

# Commissions like clockwork

believes that while a percentage will leave the industry as a result of the new rules, the bill will have some positive effect on new business volumes for non-bank lenders.

“The possibility of smaller broker numbers actually provides a real opportunity for those who remain to be successful, depending on whether they are willing to comply with the education and various legislation and compliance requirements.

“Brokers need to place more confidence in their expertise to offer borrowers loans that will suit their requirements, rather than simply forwarding these loan applications to the banks. If a broker truly values their service, they should have no hesitation in recommending a comparable product with a non-bank lender – otherwise they are not placing enough value on their own service.”

While some industry players, particularly the Australian Bankers’ Association and Abacus (the industry body that represents building societies and credit unions), have expressed concerns that the pending legislation could unnecessarily burden lenders which in turn would negatively affect borrowers. But Resimac has adopted a ‘wait and see’ approach.

“At this stage it is too early to determine whether over-regulation is a possibility. We have not seen the impact of the soon-to-be-implemented legislation,” Savins says.

For the moment, Resimac prefers to just concentrate on its own business, Savins says, while it looks forward to executing its new strategy. **MPA**

## big changes

For the last 12 months, Resimac has been strategically planning its next moves. It’s on the cusp of launching a complete re-invention. Here’s a play-by-play of their short- and long-term goals:

### Short-term goals:

- improve diversity of product offering
- deliver a compelling online origination system
- diversify distribution channels
- launch a retail offering called ‘Hemisphere Financial Solutions’ which will aim to deliver a branded offering to the borrower initially via the aggregation channel
- the core focus will remain on the wholesale funding sector with RESIMAC totally committed to supporting mortgage managers for the long term.
- re-educate the market on the benefits of dealing with a non-bank lenders
- form strategic alliances with select distribution groups

### Long-term goals:

- diversify distribution to continue penetration
- maintain strong ties with our warehouse providers and investors to ensure long-term funding availability
- strategic alliances with key industry participants

**Commission processing** is often viewed as a black art – or a black hole. It doesn’t need to be. Accurate and timely payment of commissions is at the heart of the industry, but is often peripheral to conversations about system and process capabilities and improvements. In evaluating your current system and process capabilities, there is a simple health check you can conduct.

### Calculating Your Commission Productivity Ratio

To get a feel for how healthy your commission payment processes are, you can calculate your Commission Productivity Ratio (CPR). Simply divide the number of transactions processed by the number of staff hours it took to process them.

Look at this information historically, and as staffing levels change and/or transactional volumes change. Does your CPR decrease as your volumes grow? If so, then your process may not be efficient. You can then take this one step further: by looking at your staff costs you can quantify the bottom line impact on any improvements you make in terms of measurable cost savings.

We have calculated CPRs for a number of our clients. While the CPR is more useful as an internal benchmark, it is interesting to see what can be achieved.

Here’s an example:

We implemented a new commission system for X Inc. Their Commission Productivity Ratio was 21.0 initially. On implementing the new commissions system, the CPR improved to 56.1. As transactional volumes and sales channels grew over time, the CPR continued to increase to 171.3. This represents an immediate productivity gain of 167%, with a 714% productivity increase over time. X Inc experienced both an increase in transactional volume and a decrease in processing staff hours.

### Benchmarking

While the overall CPR gives you a broad-brush indication of the health of your commission payment process, you can then work to generate benchmarks for each individual process: for example, data import and validation, processing calculations, generating and distributing commission statements, making payments. These individual processes can then be further analysed and refined. Focusing on the root causes of manual payments and adjustments will also highlight process failures and suggest areas for improvement which will have a direct impact on recipient satisfaction.

These refinements will in turn improve your overall CPR and reduce processing costs over time.

For more information, e-mail [cpr@loanworks.com.au](mailto:cpr@loanworks.com.au) or download a fact sheet from [www.loanworks.com.au/cpr](http://www.loanworks.com.au/cpr)

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