

Bettering the broker path

The move by National Australia Bank to require brokers to lodge all mortgage applications electronically next year is keenly awaited given what the bank, and the industry, has experienced so far.

By Andre Khoury



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John Flavell, head of broker sales, National Australia Bank

National Australia Bank’s head of broker sales John Flavell says its online application service to brokers had “exceeded expectations” despite only being launched in December.

“It has met if not exceeded expectations, and in terms of the actual implementation, the time that it has taken and the cost, there are not many IT programs that you go through where you under-spend and deliver before time – this is a project that has,” he says.

“The experience has been very positive from a broker perspective and we’ve seen some very strong volumes.”

Flavell says despite initial resistance from some brokers the majority of the feedback he has received was positive.

“There are some brokers that have said ‘we won’t do it, we never have and when you guys go that way then we will stop doing business with you,’” Flavell says.

“Some of those people we’ve had discussions with and sat them down and shown them how to use the system and they understand now it’s easy and there are some significant benefits associated with it, so we’ve been able to convert quite a few people.”

NAB was the last of the major banks to take up electronic lodgments but Flavell says the bank has not experienced any downtime despite being ‘the last cab off the rank’.

And from the beginning of next year NAB will require that brokers

lodge all mortgage applications electronically.

“Realistically we’ve probably achieved in 18 months what it took a lot of other people maybe three or four years to do,” he says.

“We learnt a lot during the process.

“Obviously some of the people within our team that were associated with establishing our capability had experience working with other groups to build that capability.

“Then there are some of the technical sorts of challenges and pitfalls that you avoid repeating by virtue of your experience.

“The other thing is that there’s obviously benefits whereby when you’ve actually completed your integration then you’re operating on the latest versions of standards, so that means in terms of functionality and capability of the environment we are operating, we are at the leading edge...obviously with each version then the functionality is enhanced.”

Flavell made his comments after participating in one of a number of panel discussions and presentations at the second annual LIXI Industry Forum last month.

LIXI was established to develop e-commerce standards and remove barriers to electronic data exchange within the Australian mortgage sector.

The majority of Australian banks implement LIXI standards in the electronic lodgment process of a mortgage application.

Benefits from adopting LIXI

Flavell told the forum the fact that LIXI standards had been established and that they were heavily supported by the industry was an “enabler” for NAB to take up electronic lodgments.

“The other things that the standards allowed us to do was that – whilst we may be the last in – we’ll certainly be the first out in terms of paper-based applications,” he said.

Flavell acknowledged that the move had promoted criticism that NAB was running the risk of isolating certain broker groups by moving to 100 per cent online lodgment.

“To answer that I’d say that the standard is very well recognised, it’s very well used,” he said.

“And we’re in a position now that if a broker actually has the desire to lodge an application electronically then they can do that whether that’s through their aggregator or through a lender.

“So the standard enables that. “In terms of potentially isolating

brokers by not taking paper-based applications, then that may well indeed isolate some brokers. But I think that if you’ve got a system that you operate whereby you take the bulk of your business through an efficient electronic channel and you still operate a system whereby you service a minority through paper-based-type applications, then the vast majority of people are paying a heavy penalty for slow adopters.

“So we’ve been able to take that aggressive stance because of the standard.”

Kathy Cummings, executive general manager, third party banking, Commonwealth Bank of Australia, told the conference the bank has seen the numbers for electronic lodgment jump from 65 per cent 12 to 18 months ago to 89 per cent.

“LIXI for us is not up for discussion,” she said.

“It is well understood with inside CBA.

“We are absolutely engaged

in it and see it as a vital part of sustainability for the industry.

“We’ve incorporated it even into our proprietary home loan systems.

“We have put a lot of effort, resource, though, behind training in the field to make sure we do get that electronic lodgment up.”

Kirk Pitman, head of strategy and channel development, third party and specialist distribution, St. George, said while the bank had derived benefits from implementing LIXI standards in the electronic lodgment process, “there was some constraining of those benefits”.

“Mostly because we only saw about 25 to 30 per cent of brokers wanting to use their front-end systems,” he said.

“So although we were very engaged and very involved in getting the transfer of data from those front-end systems we didn’t have a lot of involvement in perhaps the usability of those front-end systems.

“Until we

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threw some incentives on the table in the guise of commissions we really were only seeing 30 per cent of traffic coming through.

"And that's a problem in our processing areas because the dominant processing mechanism was faxed documents and we had a minority of people working on the electronic lodgment processes.

"We think we are going to see a pick up definitely in the next 12 months in the benefits coming through."

Glenn Haslam, head of specialist distribution, ANZ, told the forum that while online lodgment was "fantastic, we've got a lot of work to do to actually bridge the gap between straight-through processing, automation".

"We've got an awfully big factory at the moment that's actually making this all look as seamless as possible," he said.

"We need to bridge that gap between what's coming in terms of actually getting that straight-through processing, whether it's imaging and workflow, which we're doing a lot of work on.

"But in the end that's where the big chunk of work is and in terms of getting priority investments, that's the tough bit.

"But we've certainly benefited [from adopting LIXI standards]

and we're going to use it to our advantage in all our learning that we've picked up."

'Visibility' of LIXI within banks

Flavell said the LIXI standard was well understood within NAB.

"We are one of those large organisations that are going through a core infrastructure replacement... one of the filters that you actually apply to the vendor selection as far as those services are concerned is the ability for those systems to actually work with the LIXI standard," he said.

"So it's got visibility all the way up the chain and it's a filter that we make some of our significant decisions through."

Cummings said adopting the LIXI standard was a "no-brainer".

"It's all about efficiency and data quality," she said.

"For anybody who has ever been in a mortgage processing shop and looked at the handwriting of applications - sometimes you need mental telepathy to figure out what some people are writing on applications.

"Obviously your error and your re-work rate has to drop dramatically as soon as it's electronically lodged.

"Your data quality improves.

"Admittedly if you don't interpret the right information

correctly you will still not get the right outcome, but you really increase your chances of getting to a favourable outcome by using electronic lodgment.

"We're driving to still get another \$200 an application out of our processing shop."

Haslam said while managements' view of the value of LIXI would undoubtedly benefit from a good return on investment, it wasn't all just 'dollars and cents'.

"One of the key things within the business is the fact that there is a customer at the front of all this," Haslam said.

"And if you can get to a 'yes' more quickly, more efficiently, that's seen as a positive; that's what LIXI provides."

How can LIXI add value to banks?

Haslam said while ANZ was a long-time supporter of LIXI he'd like to see the technical language associated with LIXI watered down.

"A common language for online origination," he said. "That's pretty much all it is.

"There's something we can potentially do - certainly within the senior ranks of the industry - to make it clearer so we don't go running around with jargon.

"What it is all about in the end is actually making things better for the customer. If you talk that language we'll get everyone's attention in the business."

Cummings said the LIXI board needed to "demystify" itself.

"LIXI needs to step up and set its own agenda clearly," she said.

"It needs to understand what it wants to achieve, demystify itself.

"Far too often you hear really ill-informed comments around the broker space [about LIXI]...they don't understand it.

"So there's a big PR piece that's needed, LIXI needs to set the agenda and drive the industry with it.

"LIXI's certainly got the commitment from the major players to do that."

Flavell said: "The opportunity is



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Glenn Haslam, head of specialist distribution, ANZ

"In our world when we're talking about electronic lodgment or anything like that we're talking about LIXI. It's not going to solve all of our processing problems... it is the common language that we use in this industry."

Kathy Cummings, executive general manager, third party banking, Commonwealth Bank

to turn around and have a standard that enables a broker to have a broader level of visibility in relation to their customers' accounts and move to a position whereby you can enable the broker as much as

is possible to transact on behalf of that customer.

"A solid, robust industry standard such as this is a key to delivering that."

ANZ dreams of being a 'super regional bank'



ANZ has overhauled its business model and organisation structure in the hope of becoming "a super regional bank".

The new business model will see the bank organised around its three geographic regions - Australia, New Zealand and Asia Pacific.

It will retain its institutional

division and establish a new wealth division over time.

"We have a clear strategy to create a super regional bank," ANZ chief executive Mike Smith said.

"This business model creates the right structure to deliver on that strategy, to intensify customer focus and to drive our

performance."

As part of the reorganisation, Brian Hartzler, current group managing director of ANZ's personal division has been appointed chief executive of its Australian operations, Graham Hodges as chief executive of New Zealand and Alex Thursby as chief executive of Asia Pacific.

Thursby will also be acting head of the bank's institutional division, until a permanent appointment is made to the role of group managing director institutional.

Margaret Payn has been appointed to a newly created role as group managing director of strategy and marketing.

"We are coming off the back of 15 years of economic growth into a very different environment," Smith said.

"Our new structure puts ANZ into the best possible shape to take advantage of this new reality and accelerate our progress towards becoming a super regional bank and more customer-focused."