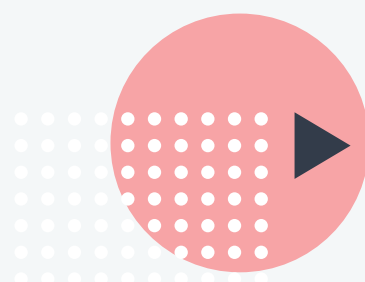


HOME LOAN STUDY

WHAT DRIVES BORROWER LOYALTY AFTER SETTLEMENT?

By **Paul Smith**

Head of Broker Channel, ActivePipe



Study Overview

How loyal are home loan customers to their previous broker?

How do people choose the way they get their next loan?

To find out the answer to those questions, we conducted one-on-one interviews with 40 Australians who had a mortgage – 25 broker customers and 15 direct-to-lender customers.

We also wanted to understand:

- What sort of experience borrowers have with their broker or lender after settlement
- How brokers can maintain trust with their clients after settlement
- How email marketing can strengthen (or undermine) that trust

During the first half of the interview, customers were asked about their experience with their broker/lender. We wanted to know:

- How their broker / lender stays in touch with them
- What sort of emails they receive from their broker / lender
- Whether they like and remember these emails
- What sort of content would help them make better decisions about home loans and property goals
- How often they want to hear from their broker
- How they plan to get their next loan

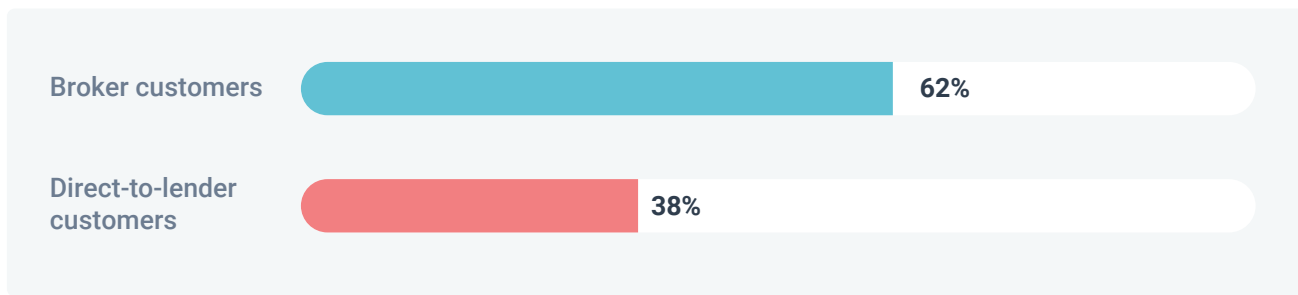
During the second half of the interview, customers logged into a pre-built email account (shown below). They were asked to imagine it was the end of the day, and they had 15 minutes to sort through their emails. We wanted to know which emails they'd open, and why. Once they opened certain emails we watched how they interacted with the content.

Primary	Social	Promotions
<input type="checkbox"/> ☆ Refinancing surges as rates tumble Reno revival Investors get tax warning Houses v units - Hi Paul , In some ways, t...		
<input type="checkbox"/> ☆ Interest rates have dropped - find out who's taken the no.1 spot - Hi there, As 2020 comes to a close, interest rates have...		
<input type="checkbox"/> ☆ Paul, Compare top home loan rates available today - View online if you are having trouble viewing this email Hi Paul, Ho...		
<input type="checkbox"/> ☆ Paul, which way is the property market heading during these uncertain times? - View online if you are having trouble vie...		
<input type="checkbox"/> ☆ Do you want a free property or suburb report? - Hi Paul, Performing research has never been more important when you'r...		
<input type="checkbox"/> ☆ Encouraging Property Research Data 2 Important Tax Changes Repayments Switching Back On - Hi Paul, There's new...		
<input type="checkbox"/> ☆ The Property Market In 2020: What Lies Ahead? - CoreLogic has released its March Quarter Property Market & Economi...		
<input type="checkbox"/> ☆ Less than 3 hours to go! - Paula - This is your last chance to WIN a FREE trip to Italy on us... 0458 688 886 www.katrinap...		
<input type="checkbox"/> ☆ Breaking News - The RBA has just made an announcement to help Australia's economy combat COVID-19 - Paula In ext...		
<input checked="" type="checkbox"/> ☆ Panic and Financial Solutions Don't Mix Well... - Paula We are here to help you make educated and informed d...		
<input type="checkbox"/> ☆ Paul, breaking news - Interest rate update - Tuesday 2 June 2020 Hi Paul The cash rate decision for June has been ann...		
<input type="checkbox"/> ☆ 5 misconceptions of getting a loan 🏠 - Hi Pavel, Ask around about home loans and you'll get different advice from ever...		
<input type="checkbox"/> ☆ Property market gets good news Govt goes big on infrastructure Biz receives tax gift - Hi Paul, As we count down the...		
<input type="checkbox"/> ☆ Paul, what's the (credit) score? - Hi Pavel, A glowing credit history is a real asset when you're planning to borrow. Wheth...		

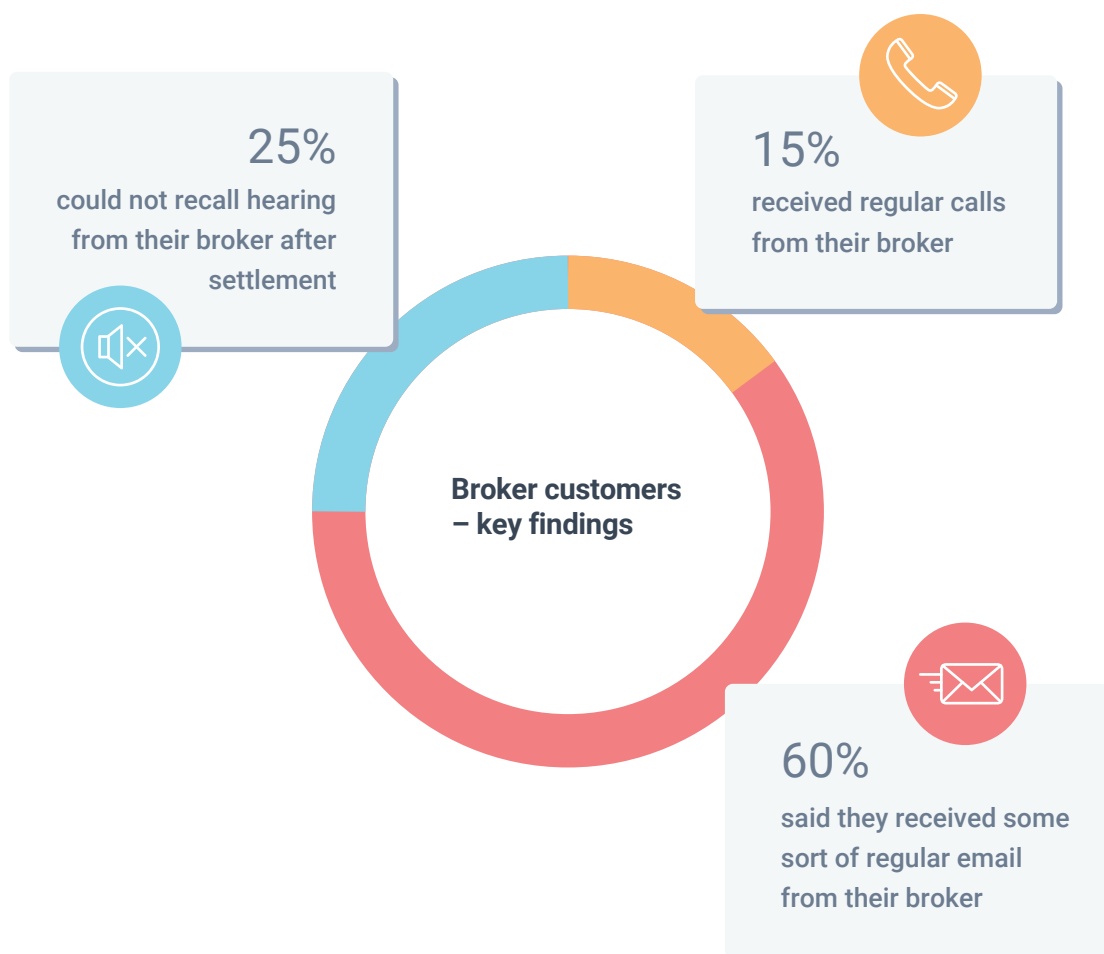
Key Findings

Overview

Our focus group had two types of home loan borrowers:



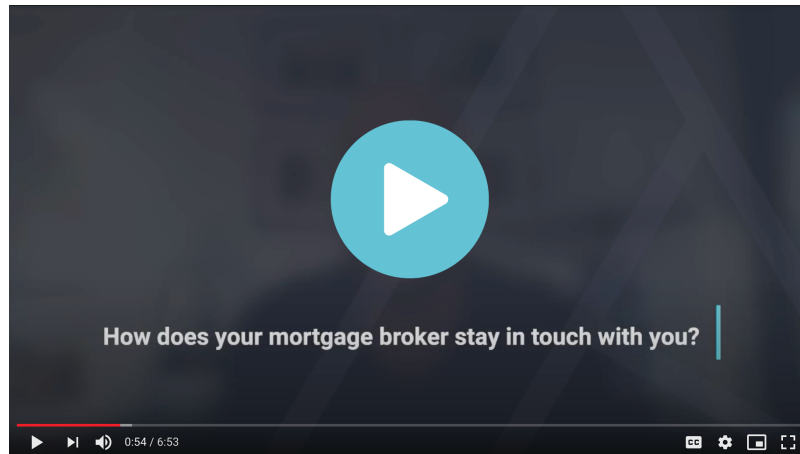
Here is an overview of our findings for broker customers



Clients who receive regular calls from their mortgage broker:

- ✓ Have the highest level of trust with their broker
- ✓ Are less likely to open rate-based emails from rival brokers or lenders
- ✓ Are more likely to show rival offers to their broker

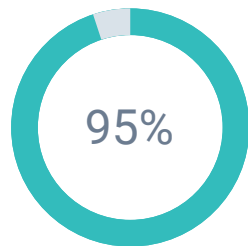
Watch and listen to some of our broker customers in the study



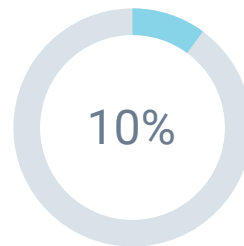
The most common emails customers reported to receive from their brokers were RBA updates and birthday wishes – but these hold little value for borrowers. Borrowers who receive only RBA and birthday emails would likely use the same broker in the future, but would switch if they found a better offer or broker.

If borrowers don't hear from their broker after settlement, even the ones who had an outstanding experience would be open to shopping around for their next loan. Borrowers feel little loyalty to brokers who don't maintain contact. However, 'ignored' borrowers still like the idea of brokers in general, so they're open to pursuing email offers from other brokers.

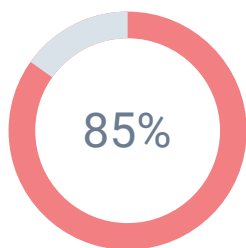
Direct-to-lender customers – key findings



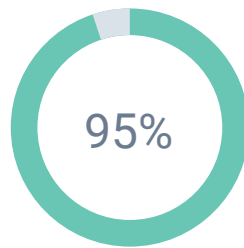
reported their bank did nothing to stay in touch with them other than transactional emails



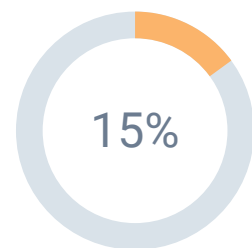
felt some form of loyalty to their lender



were not concerned about their current loan setup

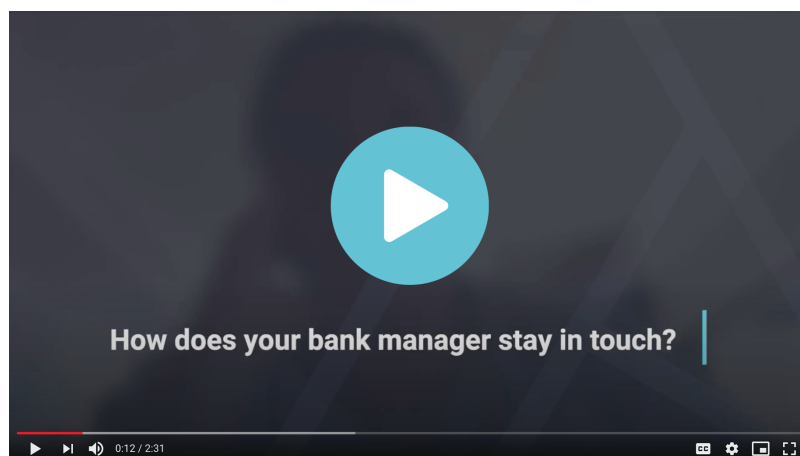


planned to visit a comparison site to first research rates



would ask their current lender to match a lower rate they found

Watch and listen to some of our direct-to-bank customers in the study



Other findings

In general, broker customers are more interested in emails with news, property data and helpful tips than banking customers. Broker customers are less rate-sensitive than bank customers, but they're still curious about how their home loan rate compares to what's out there in the market.

In general, direct-to-lender customers have little love for their lender, although they feel some level of trust and comfort in dealing with a familiar institution. These customers are very rate-sensitive and like emails that promise them lower rates or special offers. Many of these customers went direct-to-lender because they felt brokers would be more likely to steer them to the loan that paid the highest commission rather than the best loan.

What your clients think about different types of broker email

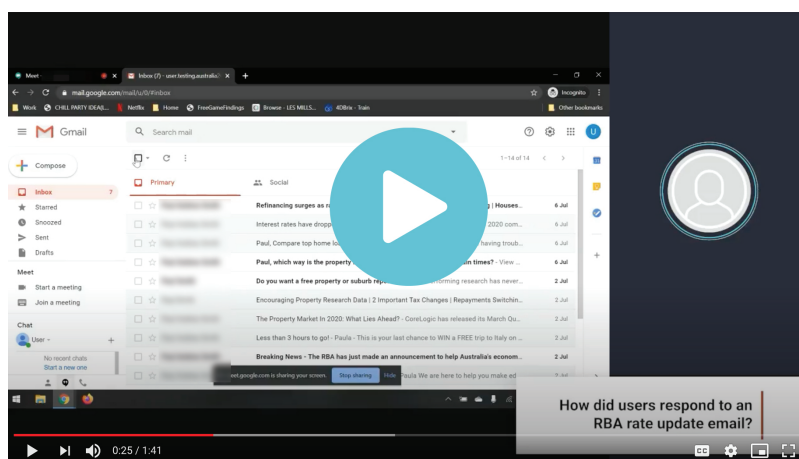
Focus group members were asked to review seven different types of broker emails. Here's how they responded:

1. RBA update (rates unchanged)



- Only 10% of consumers would open a 'rates unchanged' email
- Few people found it useful – 12% of broker customers, 15% of lender customers
- Most felt an update holds little value unless the RBA makes a dramatic move

Watch how users responded to RBA emails

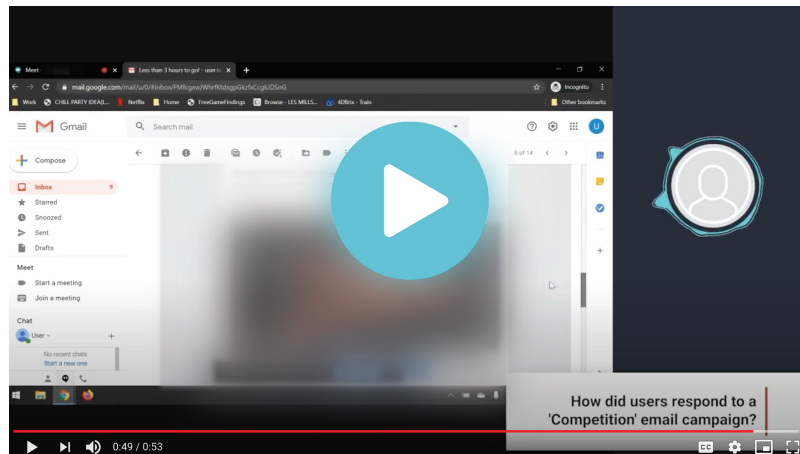


2. Win an overseas holiday



- Only 5% of consumers would open this kind of competition email
- Very few would then bother to enter – 0% of broker customers, 5% of lender customers
- Most saw this sort of email as a ploy to get their details, and assumed they would then get harassed by salespeople

Watch how users responded to 'Competition' emails



3. Free property report



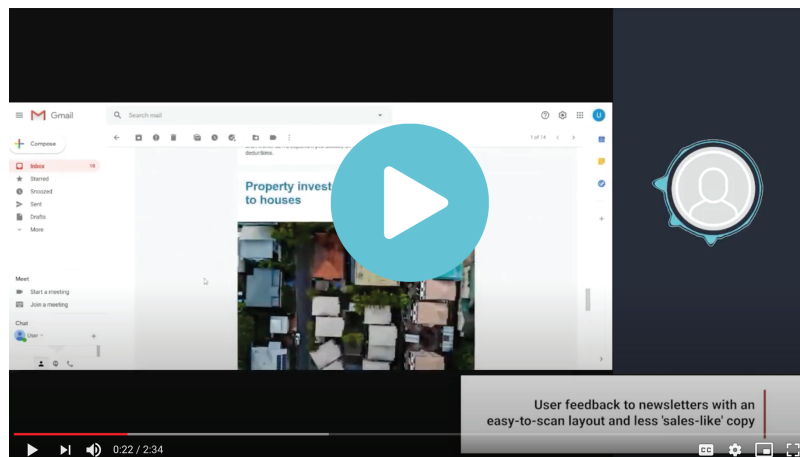
- A significant number of people would download the report if they opened the email – 25% of broker customers, 35% of lender customers
- However, the reports weren't seen as particularly valuable – most people believed they regularly get emails like this and could easily get a free report if they wanted one

4. Monthly newsletter with short copy and lots of images



- 55% of customers would open these newsletters from time to time – they see the content as informative rather than saleslike
 - People who open the newsletters tend to skim rather than read them – their eyes get drawn to charts, graphs, bullet-points and 'landmark' sections
5. People are divided on whether brokers should put their photo in the newsletter – some find it off putting, others want to be reminded of their broker's identity
 6. 95% of broker customers would enjoy getting this sort of email from their broker, and feel it would help them remember their broker

Watch how users responded to these newsletters

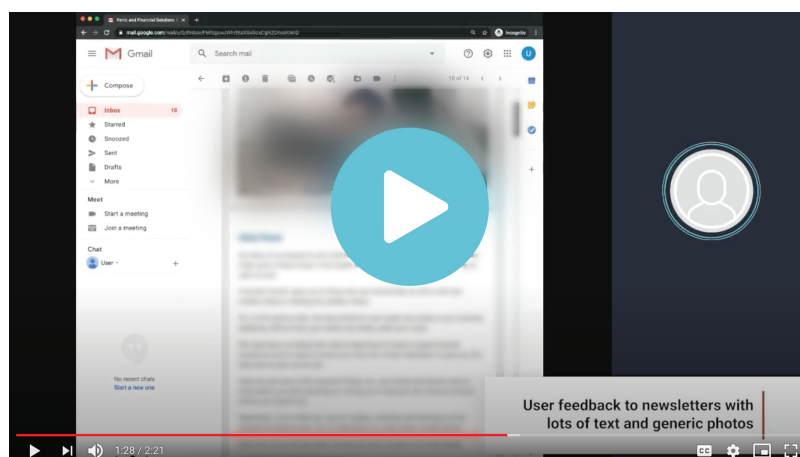


5. Monthly newsletter with lots of copy, fewer images and links to website



- 25% of customers would open these newsletters from time to time
- When people open the newsletters, they skim them – the newsletters are too full to be read methodically from beginning to end
- People don't like stock photos (which they can spot a mile away)
- 25% of broker customers would enjoy getting this sort of email from their broker – but most customers would either ignore or delete the email

Watch how users responded to these newsletters

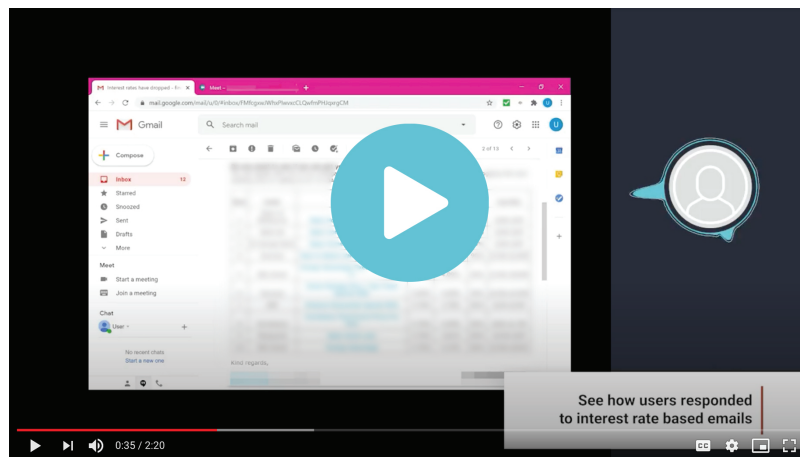


6. Interest rate comparison



- Popularity varied widely between customer type – this kind of email would be opened by 35% of broker customers, 90% of lender customers
- People want the interest rates to be embedded in the email – they don't want to be forced to click through to a website

Watch how users responded to these newsletters



7. Home loan education



- Customers had very little interest in receiving these emails – if they wanted to know more about a topic, they would Google it or call their broker
- Most people find these emails cheesy and self-promotional

Seven Big Lessons for Mortgage Brokers

1. Your clients are much more likely to read your emails if they know you

A poorly-written email you send to someone you do know is more likely to get opened than a well-written email you send to someone you don't know.

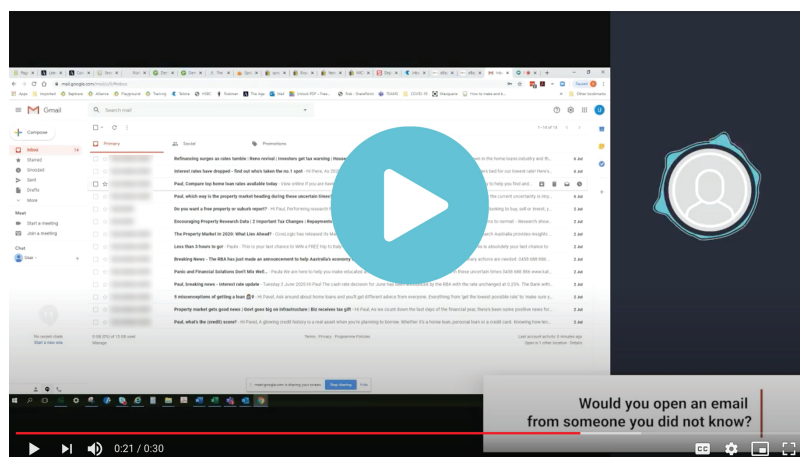
That's because familiarity is #1 factor that influences whether your emails get opened.

The first thing people do when they get your emails is check the sender's name:

- If they know you ... they'll probably see your emails as relevant
- If they don't know you ... they'll probably see your emails as spam

That's not to say people won't open your emails if they don't know you; just that you need to get more things right in terms of email marketing best practices.

To see how much familiarity influences open rates, check out our testing:



2. Your clients are more likely to read emails from an unknown company than an unknown person

One of the most surprising results in our study was that when people receive emails from an unknown party, they're more likely to trust an unknown business over an unknown individual.

That's because an unknown business feels more credible – you can visit its website, give it a call and find out what it offers.

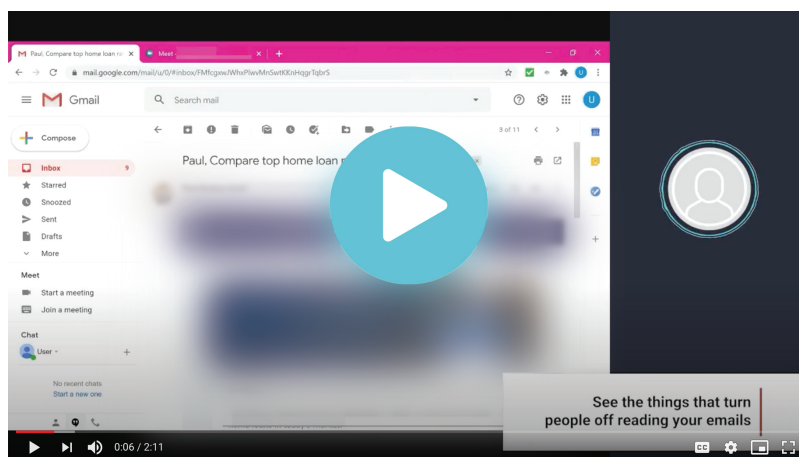
But with an unknown person, it's harder to understand who they are or what their agenda is.

3. Your clients hate getting sales-like emails

Every single member of our focus group disliked 'salesy' emails – letters that felt pushy or ultra-promotional.

People respond poorly to emails that make sensationalist claims and include too many calls-to-action.

To see how much people dislike salesy emails, check out our testing:



4. Your clients don't read your newsletters – they scan them

Here's what people DON'T do when they get your newsletters:

- Read every single word
- Proceed logically from beginning to end

Here's what people DO do when they get your newsletters:

- Open it and make a split second decision to delete it or not
- Scan bits and pieces
- Jump from one 'landmark' (headlines, bullet-points, buttons, images) to the next
- Read paragraphs they've been drawn to

When people open your newsletters, they get drawn to the most prominent 'landmark', and then briefly scan down. If those landmarks are too sales-like, they close your emails.

Here are some other key findings:

- Short headlines work better than long headlines
- Big blocks of text are annoying
- Paragraphs with more than two sentences are unlikely to get read
- Content 'below the fold' often gets ignored (because many people don't realise this out-of-sight content exists)

5. Your customers will leave you if they get a good offer

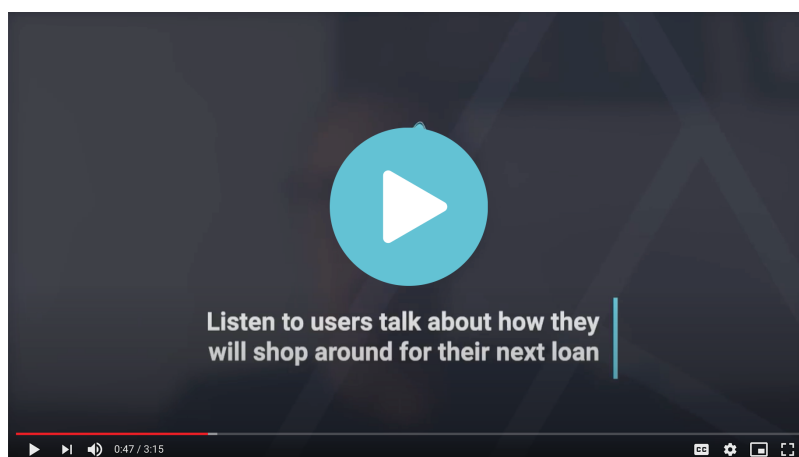
Only a small percentage of our focus group members felt strong loyalty to their broker.

Most said they would leave their broker if they received the right communication at the right time. Enticing offers might include:

- Lower interest rates
- Refinancing deals
- Techniques to save money

All our focus group members said they received marketing emails from other brokers and lenders. They would need only one strong offer to switch – especially if they didn't remember their broker.

To see how willing people are to shop around, check out our testing:



6. Your clients find it hard to resist low rates

Even smart, sophisticated borrowers find it hard not to have their heads turned when they discover a home loan with a lower interest rate than theirs.

Focus group members who had a strong relationship with their broker said they would take this low-rate loan to their broker. However, many others said they would make their own enquiries.

Low rates are almost impossible to resist, so you need to constantly remind your clients:

- The cheapest loan isn't always the best loan
- It's in their interests to run all loans by you first

7. Your clients are more likely to remain loyal if you stay close to them

After settlement, clients don't want to hear from their broker constantly. But they do want some contact and they do want their broker to be accessible if they need help.

Clients who felt loyal to their broker said their broker:

- Called regularly
- Emailed them important information each month

Important information included content about making money, saving money and saving time.

Clients who felt little or no loyalty to their broker said their broker:

- Called rarely
- Emailed them only RBA updates



For further questions or information please contact

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