

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

Westpac

WBC100QW: Home loan approval timeframes

For all home loan applications you have 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:

- (a) For the last quarter, median time to approval through our branch network (1st party lenders) was around 11 days.
- (b) For the last quarter, median time to approval through our broker network was around 23 days.
- (c)
 - (iii) Difference in the median times between these channels can be explained by a number of factors:
 - Differences in loan mix between the channels. Our broker channel is skewed to more complex applications including from self-employed applicants, applications requiring lender's mortgage insurance, and construction loans. These typically take longer to process.
 - The quality of information provided with applications differs between channels.
 - Our newly developed origination platform (which has sped up the application process) is available to all of our 1st party

lenders. It is being progressively rolled out during 2021 for loans originated via the broker network (and is currently in pilot for brokers).

- Application volumes from the broker channel have increased and rely more heavily on stronger operational processing capacity compared with deals written by our lenders.

(iv) Westpac considers its broker channel to be a competitive and effective distribution channel to Australian home buyer..

(v) We have implemented and are continuing to implement several initiatives to equalise the difference in processing times. For example:

- We provide brokers with clear minimum document requirements tailored to the type of application – this is helping to improve the quality of submissions.
- We are piloting our new origination platform and associated processes for brokers before scaling up beyond September this year.
- We have increased our operational capacity since last year to support broker originated loans – and are continuing to add additional processing staff this year.
- We have implemented over 60 policy and process initiatives which support simplification across both channels to reduce handling time, and remove the need to handoff between different processing teams.

(d) Our credit policy and our responsible lending policy requirements / checks are consistent across channels. The way we process a loan may differ between the channels due to the origination platform being used.