

A desire to compete against bank dominance and an impregnable commitment to the broker channel has seen this innovative mortgage manager carve out an enviable niche. *Tim Neary* talks to CEO Garry Driscoll

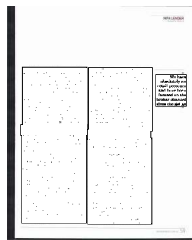
It was Napoleon Bonaparte who originally said that if you want something thing done well, you have to do it yourself. And this was precisely what Mortgage Ezy's executive chairman and cofounder Peter James decided when it first struck him as a good idea to pass leads on to mortgage brokers. As a financial planner at the time, he felt the service his referred clients were getting was a bit ordinary.

So to give them the attention he felt they

deserved James began operating as a loan writer himself, and began to organically grow the new business division into an independent mortgage management operation.

These days Mortgage Ezy is still very broker-focused, with all of its business procedures geared towards the broker channel.

"We have absolutely no retail presence and have been focused on the broker channel since the get go," says Garry Driscoll, CEO at Mortgage Ezy.



And to demonstrate that he is as good as his word, one of those business procedures stipulates that leads generated from any direct contact – such as a client's anniversary call – are referred back to the originating broker. "That is a little bit different from the approach adopted by most of the majors at the moment, where as soon as a broker walks a loan into a branch, it then becomes their loan. Instead we see ourselves as going in as partners with the broker," says Driscoll.

In Driscoll's own words Mortgage Ezy is committed 'to being different'. "All that we do revolves around making us different from anyone else. Peter [James] didn't want Mortgage Ezy to model itself on someone else. He thought it should be as individual as possible," he says.

Business unusual

Mortgage Ezy's business has been as hurt by the global credit crisis as everybody else has been.

Yet, Mortgage Ezy has used the challenging economic conditions as a platform to be more aggressive in growing its business.

The lender is advertising more, increasing sponsorship, and even introducing new products.

Recently Mortgage Ezy introduced its YZ3 product. It offers both a variable and competitive fixed rate, and attracts zero fees.

"Brokers tell us they love the product because they needed a like-for-like program to compete with the banks – and we have been delighted with the response," says Driscoll.

At the time of launching Driscoll wanted around 20% of total wallet from it. And, so far, the new product has done better than that.

Also, Driscoll attributes an overall increase of around 50% in total applications at Mortgage Ezy to this product.

In addition, its fixed rate product – launched a short while ago courtesy of the government support package for the non-banks – attracted interest in the mainstream media.

"At 3.99% fixed for one year, it was probably the lowest rate in the market for 20 years. Nowadays 3.99% is not exactly normal, but it's not quite as sexy as it was a couple of months ago," he says.

Rates and products aside, giving brokers flexibility is a key feature of its distribution model.

Mortgage Ezy pays commissions according to a wholesale model. A broker gets a rate, and they can determine from that how much they get upfront and how much in trail – within certain parameters.

"It's up to them to decide the best way to go," says Driscoll. And Mortgage Ezy makes a point of paying out commission cheques quickly – a source of pride for the mortgage manager.

"We pay 98% of upfront commission within three days of settlement – and 34% of that within 24 hours of settlement," he adds.

Sharing the load

Many hands do indeed make light work – but only when they are diligently selected in the first place.

Finding the best people possible is the first key to managing a successful financial services company, according to Driscoll.

"Employ them, train them and motivate them with a career path they can follow," he says.

In addition he focuses on two more strategic drivers: the first is found on the profit and loss statement of the company financial statements.

"It's really important to know what your margins are and where your expenses are – particularly in the current environment," says Driscoll.

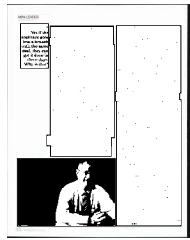
The other involves active listening.

"You need to know what your customer wants. Not what you think they want – what they actually want," he adds.

To this end Mortgage Ezy constantly monitors its performance. It takes regular feedback from business partners to make triple sure of what its partners really require.

It's all about communication, says Driscoll. "We do a newsletter to keep them up-to-date with

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products and changes in the market, and have online surveys and small focus groups to constantly engage with our business partners.”

Good publicity

There's little value in delivering a world class business if no one knows what it is, or where to find it.

So to spread the word Mortgage Ezy style, Driscoll relies on a four part marketing plan.

He advertises in trade publications, sends out newsletters and regular SMSs, seeks out referrals from brokers, and participates in industry events.

“We're strong supporters of the MFAA conference and any other brokers' forum or convention events. It is a great way of getting our brand out there,” says Driscoll.

So which is the most effective?

Actually, no one is better than the other, says Driscoll.

“Success depends on what you are trying to achieve. Trade publications are effective if you're looking for brand awareness, SMSs are the most effective call-to-action-campaigns because they are immediate and personal, and industry conferences are a great way of establishing new business partners because you get the opportunity to have a proper conversation with somebody who has the time to enquire about your business's products and services.”

David vs. Goliath

When your arch rivals have a longer reach than you do, it's a smart idea to know where to locate their vulnerable points.

Mortgage Ezy wants to compete with the bank lenders head-on and Driscoll feels their Achilles heel has got to be in the service space.

For instance, he knows it will take him just three days to complete tasks that the banks draw out over three weeks.

“Often loans submitted to Mortgage Ezy are submitted, approved, settled and have the commission paid out before the bank has even come up with a conditional approval.”

Driscoll feels he hasn't seen service levels this poor in all his time in the industry – so much so that he questions the banks' long-term commitment to the broker channel. “Consider that loans submitted by brokers to banks can take three weeks to get assessed. Yet if the applicant goes into a branch with the *same* deal, they can get it done in three days. Why is that?” he asks.

Back to the future

Yet, it is this poor service that spells out the brightest future for the mortgage management industry. Driscoll has no doubt about it: it is simply because people will still want an alternative to the banks.

“Right from the very beginning the co-op housing societies competed with the banks. And while their market share was reasonably small, those co-op housing societies developed over the years – through building societies into the mortgage management industry today,” he says.

However, limited access to flexible funding sources still is a major concern for mortgage managers.

“Flexibility in products has been one of the great advantages non-banks have had in the past, but with the lack of liquidity in the RMBS space this flexibility has been cut back somewhat – making high LVRs and low doc loans no longer available.”

But the reality is there is a huge amount of money tied up in superannuation funds. When this money starts looking for a new home the opportunity is open for it to find its way back into residential securities.

Driscoll's hope is that funding will free up by the end of this year – although even if it does herald the return of buoyant trading conditions he can't see the market returning to the glory days of “180 point spreads and high value products”.

“What will come out of the crisis is that there will be fewer mortgage managers. But those that come out the other end will be a lot stronger, and a lot smarter.”

And that, he says, is certainly something to look forward to. **MPA**





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Garry Driscoll (left)
and Peter James