

The road ahead

BROKERS SHOULD increase their focus on their core businesses during the months ahead rather than diversifying their loan book, according to industry figures.

MyShare MD David Gratton and Homeloans Ltd MD Brian Jones said brokers focusing on their core businesses were good strategies to employ in response to the current climate of increasing interest rates and soft residential markets.

Although the housing market easily absorbed the May rate rise, the August rise, coupled with another predicted rate increase before Christmas, could delay the residential market rebound.

RBC Capital Markets senior economist Su-Lin Ong said the healthy state of the labour market was partly responsible, "but given the follow-up rate hike in August and higher petrol prices, we would expect the housing numbers to turn down again later this year."

Gratton said he was "wary" of suggesting that brokers diversify in response to current conditions.

"I have met many mortgage brokers who have ventured into new markets only to find that the new area did not produce the results projected, which at the same time caused their core business to suffer from distraction."

Brokers would benefit from lenders looking to provide optimum product flexibility in order to grow market share, he said.

"There is a constant stream of product innovation and

"There is a heightened sensitivity towards rates and affordability right now – who better to consult than a broker with a kit bag full of options?"

development that provides a broker with many opportunities to grow and expand their existing core business," he said.

Jones agreed. "Brokers focusing on their existing customers and referral sources will strengthen as markets either tighten or undergo price rises."

Go for personal loans, leasing and inventory

Brokers considering diversifying their loan book should consider products that go "more naturally" with mortgage loans, Jones said.

"Personal loans are a good idea. Other products such as leasing and inventory financing require different skills and processes, so the choice relates to the level of complexity and the potential business available."

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With housing affordability under pressure, refinancing for lower mortgage repayments should increase. Brokers are set to benefit if this prediction is correct.

The BankWest/MIAA Home Finance study, which surveyed 842 people living in Sydney, found those who switched loans were more likely to have used a mortgage broker as the source of their last

Both men said that although market conditions were far from perfect, broker services could become more in demand due to their ability "to scan across a range of products and rate offerings".

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loan (43%) than banks (37%).

Refinancing is quite common, with 24% of respondents having refinanced in the past 12 months and 43% in the past three years.

Key benefits are a lower interest rate (67%), better loan terms (67.1%), lower fees (54.9%) and better service (47.6%). ■

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Steven Kluss

Manager

Intermediaries Segment
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