FINDING OPPORTUNITY IN CHOICE AND SERVICE

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It's an exciting time for the non-bank and adviser markets alike. But how can advisers best capitalise on the new boom? *NZ Adviser* talks to **Peter Wood**, Bluestone's managing director – New Zealand, to find out

THE NEW ZEALAND mortgage market has grown progressively more complex, in part due to loan criteria becoming both more restrictive and esoteric since the GFC in 2008. Tighter lending restrictions have helped avoid another crisis, but they also risk excluding New Zealanders from the housing market simply because they don't fit a standard profile.

Accordingly, more prospective borrowers are seeking the assistance of mortgage advisers to maximise their chances of securing a loan. By extension, non-banks are also growing in popularity as advisers look to alternative sources to aid their clients in securing loans. Peter Wood, Bluestone's managing director – New Zealand, believes the economic fallout from the COVID-19 pandemic will likely have an effect on future use of such services too.

"Lots of people have been left with short-term debt and will be looking for a way to consolidate it," says Wood. "Banks aren't necessarily going to see that as fitting into their risk profile, so it's a chance for advisers and non-banks alike to boost our collective profiles and offer competitive positioning."

Wood believes it's a prime opportunity to demonstrate the capabilities of both services. It's an exciting time, he says.

"I think it's fair to say that all of the major banks are pretty well established, so people often aren't thinking outside of them," says Wood. "But that presents an opportunity for us to build on that solid base. If we're smart, and tackle it in a sustainable fashion, there's lots of opportunity."

Currently, Wood notes, non-banks represent less than 1% of monthly finance flow in the New Zealand mortgage market. They don't currently have the same profile as they do in neighbouring Australia. Advisers are also comparatively underutilised, making up around 35% of current flow in New Zealand, in comparison to over 50% in Australia. Wood believes that at least part of the difference can be attributed to PR.

"In Australia there've been a few prominent public figures who have really taken the reins," says Wood. "They've created a positive image around the sector; it's difficult to say whether it would have worked in exactly the same way here, but I think we've got enough similarities with them as a market to clearly see that there's growth potential."

One of the key differences, Wood points out, is that non-banks enable both advisers and borrowers to reach a far broader range of products. Their credit criteria don't need to be nearly as restrictive or to fit a predefined profile, and this enables greater access to finance for a broader range of clients.

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"Ever since the GFC, banks have increasingly leaned towards the idea of standard borrower profiles," says Wood. "They have also taken a few pointers from the financial services royal commission in Australia. It's understandable on some fronts, but it's also meant that there are plenty of people who are more than capable of making repayments but just aren't able to access loans."

Self-employment, prior credit issues, temporary unemployment and any number of other personal circumstances can all lead to people deviating from the "standard", he says.

"It's a more significant group of the population than you might realise, and it's only ever going to increase. There's no guarantee that banks aren't going to grow more restrictive in their criteria either."

Still, Wood is optimistic. He's a staunch believer that COVID-19 – for all the disruption it's caused – has presented advisers and non-banks with an opportunity to demonstrate their value to clients.

"I think one of the best things to emerge from this period is just how effective tech can be in facilitating communication when you can't meet face-to-face," he says.

"I certainly don't want to do away with face-to-face communication altogether by any means, but I do think it's become clear that we weren't using tech as effectively as we could have done previously."

Now more than ever, there is an opportunity to embrace efficiency, Wood says. Features like e-applications are becoming increasingly

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Bluestone.

Bluestone is a fast-growing lender specialising in residential home loans. Bluestone started out as an Australian lender headquartered in Sydney in 2000 and first started operating in New Zealand in 2002. With no credit scorecards and a holistic approach to loan assessment, we are able to find the right home loan for more borrowers by assessing each situation on its individual merits. Our New Zealand advisers are supported by a best-in-class BDM team who provide face-to-face training and support across the country. To find out more, visit www.bluestone.net.nz.

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common, as are remote identity verification and e-signatures. Such innovations reduce the potential for fraudulent activity from the lender's point of view, while also increasing productivity and reducing turnaround time. These have been thrust on many providers by necessity during the COVID-19 pandemic, but Wood believes they're going to continue to have a significant influence moving forward.

> "You don't ever want to be in the set-and-forget position … We think the ongoing service proposition is really critical. It's what's going to make the difference in the long run" **Peter Wood, managing director – New Zealand, Bluestone**

"It's simple and easy to use from both the customer's and adviser's point of view," he says. "The tech's there; businesses just haven't always been willing to adopt it until they had to!"

Additionally, Wood sees technology as enabling increased access to non-bank and advisory services for people who might not otherwise have access to them in their local areas.

"New Zealand's a small country, but it's remarkable how remote some of our communities are," he says. "We've got the technology to be able to reach more people than ever before now. People shouldn't feel restricted to just the options in their immediate vicinity.

While the onus is on individual businesses to adopt tech, Wood also believes that aggregator groups should be pushing for better options.

"At the end of the day, it's their responsibility to deliver value to their members, and tech is part of that," he says. "It's an opportunity to set new standards around best practice and provide better service all round."

Providing a better borrower and adviser experience though technology is a topic close to Wood's heart. Last year, Bluestone, in collaboration with NZ Financial Services Group (NZFSG)/Loan Market, was the first lender in the New Zealand market to offer straight-through loan processing via a MyCRM3 integration for a joint white label program under the banner Select Home Loans.

This integration allowed for a faster, more convenient loan application process and improved turnaround times as a result.

Looking ahead, Wood is eager to build new bridges with the adviser community and expand on existing ones.

"Adviser education is a really critical consideration for us," he says. "There are still lots of advisers who haven't necessarily worked with non-banks before, and we want to ensure that we can provide them with all the tools and information that they need."

In practical terms, Wood says it's down to having the right people in place around the country – whether online or face-to-face – and equipping advisers to be able to sit in front of the customer and position themselves as subject matter experts, while also providing better service in the process.

"The world's a bit more complex at the moment, and communication is critical," Wood says. "We want to be able to provide advisers with the tools they need, and be able to discuss with credit assessors any given deal – so if we're asking for additional information, we need to be clear on why."

All of this is an ongoing process, Wood says. Raising awareness is one thing; maintaining it is another.

"You don't ever want to be in the set-and-forget position," he says. "A lot of the banks are so big they think they don't need to work for people's business any more, but we think the ongoing service proposition is really critical. It's what's going to make the difference in the long run."