

SPECIAL REPORT

TIME TO BRANCH OUT INTO COMMERCIAL

Brokers are increasingly reaping the rewards of diversifying into SME finance. **Cameron Poolman**, CEO at OnDeck, **Jenny McKay**, principal at All Finance QLD, and **Brad Crinion**, CEO at Platform Finance, discuss how to branch out into commercial lending

ONE of the golden rules of investing is to not put all your eggs in one basket. A broker's business is a key personal asset, and the value of diversification applies here too. A growing number of brokers are doing just that, exploring the different revenue streams offered by commercial finance.

In 2019, online SME lender OnDeck Australia experienced extraordinary growth in broker-generated loans.

OnDeck CEO Cameron Poolman explains, "Brokers are now more prepared to look beyond the traditional home loan market. Commercial loans don't just add a revenue stream; they also allow brokers to deepen the client relationship and act as a broader provider to their customer base."

Jenny McKay, principal at All Finance QLD, made the transition into commercial lending some time ago. She says, "If you are going to help your clients with one thing, you need to take into account the whole picture."

McKay adds, "Business owners have so many options with finance today to help them in their business, it is exciting."

their home loan – but they may also be on the lookout for new work vehicles or commercial equipment to grow their business."

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A more complete client service
OnDeck's research shows that, within a broker's residential client base, around one in four are likely to be SME owners. This provides a wealth of opportunities to diversify revenue streams – and deepen the existing client relationship.

Brad Crinion, CEO of Platform Finance, Australia's largest asset and equipment finance group, explains, "We're seeing an increase in self-employed people seeking assistance from mortgage brokers to refinance

Seizing opportunities
The key for brokers is to be able to seize opportunities. Crinion says, "What we've seen is that brokers have the client sitting in front of them, saying, 'I'm looking for a new mortgage, but I'm also looking for some new vehicles or equipment'. However, the broker loses that opportunity because they don't have the products to facilitate that lending."

He adds, "By diversifying and partnering with specialist asset financiers, brokers can offer a

complete solution to their client and increase the chances of retaining that client for the future – with more frequent financing opportunities."

As Crinion points out, branching out into SME finance lets a mortgage broker provide a full financing solution to their client.

He says, "If they come in for a mortgage and mention they're looking for equipment for their business, why point them elsewhere? You can now provide this full finance solution to your client. You can effectively become a one-stop shop for all of your client's needs."

SMEs moving away from using personal capital

Not so long ago, SME owners often relied on home equity and other personal assets to provide business funding.

Poolman says, "We know that around eight out of 10 SMEs have business finance secured against the owner's home. The risk is that relying on home equity blurs the line between business and personal assets. This can put an SME owner, and potentially their family, in financial jeopardy if the business fails."

However, according to Crinion, there is a trend away from using home equity, and it's adding to the opportunities for brokers to diversify.

"SME owners are increasingly trying to find ways to raise capital without having to risk the family home by leveraging off their personal equity," he says. "There's a desire to separate business life from home life and reduce risk."

At the same time, an increasing range of finance options are available to SMEs.

"There are a lot more products on the market that will allow an SME business owner to facilitate growth in their business without leveraging their personal assets," Crinion adds.

Benefits for brokers

McKay has seen upsides for both herself and her clients in SME lending. "Dealing with business



Cameron Poolman, CEO, OnDeck



Jenny McKay, principal, All Finance QLD



Brad Crinion, CEO, Platform Finance

owners is something I like, and commercial lending seems to be quicker and easier to get processed. The processing time is much faster with companies such as OnDeck."

Other benefits have flowed from it, too. "It has given me the opportunity to learn about new products and inform my business owners about them, and where they might help them. Commercial lending also helped with my own income following the slowdown of the residential market," McKay says.

Support is available

Adapting to change can be challenging for time-poor brokers. However, McKay says, "I don't believe it is that hard to get your head around commercial. If you keep up to date with the information the lenders supply, and you have a

good rapport with your BDM, you will be fine – they are there to help."

For brokers who come across situations they are uncertain about, McKay advises, "If you don't have the answer at that point, be honest and let the client know you will find out and get back to them. People like honesty."

Just as with the home loan market, brokers do need to stay abreast of developments in commercial lending. Crinion says, "What's important is that brokers provide specific independent advice, taking the time to research and search for the product that is right for the client's exact requirements and based on their circumstances."

Access to specialised finance

SMEs often have long-standing relationships with their banks. The

a trusted partner such as Platform Finance, we can provide the solution for your customer and the relationship remains 100% with the broker. That's your relationship, and we can help you grow it by providing a full solution, rather than just a mortgage, so you don't lose any other opportunities."

Fintechs bring fresh alternatives

What's especially exciting in the commercial space is the availability of new SME finance options introduced by fintech lenders.

Sean McHugh, finance broker at Platform Finance, says, "We've witnessed the emergence of fintech lenders that are innovating and developing finance products for small and medium businesses. In the last 12 months we've found that more of our commercial clients are reaching out for advice from their broker about this type of lending."

He adds, "OnDeck is now a core fintech partner of Platform Finance because of their expertise in the industry both here and abroad, with over \$13bn-plus loans funded, servicing over 100,000 customers."

Poolman explains, "We really act as an extension to the broker's team. Reflecting this, we always triage broker enquiries upfront so that their customer won't have an unnecessary credit enquiry recorded on their credit file, and to save the broker valuable time."

Indeed, he points out that OnDeck's expansion into the broker channel has been accompanied by a tripling of its business development team, which has been handpicked from the ranks of its most experienced sales team.

OnDeck's success across the broker channel reflects the significant level of support it offers brokers transitioning into commercial finance. And it's something that matters, Poolman adds.

For McKay, the journey into SME finance has been highly rewarding. Her advice to brokers considering diversifying their business is to learn about the products involved, speak with other brokers in their group or network, and reach out to lender BDMs for help.

"We all have different levels of experience, and you can't know everything – this is how we grow. But you'll get to love commercial finance." **AB**

Diversifying into Commercial e-book

A guide to expanding your broker business, brought to you by the MFAA and OnDeck

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