



mortgageinsights

insights from CAAMP's 2011 fall research

highlights from CAAMP's fall 2011 consumer and industry surveys

introduction

mortgage**insights** was written based on findings taken from research conducted by Maritz Research Canada for the Canadian Association of Accredited Mortgage Professionals.

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about the research

Consumer results are taken from CAAMP's Fall 2011 Consumer Survey. This research was conducted online among a population of 2,000 Canadians, weighted to representative proportions in terms of home ownership and mortgage status within each region of Canada. This survey was fielded in October, 2011.

Industry results are taken from CAAMP's Fall 2011 Industry Survey. This research was e-mail based and was conducted online. Participants include banks, credit unions, other mortgage lenders, brokers, agents, representatives from brokerage houses, and others employed or otherwise involved in the Canadian mortgage broker channel. 1,188 responses were received. This survey was fielded in October, 2011.

authors

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A home is the biggest investment most people will ever make, and as such Canadians look to their mortgage professionals for far more than just a good interest rate, but for sound financial advice and consultation. Mortgage brokers in particular are expected to provide customers with options, help through a sometimes complicated process, competitive mortgage products, recommendations on product details and lenders, and in general a high level of customer service. The mortgage broker channel in Canada has established itself as a trusted source for mortgages, but one that is not well understood by many Canadians.

This report details the economic mindset of Canadian consumers, the type of consumer who tends to choose a mortgage broker, the reasons for choosing or not choosing a mortgage broker, expectations of service, mortgage feature priorities, and many more consumer insights. In addition, findings from our industry survey will shed light on issues such as employment satisfaction, broker/lender relationship, profitability and compensation structure, and more.

economic mindset of Canadians

despite recent economic uncertainty, homeowners are in position to maintain their good standing, and Canadians remain upbeat about housing in Canada

For at least the past three and a half years, the Canadian housing and mortgage markets have been the focus of intense scrutiny and speculation from media, politicians, and the general public. Despite this often negative attention, Canadians remain largely confident in the future of the Canadian housing market. Eighty-four percent of Canadians agree that 'Canadian real estate is a good long-term investment', while 81% agree that 'mortgages are good debt'. Further, while property purchase intentions fell a dramatic 31% in early 2009 in response to the global debt crisis, they have since recovered to levels last seen in 2008, showing that confidence has been restored to pre-recession levels.

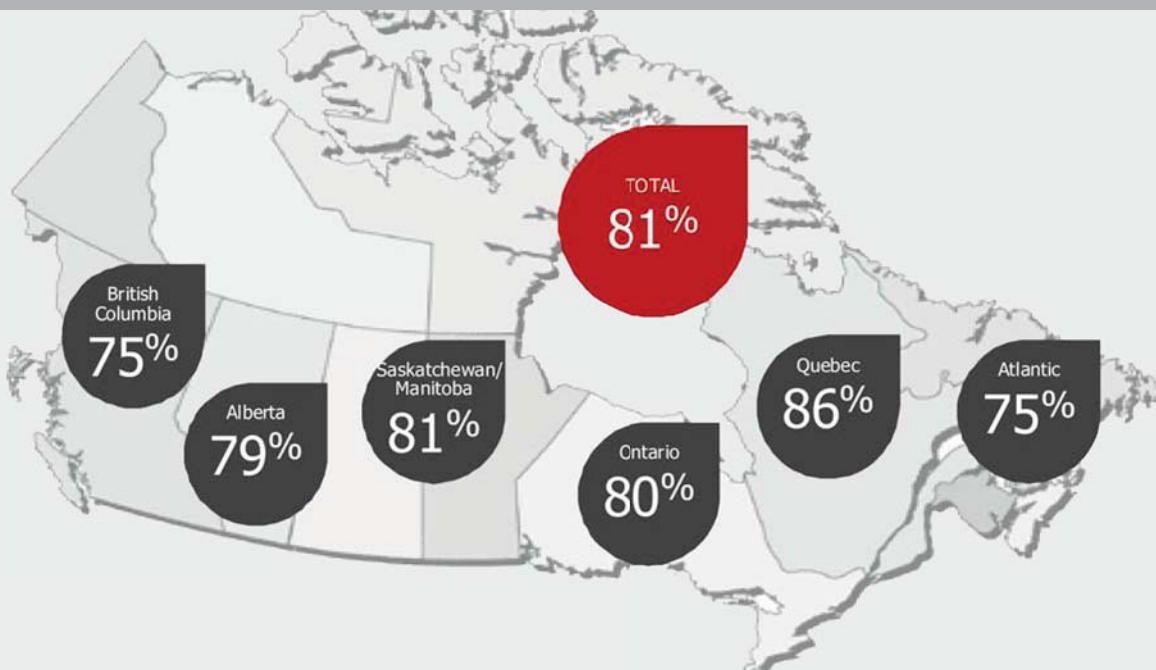
At a time when so many investment vehicles have been unreliable for Canadians, and housing in the U.S. has gone through such dramatic declines, it may be surprising to some to see Canadian

consumer confidence remain at such high levels. However, evidence suggests this consumer confidence is well-placed, as equity levels in Canada far outstrip those in the U.S. (the average Canadian homeowner holds 68% equity in their home, compared with 39% in the U.S.¹). Because of this strong equity situation, 77% of Canadian mortgage-holders tell us they are comfortable with their mortgage situation, 70% do not regret taking on their size of mortgage, and 71% say they are in a good position to weather a potential downturn in the housing market.

68% Canadians have roughly 68% equity in their home, compared with 43% in the U.S.

71% of homeowners say they are in a good position to weather a potential downturn in the housing market

percent of Canadians who would classify mortgages as good debt



¹ <http://www.federalreserve.gov/releases/z1/Current/z1r-5.pdf>

Much of the negativity surrounding the housing and mortgage markets over the past three years focuses on the idea that Canadians are over-leveraged and many would be unable to withstand increases in mortgage interest rates; our evidence suggests these concerns may be grossly exaggerated. Firstly, most mortgages are on five-year terms and 60% have a fixed-rate structure, meaning many mortgage-holders will have time to plan should rates increase. Secondly, 84% of mortgage-holders tell us they could withstand a monthly mortgage payment increase of at least \$200, a level that is very unlikely to be reached for many mortgage-holders unless rates increase drastically. Finally, most Canadians have substantial equity in their homes; 78% of homeowners with a mortgage or home equity line of credit own 25% or more of their home.

'Canadians have too much debt', and 78% say 'low interest rate means some Canadians own homes who should not'. That so many Canadians are comfortable with their own finances but less-so with the finances of Canadians overall is an interesting situation, and is likely the main reason why Canadians are nervous about housing in the short-term despite long-term confidence and optimism.

Canadians are making prudent mortgage decisions in the wake of the recent debt crisis, taking less money out of their mortgages and continuing a trend of paying mortgages off more quickly than the original amortization period

Canadians have a strong history of making responsible decisions regarding their mortgages, with the average mortgage having been paid off 7 years before the original amortization period had ended. In the current economic climate, Canadians are continuing to take a prudent approach, making accelerated payments, and greatly reducing equity takeout.

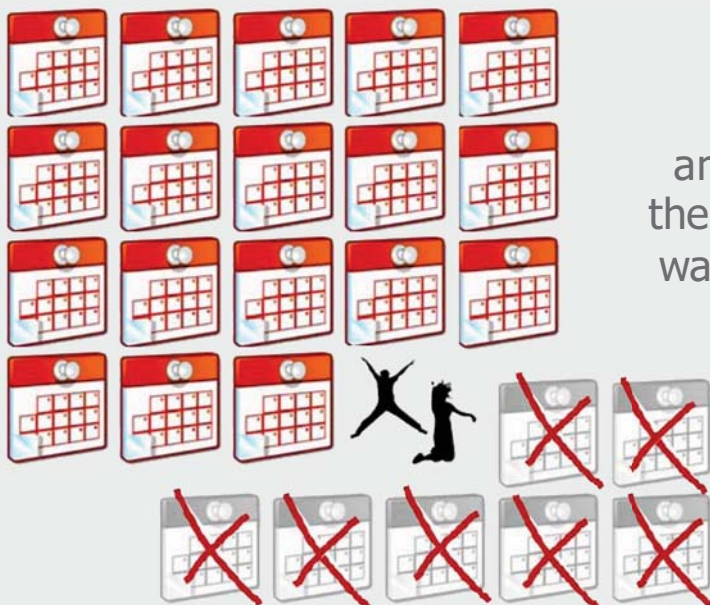
In the past year, nearly four times more people made accelerated payments (36%) than withdrew funds from their mortgage

84% of mortgage-holders could withstand a mortgage payment increase of \$200 per month

While most Canadians are comfortable with their own financial situation, they are not as comfortable with the financial situation of other Canadians. Eighty-nine percent say

7 years

among those who have paid off their mortgage, the average home was paid off 7 years quicker than the original amortization



(10%), a clear indication that Canadians continue to strive to pay down their mortgages more quickly than scheduled. At 10%, equity takeout has taken a sharp decline in 2011, from levels in the high teens over the past three years. This decline is likely at least partially due to recent regulation changes regarding equity takeout; however, also may signal a shift in consumer behaviour away from the mentality of using homes as ATMs, and more towards financial responsibility.

10% of mortgage-holders withdrew equity from their mortgage in the past 12 months, down sharply from 18% measured in Spring 2011

Canadians continue to consider their mortgage options even when it is not up for renewal, presenting opportunities for mortgage brokers to maintain post-sales relationships

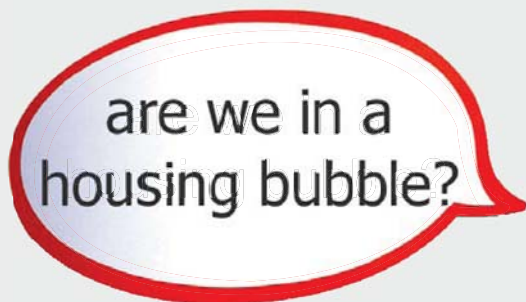
Despite the fact that many mortgages are on five-year terms, for most homeowners a mortgage is not something they forget about for five years; many mortgage-holders continue to consider their mortgage options during this time, and would consider making changes to improve their terms and situation. Thirty-eight percent of mortgage-holders told us they are considering, or did consider in the past year renegotiating their mortgage before its term was up to take advantage of low rates. Given the average mortgage-holder who renewed/renegotiated in the past year saw a rate decrease of 1.24 percentage points, it is

not surprising that Canadians continue to consider their options.

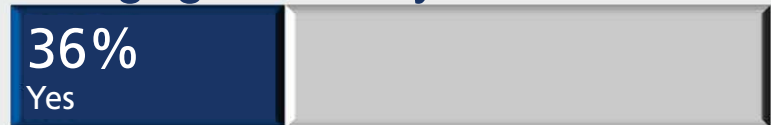
what does it all mean for mortgage professionals?

In order to provide the best financial consultation to clients, it is important for mortgage professionals to understand the consumer's situation and mindset. Despite market confidence, it is likely that clients are less bullish about the economy, housing prospects, and therefore mortgage decisions than the average mortgage professional. For instance, while just 36% of those in the mortgage industry say we are in a housing bubble, 63% of Canadians feel this way. Further, 53% of those in the industry strongly agree real-estate is a good long term investment, compared with just 26% of Canadians. Clients in this economic environment are turning to their mortgage professionals for advice on their largest investment, and it is important that the advice they receive is both informative and empathetic. If a client feels their mortgage professional understands them and their needs, they will be more confident in their ability to recommend the right product for them.

38% of mortgage-holders are considering, or did consider in the past year refinancing early to take advantage of low rates



mortgage industry



Canadian consumers



mortgage broker channel: catering to specific clientele and needs

27% share of outstanding Canadian mortgages originated through a mortgage broker

Canadians have a great deal of selection when it comes to their mortgages. Between the big banks, the credit union network across Canada, and the mortgage broker channel, Canadians literally have hundreds of lenders and tens of thousands of professionals to choose from. The mortgage broker channel in Canada has established itself as the second-leading origination channel, accounting for 27% of all outstanding mortgages, a level that has remained relatively stable for the past 5 years. Broker share is second behind banks with 55%, and ahead of credit unions and others with 18% share. Mortgage brokers are particularly competitive among first mortgages with 33% market share, compared with 20% among renewals/renegotiations.

33% broker share of first mortgages (defined as the first mortgage taken out on a property)

20% broker share of renewals/renegotiations

snapshot of the mortgage broker's customer base

36 years old...

the median age of a broker customer is 36, compared with 42 among lender customers (just 35% of lender customers are 36 or less)

...with kids

53% of broker customers live with children under 18, compared with 43% among direct-to-lender customers



90% customer satisfaction

90% of broker customers are satisfied with their mortgage experience, higher than the overall industry average of 87%

household income well above average

in fact, despite their younger age, broker customers report higher average household income than lender customers

smaller home budgets

broker customers estimate their home's market value at an average of \$289k, 14% lower than \$336k among lender customers

96%

would like post-sales communication from their broker



2.8

broker customers are more likely to shop around, collecting an average of 2.8 quotes for their mortgage (compared with 1.8 among bank customers)



-5 years

broker customers expect to pay their mortgage off 5 years quicker than the original amortization (compared with 3 years among bank customers)

comfortable with own financial situation...

70% "i would be well-positioned to weather a potential downturn in home prices"

69% "i do not regret taking on the size of mortgage that i did"

87% "i would classify mortgages as good debt"



While broker share has remained relatively stable over the past five years, those employed in the channel continue to predict substantial growth over the next five years; the average employee in the mortgage broker channel predicted a market share increase from 27% to roughly 35% five years from now. In order for this to happen, it is our opinion that the mortgage broker channel must make strides in a few key areas. We believe the following three challenges will be vitally important if the mortgage broker channel is to achieve the lofty goals set out by its members:

- **improvements in consumer awareness**
- **increased cooperation between lenders and brokers on renewal strategies**
- **expansion of the mortgage broker's target audience**

While the mortgage products offered by brokers are very similar - and in many cases identical - to those offered directly by lenders, analysis uncovers significant differences in the target audience of mortgage brokers versus direct-lender channels. Firstly, mortgage broker customers are younger; the median age of a broker client is 36, compared with 42 among those who go direct to a lender. Second, broker customers are more likely to be families; 53% live with children in the household, compared with 43% among direct-to-lender customers.

Despite their youth, broker customers have just as much earning power as bank customers; self-reported average household income among broker customers is \$85,987, nearly identical to \$85,768 reported by bank customers. However, earning power does not necessarily equate to home budget, as the average broker customer reports a home valuation of \$289,000, 14% lower than \$336,000 among bank customers (note that the average valuation given in our survey is \$317,350, 13% lower than CREA estimate of \$362,899 for October 2011². This could be due to underestimation among survey respondents,

or could possibly be due to a phenomenon whereby more expensive properties tend to be sold more often, thereby creating a difference between the average value of a sold property and the average value of all properties). While broker clientele have achieved a high level of household income at a relatively young age, because they are more likely to be living with children it is also likely that their expenses are higher, leaving them with less budget for their homes than customers who deal directly with lenders.

In addition to demographic differences, other key attitudinal and behavioural differences emerge when comparing broker customers with others. In many ways, customers of mortgage brokers appear to have a higher overall sense of financial prudence, both during the process of obtaining a mortgage as well as after obtaining the mortgage.

2.8

the average broker customer received 2.8 mortgage quotes, significantly higher than 1.8 among bank customers

-5

the average broker customer plans to pay their mortgage off five years early, compared with three years among bank customers

Because their customers tend to be very prudent, it is particularly important for mortgage brokers to do a good job not only choosing the right product, but also selling the benefits to consumers; if these customers are not sold on the product, they will likely turn to one of the other quotes they received. It is vital for mortgage brokers to understand each customer's priorities and key decision drivers, and find a product best-suited to those needs and desires.

² <http://creanews.ca/>

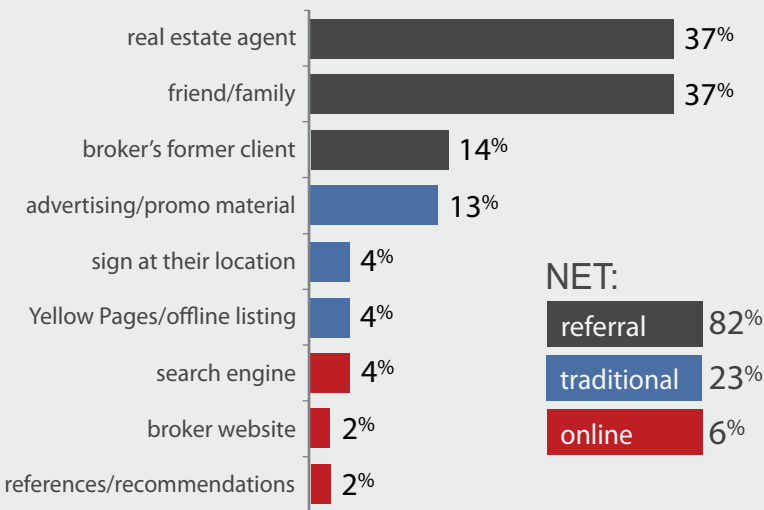
referrals far outweigh other sources of mortgage broker awareness, including online

It will not come as a surprise to anybody in the broker channel that referrals are a primary source of customer awareness, but the degree to which this is the case may come as a surprise to some. Eighty-two percent of customers found out about their mortgage broker from one or more referral sources, while just 23% found out about their broker from one or more non-referral sources. Surprisingly, just 6% of broker customers told us they found out about their broker online, either through a search engine (4%), the broker's website (2%), or online references/recommendations (2%).

rate is always key, but it is just one of several reasons customers chose to consult with mortgage brokers

The leading priority for mortgage customers, particularly on originations, is always rate, and predictably this is the number one reason customers tell us they consult with mortgage brokers. What is encouraging for brokers, however, is that most customers continue to list a variety of reasons they chose to deal with a Broker over a lender. In fact, from a list of eleven potential reasons for dealing with a broker, the average customer identified 3.7 reasons. In addition to product-related priorities, customers are also consulting with brokers for the consultation they can provide through the process: *to do research for me* (40%), *to provide me with recommendations on specific mortgage terms I should get* (35%), *to help me with the paperwork* (34%), and *to provide recommendations on which lender to use* (30%).

how consumers found out about their broker



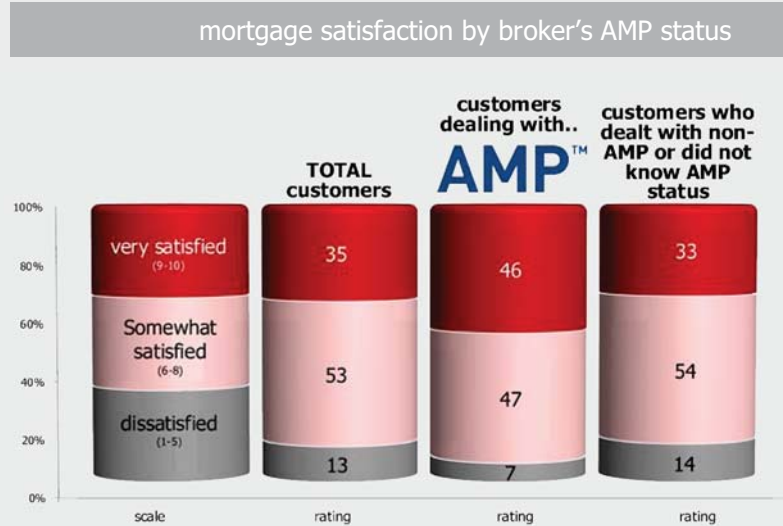
why consumers consulted a mortgage broker



AMPs satisfying clients more than others

AMPs are best at satisfying customers

Over the years our survey results have consistently shown that Canadians support the accreditation efforts being made by CAAMP, and those aware of the AMP say it would be important for them to use the services of an AMP over a non-AMP. Canadians' confidence in the AMP designation appears to have been very well-placed, as AMP customers report substantially higher customer satisfaction than non-AMP customers.

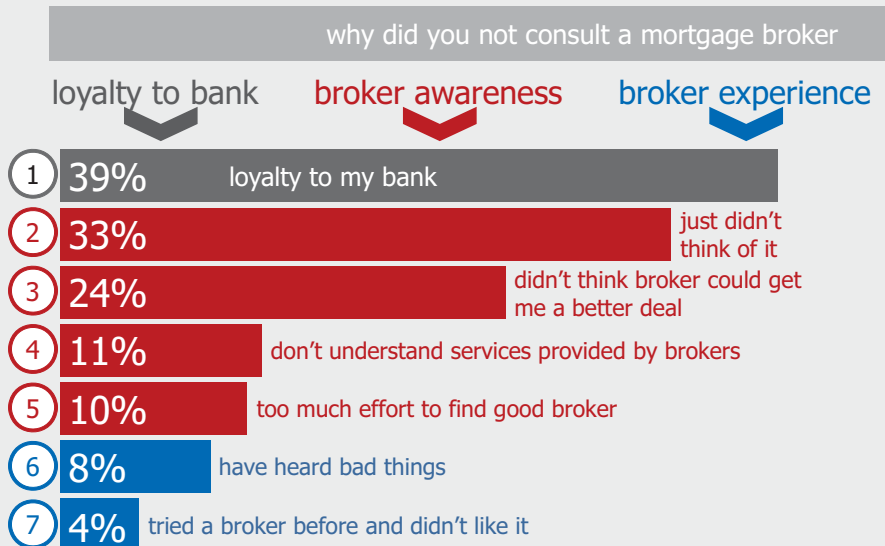


mortgage broker channel: challenges for future growth and success

low consumer awareness and understanding are perhaps the most important challenges facing Canada's mortgage broker channel; just 5% of Canadians say they have a full understanding of the services provided by mortgage brokers

It is very difficult to sell anything if consumers don't understand the offering, and this may be the biggest hurdle standing in the way of future success for Canada's mortgage broker channel. When we asked Canadians how well they understand the services provided by mortgage brokers, just 5% said they have a *full understanding*, while another 35% have a *good understanding*. The importance of seeing these numbers increase cannot be overstated; broker market share is 50% higher among the 40% of consumers who have a full or good understanding of broker services (32%, compared with 21% among those with a lesser understanding).

When we asked non-broker customers why they did not consult with a broker, the top reason was *loyalty to my bank*, followed by four reasons relating to lack of awareness of broker services:



While loyalty to bank may be tough for the broker channel to influence, many of these issues could be addressed through improved, coherent messaging and education.

The good news is that the broker channel understands the problem, with "lack of consumer awareness/understanding" identified by insiders as a challenge facing the channel. The challenge is that awareness is a very difficult needle to move without a great deal of dedicated effort put forth by all of the key parties in the channel, including CAAMP, lenders, brokerage houses, brokerages, and brokers/agents themselves.

Top 5 challenges

the mortgage industry identifies the top five challenges facing the broker channel:

- lack of consumer awareness/understanding of the channel
- lender mobile sales forces
- risk of lenders leaving the channel
- oversaturation of brokers
- lender in-store sales forces

lenders and brokers are partners in the health of Canada's broker channel; it is vital these partners be aligned on the handling of many issues, including mortgage renewal strategies

The relationship between lenders and brokers is often complicated, and at times not mutually beneficial, leading to divergent strategies and priorities at key stages through the mortgage lifecycle. One of the most common differences between brokers and lenders is the perception of client ownership. Many lenders believe they are *purchasing* the client relationship when they deal with brokers, however, most brokers would prefer to look at the transaction as a *rental*, whereby the customer will return to the broker when it comes time to renew. *Not owning the client relationship* is identified by lenders as the fourth-largest drawback when dealing with brokers, behind *inconsistent brokers*, *application fraud*, and *high cost/compensation*.

To highlight the importance of this challenge, a 25-year mortgage broken up into 5-year terms will have just one origination, however, will be renewed 4 times, meaning any inconsistencies between the way lenders and brokers would like to handle renewals and renegotiations could impact up to 80% of all mortgage business (or 4 out of the 5 'touches' in an average mortgage).

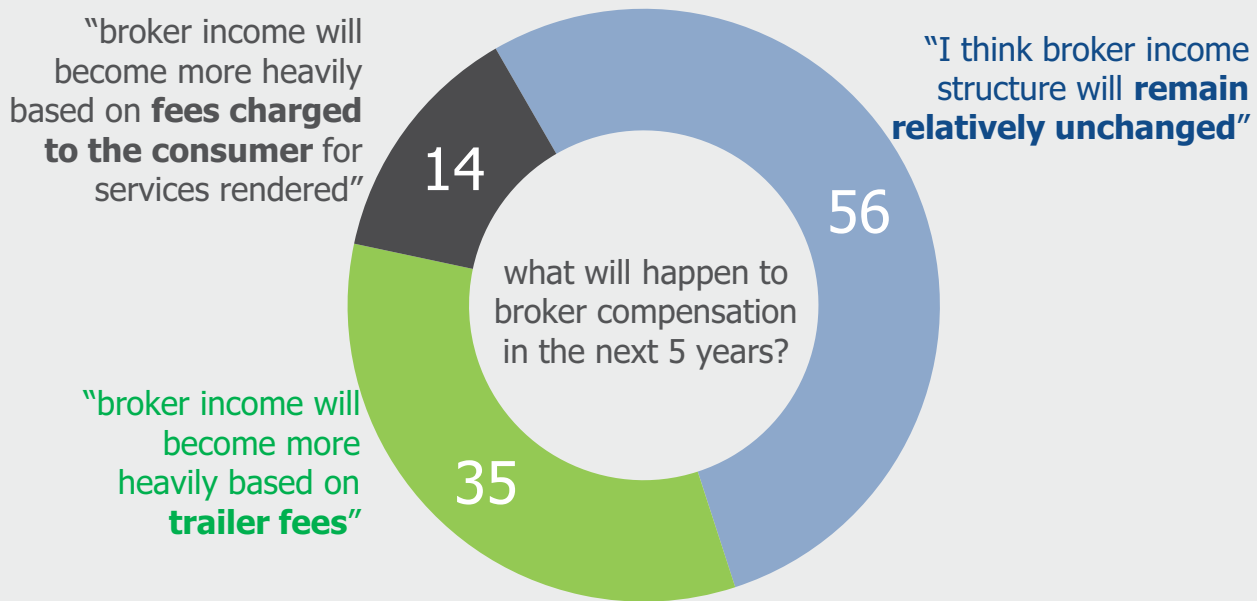
It is perhaps due to this difference and others that we have recently seen the proliferation of lender mobile sales forces in Canada, as lenders look for alternate ways to secure longer-lasting and more profitable business than what is available through the broker channel. Indeed, lenders' mobile sales forces are identified as the second-largest challenge facing the broker channel, as these sales forces provide many of the same benefits as brokers (product choice, meeting at a clients' location, etc.).

With 80% of potential business in question, it is somewhat surprising that brokers and lenders have not dealt with this issue in a more head-on manner. One idea that has been raised as a potential way to align broker and lender priorities is the concept of a broker compensation structure that is more-heavily based on trailer fees rather than up-front fees. The argument goes that with all lenders paying trailer fees, brokers will be equally compensated on renewal whether they keep a customer with the same lender or churn the business, putting brokers in a completely impartial position to make the best recommendation for the client's needs. When we asked the broker channel about broker compensation, most told us they do not foresee major changes in the near future, however, a substantial minority (35%) said they believe "broker income will become more heavily-based on trailer fees" (a number that, interestingly, was similar among both lenders and brokers).

while the broker channel offers lenders many substantial benefits, lenders also identify key drawbacks in dealing with brokers

Aside from profitability on renewal, lenders identified several other drawbacks for them dealing with brokers, some that were quite different from what brokers expected lenders to say. The number one drawback for lenders dealing with brokers is *having to deal with inexperienced or inconsistent brokers* (a challenge that was accurately predicted by brokers). Some challenges that brokers did not anticipate would be high on lenders' minds were *fraud on applications* (45% of lenders indicated this is a challenge, while only 21% of brokers predicted this) and *high cost/compensation* (mentioned by 29% of lenders, predicted by 13% of brokers).

broker channel perception of future mortgage broker compensation structure



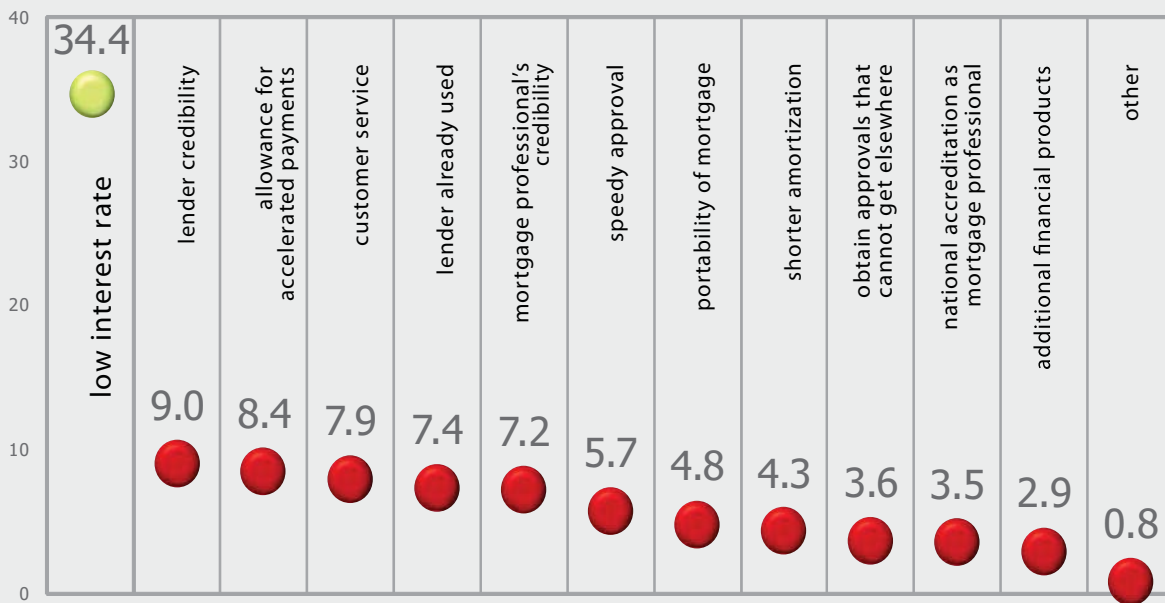
mortgage choice

Low interest rates are by far the most important attribute driving a mortgage placement decision, however customers indicate that a multitude of other factors also play a substantial role in determining where they ultimately choose to place their mortgage. Customers told us rate accounts for about one-third of their consideration when making a mortgage choice, meaning roughly two-thirds of choice is driven by other priorities, as below:

65%

of broker customers told us they were 'completely open' to a broker's lender recommendation (just 13% knew for sure which lender they wanted to deal with, while 23% had a preference that was not set in stone)

consumers allocate 100 points to represent the importance of factors in mortgage choice



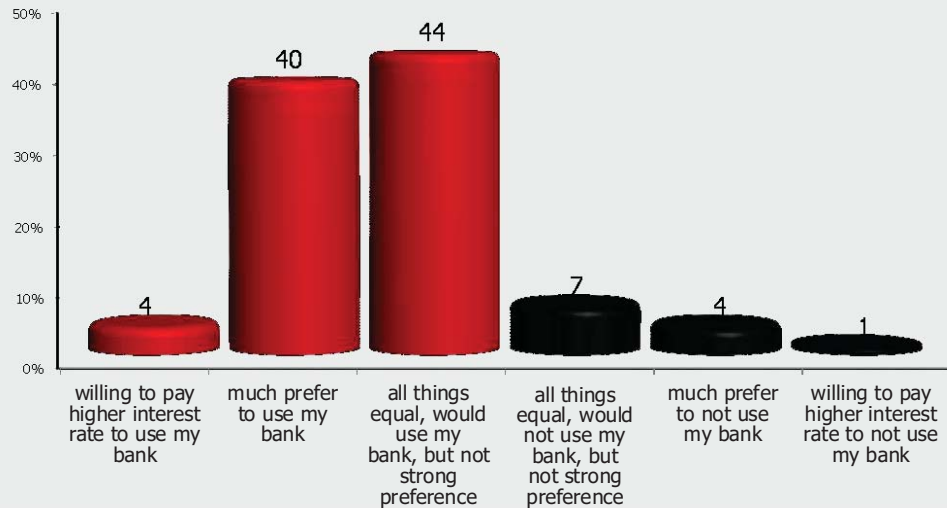
That customers take so many factors into consideration when making their decision means mortgage professionals must not get tunnel vision thinking about rate only, but must also communicate the other advantages of a product they are recommending to clients. Past CAAMP research has shown that brokers underestimate the importance consumers place on *lender credibility*, however, our results show that this factor continues to be the second-most influential factor in the mortgage decision. This does not necessarily mean customers will only accept a certain lender

(just 13% of broker customers tell us they knew exactly which lender they wanted to deal with before they spoke with their broker), however, it does mean that when recommending a lesser-known lender, such as a monoline, brokers should take the time to talk to customers about the lender, their history in Canada, and previous personal experiences dealing with them to establish credibility in the minds of consumers. While our survey did not ask questions specific to collateral, we believe collateral such as information sheets or brochures provided by lenders could also help this process.

Canadians show a clear preference for dealing with their current financial institution for their mortgage

Mortgage customers indicate a strong preference for having their mortgage with a lender where they have other financial products, giving banks and credit unions a significant advantage over monolines in the battle for mortgage business. While portfolio-breadth alone is unlikely to drive business, in a market where many lenders offer similar products and rates, it does provide a significant advantage for those lenders with multiple product lines. For monolines, it becomes critically important to provide mortgage products that are differentiated from the competition, and to properly educate brokers to understand and communicate the benefits of those products.

consumers indicate a preference for dealing with their bank for their mortgage



while rate is king among consumers, their expectations may not be quite as aggressive as brokers would think

An interesting finding from this year's study is that the mortgage industry has much more aggressive expectations of mortgage interest rates than do customers. When the industry was asked to indicate the highest rate they would consider to be a good rate the average response was 4.38%, compared with 4.75% among consumers.

what is the highest rate you would consider to be 'good'



When a mortgage professional talks about interest rate, discussions often turn to other key qualities of a mortgage, including interest paid over the lifetime of the mortgage, monthly payments, and time to pay off the mortgage itself. When faced with the opportunity to optimize any one of these four qualities, the vast majority indicated they would rather get a mortgage with the lowest rate than one with the lowest accumulated interest paid, the lowest monthly payments, or the fastest paydown time.

achieving customer satisfaction, loyalty, and advocacy

to maximize customer loyalty, mortgage professionals cannot stop at simply satisfying customers, they need to take steps to *delight* their customers

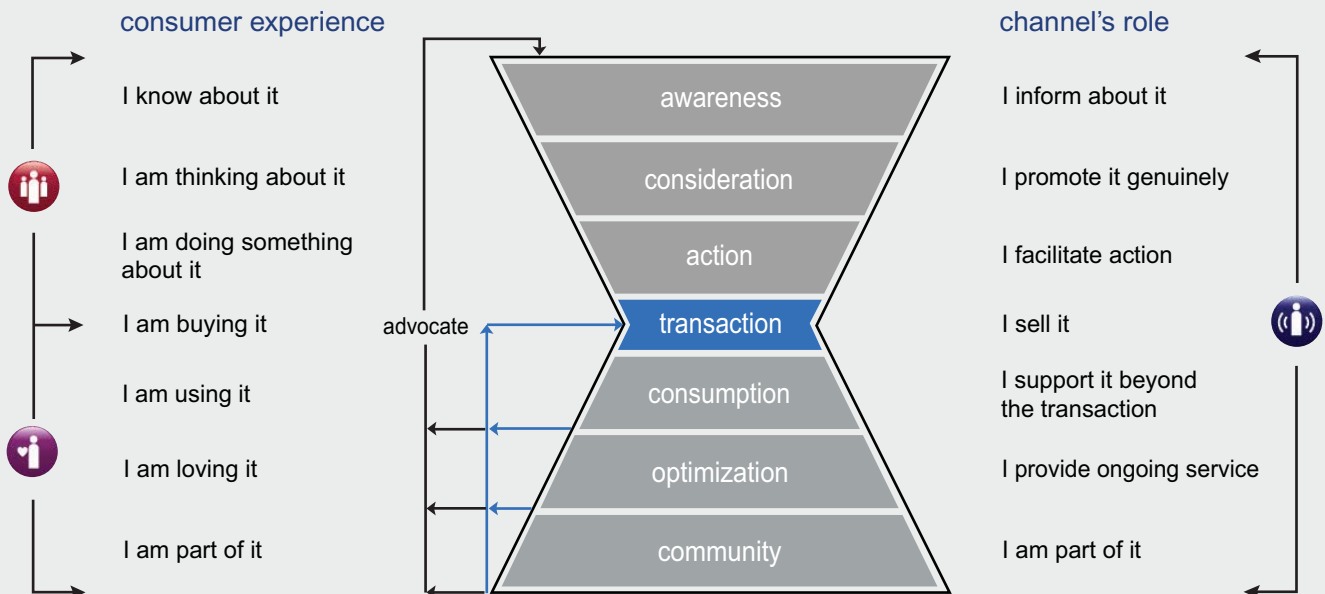
Regardless of channel, the vast majority of Canadians are satisfied with their mortgages. Ninety percent of mortgage broker customers and 87% of bank/lender customers are satisfied with their mortgage experience (6-10 on a 10-point scale). While these results are impressive, results show that it is often not enough to satisfy customers; in order to drive loyalty intentions and advocacy, mortgage professionals must strive to delight customers. Customers are more than three times as likely to say they will renew with the same mortgage broker and/or the same lender if they are very satisfied (9-10) rather than just somewhat satisfied (6-8) with their mortgage experience.

How can mortgage professionals delight customers? To truly drive satisfaction, loyalty, and advocacy, mortgage professionals must understand and optimize the entire customer

experience lifecycle. This means engaging and serving customers not only before and during the transaction, but also understanding customers' post-placement needs and continuing to serve customers during their mortgage term.

For mortgage brokers to drive customer loyalty, it is important to understand the vast differences in the factors that drive initial choice vs. those that drive loyalty. While *rate*, *confidence in lending institution*, and *allowance for accelerated payments* are the top three drivers of initial choice, the drivers of loyalty to a mortgage professional centre around relationship attributes, and much less so on specific mortgage features. In essence, since customers went through a stringent evaluation process on rate and mortgage features when they first chose their mortgage professional, their loyalty decisions become less about the features and more about the relationship. Maritz analysis reveals the top five drivers of mortgage customer loyalty are *proactive nature of the mortgage professional*,

mortgage professionals will maximize relationships when the entire consumer lifecycle is understood, and customers are properly engaged at all key stages before, during, and after the sales cycle



strategies suggested by the mortgage professional to improve terms, helpfulness of the mortgage professional, personal qualities of the mortgage professional, and frequency of contact from the mortgage professional AFTER obtaining the mortgage.

A broker will win first-time business by providing a great mortgage recommendation (rate, good lender, features), however long-term loyalty is driven by providing an excellent customer experience, both during and after the initial mortgage placement. Customers are looking for their brokers to provide them with sound, proactive advice on how to best handle their biggest investment.

drivers of mortgage choice

- 1 low rate
- 2 credibility of the lender
- 3 allowance for accelerated payments

drivers of loyalty to broker

- 1 broker being proactive
- 2 broker suggesting strategies to improve terms
- 3 helpfulness of broker

post-sales relationships, and by extension loyalty and advocacy, are driven by an optimized, multi-modal communications strategy in which customers are contacted enough, but not too much

Communications strategies may be one of the toughest challenges for mortgage brokers to optimize, but when done right it is one of the most influential factors in driving long-term customer loyalty. How often should customers be contacted? What should be communicated? How and when do consumers wish to be contacted? These are difficult questions to which there is no one right answer; however, one thing that is clear is that customers do wish to receive post-sales communications from their mortgage broker.

96% of mortgage-holders say they would like to receive post-sales communications from their mortgage provider

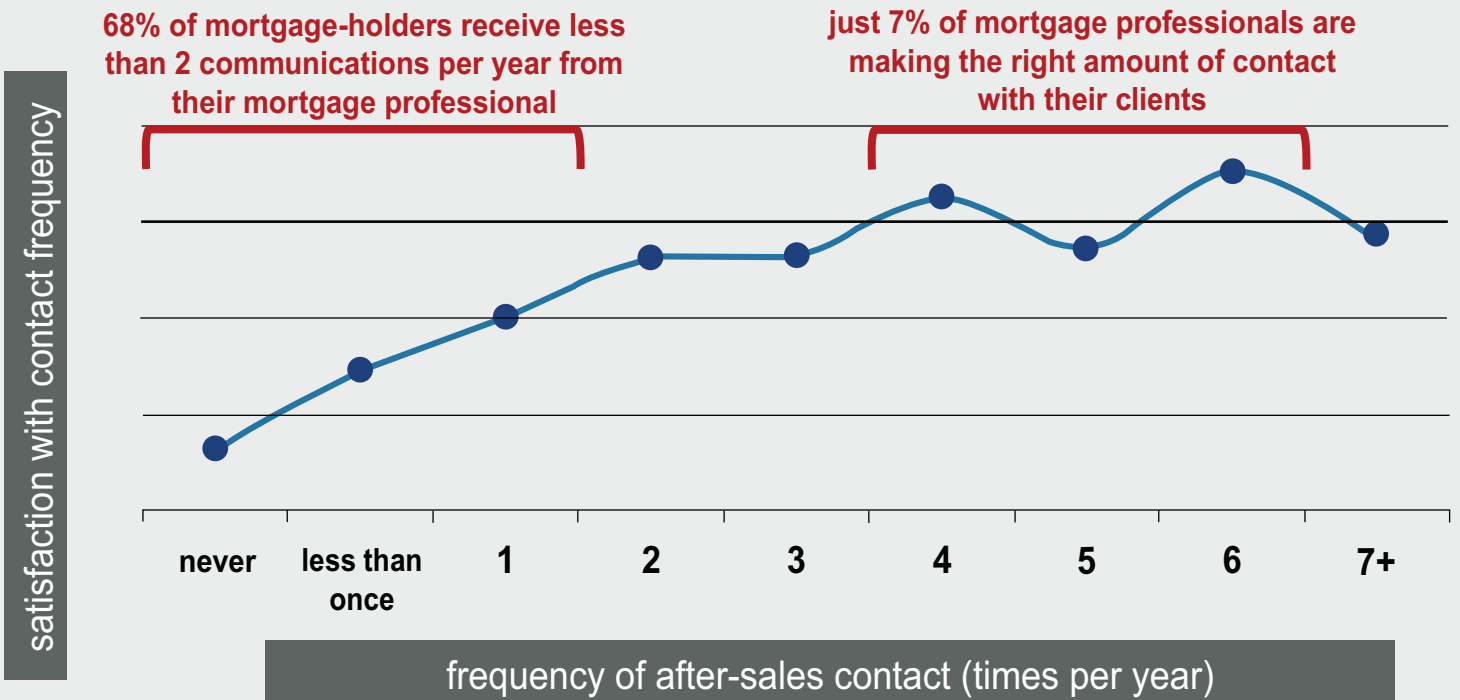
While email and phone are the top two preferred communication methods identified by Canadians, many consumers said they would like to be communicated via multiple methods, which we believe is the best way for a broker to optimize a communications strategy.

The good news is that brokers are communicating with clients, the bad news is in many cases clients either don't get the communications or forget them completely. Ninety-eight percent of brokers told us they are communicating post-sales with customers, however, 31% of customers tell us they never receive communications. This is a very big disconnect, and speaks to the likelihood that email-only communications strategies are falling on deaf ears.

While email can be a very effective part of an overall communications strategy, the optimal strategy is likely a mix of both email, regular mail, and an occasional phone call. With this mix, brokers can be more confident that customers will recall communications, and will be in a better position to reap the loyalty and advocacy benefits that come with post-sales communication.

Frequent communications are good, however, there is a point where contact can become too frequent, and will enter the realm of annoying customers. Our research continues to show that the optimal frequency of communications is likely between 4 and 6 times per year.

optimal contact is between 4 and 6 times per year



broker/lender relationship

lenders should be aware of the multiple criteria by which brokers evaluate lenders... it's definitely not all about rate

Just as brokers have strong competition for business from other brokers and channels, lenders have strong competition for broker business. Brokers are evaluating lenders on a number of important criteria when choosing the pool of lenders they will deal with on a regular basis, as well as the specific lenders they will recommend to clients. From a list of 17 lender attributes, the average broker rated half of them (8.5) to be very important in their decision. For lenders, this means products and messaging must focus on the full suite of features and benefits of their offering, since brokers are evaluating many of these attributes on an ongoing basis.

The most important qualities brokers evaluate lenders on are *speediness of approval process* (81% say this is very important), *services provided from submission to closing* (80%), and *underwriter support* (80%).

When we asked lenders to predict the attributes brokers would find most important, they tended to underestimate the priority brokers would place on specific mortgage features, including *range of mortgage products offered*, *flexibility of payment schedule*, *features offered*, *lowest interest rates*, and *prepayment penalty clauses*. Each of these is identified as very important by at least 48% of brokers, while lender estimates of importance of these attributes range from 21% to 38%. While broker/lender relationships are important, lenders must at least meet a passing grade on a wide range of product attributes in order to be kept in the broker consideration set.

employment in the mortgage broker channel

those employed in the mortgage broker channel are highly satisfied with their careers, likely a huge reason why mortgage customers are so satisfied

A huge factor in satisfying customers is having satisfied employees, and in the mortgage broker channel high customer satisfaction is almost certainly a direct effect of the fact the mortgage broker channel (including lenders, brokers, agents, and service providers) are highly satisfied with their careers. Eighty-seven percent of respondents in our industry survey agreed (4-5 on a 5-point scale) that they are

completely satisfied with [their] job, while just 6% disagreed with the statement (7% were neutral). Satisfaction has increased slightly year-over-year (87%, up from 84% in 2010), and can be traced back to high satisfaction levels with a wide range of employment attributes including *sense of personal accomplishment*, *empowerment*, *challenge provided*, *fulfilment*, *fun*, and *work/life balance*. As a result of this high job satisfaction, two-thirds of respondents (68%) tell us they would choose the same career if they had to do it all over again.

compensation and profits

neither brokers nor lenders reveal much wiggle room if the broker compensation structure is to change in the future

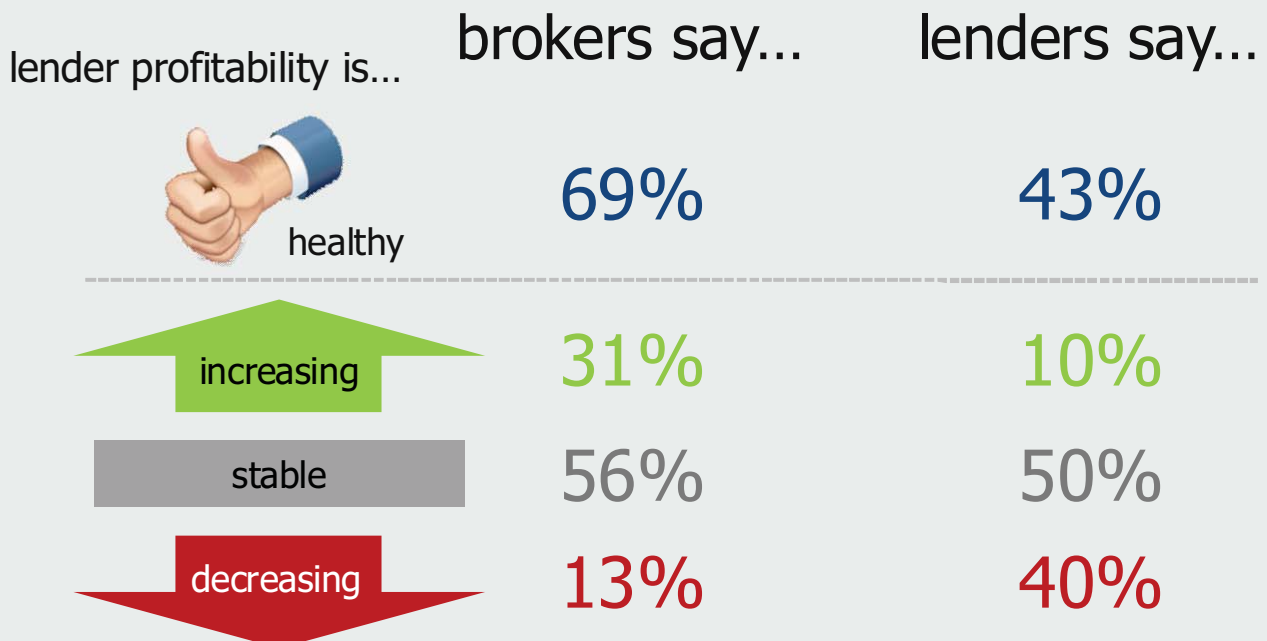
While many factors will influence the relationship between lenders and brokers, perhaps none are more important than profit and compensation. Our survey shows there is very little understanding between lenders and brokers as to the financial situation of the other. These misunderstandings could pose a risk in the future if improperly acted upon.

Despite such high job satisfaction, many brokers say their continued status as brokers depends highly on maintenance of their current level of compensation. We asked brokers how much commissions would have to decrease before they would leave the profession, and two-thirds (64%) said they would leave if faced with decreases of 20% or less. This sensitivity is substantially higher than the average lender thought, with lenders guessing that just 38% of brokers would leave with a 20% decrease.

Misalignment is just as prevalent when thinking about lender profitability. While just 13% of brokers said they believe lender profitability is decreasing, 40% of lenders told us this is the case, a substantial difference and potential concern.

As brokers and lenders grapple with profitability and compensation structures, it is important for each to understand that the other side may not have as much flexibility as they thought, and creative solutions may be necessary in the future in order to align brokers and lenders, particularly in terms of how to handle the all-important renewal.

brokers and lenders give their perception of lender profitability



about the authors, CAAMP, and Maritz Research

about the authors

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Maritz Research Canada

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Maritz Research Canada provides consultative services based on primary marketing research to many of Canada's top companies and organizations. Our focus is on helping our clients to understand and optimize customer experience and loyalty. Maritz Research is a Gold Seal Member of Canada's Marketing Research and Intelligence Association (MRIA), and is the world's 12th-largest marketing research company.



CAAMP/ACCHA

Canadian Association of Accredited Mortgage Professionals

CAAMP is the national organization representing Canada's mortgage industry. With over 12,500 mortgage professionals representing over 1,750 companies, its membership is drawn from every province and from all industry sectors. This diversified membership enables CAAMP to bring together key players with the aim of enhancing professionalism.

In 2004, CAAMP established the Accredited Mortgage Professional (AMP) designation to enhance educational and ethical standards for Canada's mortgage professionals. Established in 1994, CAAMP has taken a leadership role in Canada's mortgage lending industry and has set the standard for best practices in the industry.

CAAMP's other primary role is that of consumer advocate. On an ongoing basis CAAMP aims to educate and inform the public about the mortgage industry. Through its extensive membership database, CAAMP provides consumers with access to a cross-country network of the industry's most respected and ethical professionals.



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