

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

NAB91QW:

For all home loan applications you received in the quarter ending 31 March 2021 (regardless of whether the application was settled):

- a. What is the average and median time from receipt of application by the bank to final approval, for applications received directly through your branch network?
- b. What is the average and median time from receipt of application by the bank to final approval, for applications received through a mortgage broker?
- c. If there is a difference in average and median time from receipt by the bank to approval for applications received through the branch network compared to the those received through a mortgage broker:
 - i. What is the reason for the difference?
 - ii. How might this impact the competitiveness of mortgage brokers?
 - iii. What is the bank doing to equalise the difference in times?
- d. Is an application received through the branch network processed differently from an application received through a mortgage broker? If so:
 - i. What is the reason for the difference?
 - ii. Is this difference informed by bank policy? If so, why?

Answer:

Note: The response below references all home loan applications received in the quarter ending 31 March 2021. This is separate from NAB's 'Simple Home Loans' process, which launched in the last six months. As stated in the hearing, this new process has significantly reduced the time it takes to process uncomplicated loan applications. 50% of eligible loan applications are processed in less than one day, with the remaining 50% processed within five days. NAB plans to expand the capability and functionality of the 'Simple Home Loans' process to other loan types, which will further reduce processing times for customers.

- a) The average time from receipt of application by the bank to final approval, for applications received directly through our branch network is 6.1 days. The median time from receipt of application by the bank to final approval, for applications received directly through our branch network is 3.8 days
- b) The average time from receipt of application by the bank to final approval, for applications received through a mortgage broker is 12.4 days. The median time from receipt of application by the bank to final approval, for applications received directly through a mortgage broker is 8.3 days.
- c)
 - i. Mortgage brokers are currently experiencing unprecedented levels of customer demand, with applications up 45% year-on-year. This has led to an increase in the processing time for loan applications received through our mortgage broker channel. For comparison, prior to current levels of demand, the average processing time for loans received through our broker channel in Q121 was 10.4 days, with a median time of 6.1 days.
Additionally, as mortgage brokers work with numerous lenders at one time, they can be less familiar with the specific requirements of each lenders' application process. This can result in errors which need to be amended before the application can progress. Further, mortgage brokers submit applications through aggregation software, which generally requires a greater amount of manual work and has less

automated processing, than applications received through our branch network. Customers using a broker may also be submitting a loan application as part of a complex deal that they are seeking advice on. This requires greater amounts of documentation for the broker to collate.

- ii. We know that customers use mortgage brokers for a number of reasons, including access to multiple lenders through one individual. While the time to approval can be slower, this doesn't necessarily make brokers less competitive, as customers save time from having one application and one point of contact for multiple lenders.
- iii. NAB is in the process of building a single mortgage origination process for all application channels, including our broker network. This process will be made available to mortgage brokers later in the year and will enable greater use of technology. The technological changes this new process will provide, will minimise the potential for errors and re-work by brokers and provide faster processing times for broker-originated loans.

d)

- i. Applications received directly through a NAB branch are subject to greater level of automated verification, applications received through a broker currently require a greater level of manual verification.
- ii. This is not informed by bank policy, but by our current technological capability and the aggregation systems used by brokers. Our single origination process referenced above will create greater similarity between the processing of mortgages received via our branches and broker channels.