages the parent's assistance to ensure it is repaid in accordance with agreed terms.

"Property purchases are now increasingly made with parental support due to the well-documented 'affordability gap' in Australia," Bannister told *Australian Broker*.

"Parents historically have not formalised such

support and prefer to gift monies, however this leaves the gifted monies at risk in the event of a subsequent marital dispute or separation as a gift is not repayable."

The real take-out for brokers and their clients, however, is that the borrower – the child – can save thousands on LMI premiums if they are looking to borrow more than 80% of the property's value.

Assisting ageing customers

At the other end of the lifecycle spectrum, La Trobe's Aged Care Loan is designed to help elderly Australians moving into aged care facilities to cover the deposit required by the facility to move in. Known as the Refundable Accommodation Deposit (RAD), it can commonly exceed \$500,000.

According to La Trobe, approximately \$3bn per annum is already required to fund individuals moving into aged care facilities.

"Aged care rules are unusual and complex, so trying to make standard mortgage and reverse mortgage products fit this sector hasn't always produced the best outcome for customers," said Bannister. "Tailored products and the ability to speak directly with an underwriter are a great leap forward for the customers and their advisers."

Whilst the Aged Care Loan serves many

benefits for clients – both financial and emotional – Bannister said it is also largely untapped by brokers, offering them a major opportunity to diversify their offering and build a more complete relationship with clients.

"As the market becomes more educated and compares the different outcomes under different home ownership scenarios, there will be a clear bias to retaining the home during entry to aged care," he said. "This sector is growing and will balloon to \$10 billion of required funding in the years to come. This is an ever-growing market."

But aside from the obvious appeal of these two unique products, at the end of the day, according to Bannister, it comes down to two things – relationships and business – and the two are not mutually exclusive in the world of a broker. He suggests brokers should be leveraging something

they are naturally good at – relationships – to diversify their business and increase their value to the customer.

"Providing solutions for the customer's lifecycle will not only create additional revenue opportunities, but it will enable you to really showcase your abilities as a true finance professional, recognising opportunities before the customer even has to ask. Now that's making a difference." **AB**



Cory Bannister, VP chief lending officer, La Trobe Financial

FINANCING EVERY LIFE STAGE

