

Should there be an industry standard for packaging deals?

Since the Financial Services Amendment Act (FSAA) came into effect on 15 March, advisers are more accountable than ever before, especially when it comes to their duty of care towards their clients. It's not just advisers that are affected by these changes. Lenders also need to look at their obligations and think about whether they're providing enough education around their products and credit criteria.

Bringing in an industry standard for advisers when packaging deals could be a simple way to create more efficiency, improve turnaround times and conversion rates, and help advisers better meet their obligations towards their clients.

The current state of loan application conversion rates

The conversion ratio of applications to settlements across the NZ market is currently very poor, averaging around 35-45%. In comparison, conversion rates in AU sit at around 60% or higher. There are a few possible reasons for this:

1. It might be that advisers are submitting applications to multiple lenders at the same time.
2. The lending landscape is more complex in NZ with less certainty around the credit risk appetite of lenders in an ever changing market.
3. There is a lack of consistency when packaging applications, making it difficult for lenders to make an informed decision.

The third reason is an issue that Peter Wood, Bluestone's NZ Managing Director is very familiar with, as he says.

"Industry-wide, the way deals are packaged could really use an overhaul. We still see a lot of applications that are missing essential information. As a responsible lender, we really can't make a decision without knowing the full story. What's needed is an industry standard requirement

that says, irrespective of lender, when you send us a deal, here's the mandatory information. The use of technology such as electronic bank statements, online verification of identity should be embraced and utilised to support these applications quickly and efficiently."

An industry standard for application packaging would mean less back and forth between advisers and lenders. It would save everyone time and help advisers meet their duty of care obligations to their clients.

Baden Martin, Head of Mortgage Adviser Distribution for ANZ New Zealand agrees on the need for an industry standard. He says,

"Bank decision times are impacted by the proportion of applications that result in deferred credit outcomes. Standardising the requirements for home loan applications across lenders could potentially reduce defer rates. This would benefit all parties in a home loan application through improved credit decision times and higher rates of client satisfaction.

Under the new CCCFA guidelines everyone has a part to play to ensure product recommendations meet robust customer suitability and affordability requirements. By working together and creating consistency across lender expectations we can help improve the home loan experience for all parties."

What would a mandatory industry standard for packaging look like?

Here's an example of what a mandatory industry standard for packaging could look like:

- Fully completed loan application form signed and dated with the appropriate declarations.
- Complete diary notes with clear requirements and objectives.

- ID for all applicants (with signatures that match declaration).
- Sales and purchase agreement (if applicable).
- Latest income documents
 - » Last two payslips if PAYE.
 - » Last two years' signed and dated financial statements for self-employed borrowers.
- Trust deed (if applicable).
- Most recent three months' personal bank statements for all applicants.
- Most recent six months' mortgage statements on owner occupied, or most recent six months' rental statements from property manager, or six months' personal bank statements clearly showing rent paid.
- Most recent six months' mortgage statements for all loans being refinanced.
- Most recent statements for all debts being refinanced.

Right now, advisers are not helped by the fact that every lender has different criteria and documentation requirements, so this would need to be an industry-wide measure.

Brendon Smith, CEO of NZFSG agrees.

"As a group we are all about putting customers first, with current turnaround times being one of the biggest challenges for our industry right now anything that would help reduce these and provide more certainty for customers should be considered.

In our view having a set standard across the industry to reduce re-work, enable quicker decisions will ultimately improve the customer experience as well as being more efficient for all."

As we move to a more regulated financial services industry in NZ, we all need to start looking at what we can do to provide a better service to clients and make sure we're meeting our obligations.



Success at the first New Zealand Mortgage Awards

As proud supporters of the New Zealand mortgage industry, Bluestone was excited to be the official event partner of the very first New Zealand Mortgage Awards (NZMA) in February.

Recognising and rewarding achievements in our industry is always important, and even more so after a global pandemic. Our partnership with NZMA was a great way for us to show our support and recognition of the tough year it's been for advisers. While New Zealand has emerged from the last 12 months in better shape than most, advisers still face a number of challenges with many Kiwis impacted economically.

The winners were announced on 23-25 February, with individuals and businesses across 16 categories recognised for their contributions to the industry over the last 12 months. We had plenty of reasons to celebrate as our very own Luke Roberts and Maree Maxwell receiving excellence awards in the same category. Bluestone also received an excellence award for NZ non-bank of the year.

Congratulations to all the NZMA winners and nominees for your incredible contribution to the industry!



Deal of the quarter

We recently helped an applicant who was single with three young children. He had aged defaults on his credit file, but was able to secure a Near Prime home loan. He was also able to use 100% of his overtime on the 85% LVR deal.

The broker was able to get a fast turnaround time through their excellent packaging of the deal. As a hard working factory employee, the applicant was able to secure a stable home environment for his three young children, while decreasing his monthly financial commitments (only by \$6 at stress but every little helps!)

This great deal outcome was helped by the BDM assisting the broker every step of the way.

Meet our team!

Here at Bluestone we're all about supporting advisers, so we were very excited to have two new business development managers join our Auckland team last month. Welcome Aaron and Keryn! Here's a little bit about them both.



Aaron Taylor

Aaron comes from Pepper Money and has relocated to Auckland to take up the role of Business Development Executive. With a strong background in customer service and credit policy, Aaron is highly regarded among the adviser network and will be a great asset to the Bluestone team. Aaron will support advisers across the country, with a particular focus on educating advisers new to Bluestone on how the company can support them.



Keryn Allan

Keryn joins us from AMP where she was a Financial Adviser, bringing 10 years of Financial Services experience with her. She chose this industry as she wants to make a difference in people's lives through financial literacy. Keryn will be a Business Development Manager, covering Wellington and the lower North Island.



We've moved!

On March 29, we moved into our shiny new office at:
Level 21, 151 Queen Street,
Auckland.

*Check out
the view!*





Recent accomplishments

The lending team is responsible for assessing home loan applications, checking all the supporting documentation is correct and following up on anything that's missing or that needs further attention.

It's been a busy quarter for the lending team, with five new team members starting in the space of a few months. This is great news for advisers as it means we can keep up our fast turnaround times and make sure we get back to you with a decision sooner rather than later.

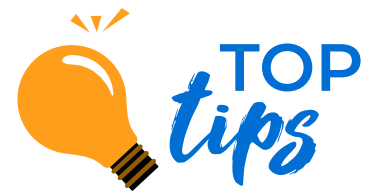
Team spotlight - Lending

We love introducing our advisers to the people who work behind the scenes to keep Bluestone ticking along. This month, we'd love you to meet the people who make the final decisions on your home loan applications - the lending team.



FUN fact

We are a team of many talents: One of our lending managers, Ashleigh Houltham, is the captain of her Division 1 hockey team. Harpreet is a chartered accountant. Shireen is a baking extraordinaire and makes some of the finest shortbread. The rest of the team are either keen cooks and/or foodies and we share many air-fryer recipes.



Top Tips from underwriters. Use the loan application checklist when submitting deals to ensure a more prompt turnaround time.

WHAT'S next?

We have some exciting credit policy changes in the pipeline - watch this space!



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