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INSIDE: FEATURES: Queensland Financial Services pg6 Australian Funds Industry pg8
REGULARS: Behind the screens pg16 Brian Greig pg16

Banks urged to pick up the pace

While brokers and aggregators have warmly embraced the idea of adopting LIXI standards with the aim of becoming more efficient and being able to offer a higher-level of service to customers, there are views that major lending institutions are dragging the chain. *Australian Banking & Finance Magazine* gauges the views of those in the broker industry.

By Andre Khoury



Mortgage Choice managing director Paul Lahiff

At a time when brokers are feeling the pinch due to, among other things, the increased cost of funding, the industry has realised that to claw back some of the market share it has lost it needs to adopt new techniques.

As a result the broking industry is continuing its association with LIXI - e-commerce standards which have been developed to remove barriers to electronic data

exchange within the Australian lending industry with the ultimate aim to improve efficiencies in the mortgage sector.

"High interest rates, weakening housing finance demand, and reduced broker commissions are impacting the mortgage industry," Mortgage Choice managing director Paul Lahiff said.

"This means brokers have to work smarter by engaging

technology, targeted marketing, refining processes, having greater productivity, and converting more leads.

"Using LIXI standards allows us, the industry, to communicate in one way rather than having to access 27 different websites.

"It reduces costs and improves efficiency, improves productivity, and allows for a happier broker network."

Phil Naylor, Mortgage and Finance Association of Australia (MFAA) chief executive officer, agreed.

"At the end of the day we're serving our customer and it's to ensure that the customer can get loan applications in quickly, get approvals quickly - that helps the customer, helps the broker, helps the lender," he said.

However, one noticeable anomaly is the major lenders' "uneasiness" over LIXI standards, which is affecting the rate at which they adopt the standards. This is despite the banks' acknowledgment of the positives of LIXI and the potential opportunities it creates for efficiencies within the mortgage industry, thus improving customer experience.

Why are banks hesitating over LIXI?

Steven Heavey, general manager, third party and specialist distribution at St.George, said one of the main reasons lenders are reluctant to adopt LIXI standards as fast as brokers and aggregators have is because "the development work (and cost) to date has been predominantly borne by the banks".

"This is where the aggregators need to put their hands in their pockets and contribute to some of the development work required," Heavey said.

"There is also a sense that the banks will 'never' agree. This in

CONTINUED ON PAGE 2

LIXI sets its gaze upon lenders

By Andre Khoury

LIXI's first full time chief executive Erik Fenna, who was appointed earlier this month, said there are opportunities for the industry as it changes its e-commerce focus from a broker to a lender perspective.

"The movement now is more towards downstream processing, post-lodgment services," Fenna said.

"The engagement between the lenders and the LIXI community has been driven primarily by third party banking managers, and

one of the key differences going forward is that we're moving towards engaging more with the more senior business people at the bank.

"So it's moving away from the broker channel and into what is more a financial and business responsibility at the bank."

Fenna, who will formally commence in the role of chief executive on September 1, said he was looking forward to the challenge of taking LIXI to the

CONTINUED ON PAGE 3

Porges warning to banks: karma will bite

By Andre Khoury

Stephen Porges, recently installed chief executive of Aussie Home Loans, said he understood why banks have taken a hard line to brokers recently.

"They are obviously struggling," he said.

"They are struggling for their

own funding, they have to protect their own base.

"That said there is no doubt the non-bank market will come back.

"There are some of the banks that have been very positive in their interaction in working with

CONTINUED ON PAGE 3

CONTINUED FROM PAGE 1

part is correct and must somehow be changed to help instill the necessary confidence in industry participants across the board."

Another challenge to the lender/broker relationship, according to Heavey, is the recognition – or lack of it – "that we are all working for common goals".

"At the moment there is a sense of them and us," he said.

"I think if this is to change then the large broking companies must get with the major banks and agree if there is to be a consistent approach then there will need to be some agreement on the expectations of the LIXI standard."

Despite saying this, Heavey sees the potential in LIXI for the mortgage industry.

"The implementation of one consistent standard is a positive for the industry as it makes the application process easier for all concerned and enables the broker to be more skilled when it comes to knowing all the differences across a number of lending institutions," he said.

"If we have a consistent approach at the application stage it will also enable the fulfillment piece to be more consistent for the banks."

Glenn Haslam, head of specialist distribution at ANZ, shared Heavey's faith in LIXI.

"Certainly the continued development and uptake of LIXI standards across various aspects of financial services is a positive move for the industry," he said.

"I would expect that all lenders and brokers understand and appreciate the benefits of moving towards common standards in areas which have been traditionally complex and time consuming.

"Lenders are continually looking towards creating greater efficiencies across their entire operations and the use of a common data standard which can be readily adopted between various parties is an important consideration when choosing the areas of technology which to invest.

"As the development of new technology is often costly and time consuming it is always important to ensure that investment in this area seeks to best serve the needs of various customers and provide



"The broking groups have always been very enthusiastic about the idea. But lenders...have been less willing or able to take on and embrace the whole of the LIXI concept."

Phil Naylor, chief executive officer, Mortgage and Finance Association

advantage where possible."

Andrew Inwood, managing director of financial services market research company brandmanagement, said banks were adopting LIXI standards but only "at the spate of the rate of technology refresh".

"Every bank that I've talked to is refreshing part of their technology at the moment," he said.

"Every single one of those people is adopting LIXI standards.

"Yet, it's not so much an afterthought but it's not the core driver of what's actually changing behaviour."

Haslam added that ANZ's relationships with brokers "extend well beyond simply the technology offerings available to our brokers".

"Whilst technology is becoming increasingly integral to the way lenders and brokers interact, we view technology as a means of creating greater efficiency and ease in our dealing; certainly not a replacement for face to face or over the phone elements of the lender/broker relationship," he said.

Haslam said banks were working "on a number of fronts"



"The development work (and cost) to date has been predominantly borne by the banks. This is where the aggregators need to put their hands in their pockets and contribute to some of the development work required."

Steven Heavey, general manager, third party and specialist distribution, St. George

to create efficiencies.

"Whether this is in terms of reducing the amount of information required from customers, through to reducing the time to process and eliminate rework where possible," he said.

"At the end of the day, these areas all contribute towards the service we are able to offer to our end customers."

Banks have to see the value in LIXI

The MFAA's Naylor

acknowledges the slow pace of lenders adopting LIXI standards.

"I don't know that that's necessarily because they don't want to," he said.

"I think probably in some cases they haven't seen the value.

"We do recognise that changing a way a large lender does something, you do need to have a very strong business case.

"Part of the white paper being produced [by LIXI] is hopefully going to bring that business case forward to engage people and demonstrate to them that 'look if you do adopt LIXI standards right through out your whole process you will operate more effectively'."

Curtis Brager, commercial director at Nextgen.Net, a technology developer and service provider, agreed.

"We understand that the banks are busy and it's really a case of making the business case and saying 'OK here's why this is good for your business'," he said.

"That's been one of the challenges facing LIXI over the last year or two and it's an area that we think is quite critical to its



"As the development of new technology is often costly and time consuming it is always important to ensure that investment in this area seeks to best serve the needs of various customers and provide advantage where possible."

Glenn Haslam, head of specialist distribution, ANZ

success or failure.

"It's a question of explaining to the banks in a way that they can understand, saying 'it's not a direct one-for-one cash savings, it is however a way to improve your business and that will save you money'."

Mortgage Choice's Lahiff said using the standards would increase the profitability of the broker channel by improving the reconciliation process - improving first time payment to brokers - and reducing queries, thus having less staff time wasted on

providing settlement evidence and responding to broker queries.

"In addition, less broker time will be spent chasing unpaid items and there will be more time selling," he said.

"It produces a more satisfied and productive broker network."

Australian Financial Publications, publisher of *Australian Banking & Finance Magazine*, will host the second annual LIXI Industry Forum for LIXI members and other professionals in the Australasian lending industry on Wednesday, September 10. The forum will

bring together thought leaders and decision makers from the broking, lending and technology communities for this one-day event, which will address the value from standards in a changing mortgage landscape.

LIXI sets its gaze upon banks

CONTINUED FROM PAGE 1



Incoming LIXI CEO Erik Fenna

next level.

"Having served on LIXI's board and as chair of its technical sub-committee, I am acutely aware of the challenges ahead for LIXI as well as the truly exciting potential that exists to make a fundamental difference to lending industry practices and efficiency," he said.

"I think it's important that the banking community appreciate that LIXI takes efficiency improvement

seriously.

"I come from a business background as much as a technology one, and so I have an understanding and appreciation of what the business requirements of the banks are."

Fenna will present the findings of research undertaken by LIXI in a keynote presentation at the LIXI Industry Forum next month.

While declining to detail the

White Paper's finding, Fenna said: "There's every indication in all of the research that there's substantial savings to be made through standardisation and the business-to-business engagement with suppliers and all the related parties.

"There's money to be saved and the paper is consistent in that."

"Everything that we've seen points to savings through standardization."

Fenna acknowledged that technical aspects usually flowed from discussions about LIXI and said he was looking at putting a business focus on the discussions so banks could understand them.

"LIXI and technology have been associated for a long, long time," he said.

"I want to move that away from LIXI and technology.

"Obviously technology is the key and nobody's going to deny that.

"But the key to success isn't technology. The key to success is understanding the business, demonstrating that LIXI understands the business requirement that our members have, and then delivering on those requirements."

Porges warning to banks: karma will bite

CONTINUED FROM PAGE 1



Aussie chief executive, Stephen Porges

the non-bank groups. They are the more robust business models.

"There are some that are struggling themselves and therefore really are just trying to cut all the non-banks off because they don't have access to any funding themselves.

"Some of them will struggle when they [non-banks] come back.

"It's about trust and it's about partnerships.

"Some of the banks have thought this is a great time to kick non-banks. That's absolutely not correct.

"Now is the time for everyone to sort of protect their patch a bit but really it's a time to work together and make sure the overall financial industry is robust through this time."

Porges said the role of the Mortgage and Finance Association of Australia (MFAA) during these tense relationships between brokers and lenders was

important.

"They are playing a very vital role of coordinating a lot of the groups," he said.

"And that is obviously important and obviously with James [James Symond, president of the MFAA Board] we're in the middle of all that."

Upon Porges's appointment, Aussie founder John Symond said he was looking at taking advantage "of growth opportunities presented by current market challenges" and saw Porges's role as vital to achieving that goal.

"Stephen brings a proven track record of strategic business acumen to grow our business," Symond said.

"He is a strong leader, committed to galvanising our team to achieve the goals of the organisation, including our expansion into a range of other financial services and products."

Norris predicts gloom to continue

Commonwealth Bank chief executive Ralph Norris has predicted the uncertainty surrounding the global markets to continue.

He offered the forecast after revealing the bank had lifted its profit for the year ended June 30 by 7 per cent to \$4.791 billion.

"The headwinds which the Australian banking industry experienced in the 2008 financial year are expected to dominate the outlook for global banking for some time," he said.

"Uncertainty and volatility in global credit markets will continue to place upward pressure on funding costs.

"While the domestic economy

remains reasonably resilient, credit growth is expected to moderate as this slowing in the economy impacts our customers. While these broad trends are clearly evident, the duration and extent of the slowdown is more difficult to predict."

Norris said the bank was cautious going into the 2008/09 financial year.

"We are cautious going into the new financial year and the group will continue with its conservative stance until signs of improvements in economic conditions are evident," he said.

"The group's capital position is strong with capital levels well above target ranges."

Norris also announced that it had withdrawn from discussions with Royal Bank of Scotland to acquire ABN AMRO Australian Holdings Pty Ltd.

"The bank advises that it has made this decision after its board assessed the current economic climate, the uncertainty in world financial markets and the risks involved in integrating these complex businesses at this time," CBA said.

"The bank believes that given these factors it would not be in the best interests of shareholders to proceed with the acquisition in this environment."