

Online mortgage approvals begin to gain acceptance

Online mortgage applications are on the increase according to several market players as borrowers become more confident with providing personal details electronically, and receive the benefit of vastly increased turnaround times.

Major market participants include Homepath and Onedirect, owned by the Commonwealth and Australia and New Zealand Banks respectively, Wizard, Virgin Money and some smaller lenders appealing to borrowers as they pass overhead savings on through competitive rates.

Internet based mortgages are beginning to appeal to a wider audience, as question marks about the ability to collate meaningful data have improved through more advanced and user friendly software applications, and acceptance has been gained from the borrowing community.

Andrew Russell, director home loans Virgin Money, is confident that applications for mortgages online will continue to increase in Australia, based on success in the United States and United Kingdom where customers are becoming more familiar and confident with the process.

"We are finding customers are increasingly time poor and we provide a solution for them to begin the mortgage application process at a time that is convenient to them.

"A web application can be completed in around 30 minutes, with approvals within days providing personal documentation such as income and assets have been provided and validated."

Macquarie Bank runs the back office for Virgin Money, providing credit checking and verification through their lending score card.

When asked about the success rate of data inputs for applications, Russell responded, "Around 60 per cent of our mortgages are originated via the internet, and of these, we only need to contact around a quarter to clarify any outstanding details.

"Operating in a virtual space you want to make the application as simple for the customer as possible, and the harder information is to send then the less likely people will complete it."

Russell said Virgin Money aims to allow the potential borrower to begin the relationship online, continuing to a point where they would then feel more comfortable talking to a real person.

Kevin Sherman, general manager at MyRate, said they are seeing a steady increase in the number of customers applying for mortgages using the internet, and anticipates internet based lending will gain market share over traditional methods.

"Online applications appeal to our customers and dramatically

speed up the approval times. Customers can begin the loan process at a time convenient to them, which flow through to improved turnaround times.

"We aim to contact people within one hour of receiving their online application, during business hours, if no preferred call back time has been input."

Sherman comments that delivery has to be better than a traditional mortgage, and due to reduced overheads lower rates can be offered, but this does not come at the expense of service.

MyRate offers a five day formal approval guarantee, backing this up with financial compensation to any customer should this time frame not be achieved.

According to Sherman, customers are comfortable with this type of application process, "We give tools to the applicant to initiate the loan process on line, and then deliver service down avenues which are comfortable for the borrower."

Online mortgage software advancements

To support the growth in online lending, Sandstone Technology has developed LendFast Web, an online loan application module to help lenders increase loan application penetration via the internet.

Brent Jackson, general manager lending solutions at Sandstone, said several Australian financial institutions are using a previous version of the software with the first LendFast Web client aiming to go live in October.

"The software is suitable for lenders large and small, suitable for organisations looking to reduce costs in their application process and to improve loan application turn around times, therefore gaining an edge over their competitors.

"The user friendly and configurable look and feel accelerates the 'Time to Yes' or conditional approval to ninety seconds for the first time user.

"A LIXI compliant interface is provided to the financial institutions loan origination system, with input reduced to a minimum by context driven prompts with drop down menus which include dynamic help and error messages."

Customer details are recorded as they are input, so if the online application is terminated part way through, a representative can call the applicant back to provide assistance.

Online mortgage applications are still far from becoming mainstream, but as usability and consumer confidence grows, so may the popularity.