

The rise of the satellite packager

Don Young looks at the benefits of satellite packaging and explains how mortgage intermediaries can get involved

Contrary to many predictions, packagers have not only survived, but are now an integral part of the mortgage market as lenders are looking to safeguard their margins through rationalisation, branch closures, outsourcing and devolved sales and marketing.

It is also becoming clear that lenders are looking to rationalise their introduction base, with a greater focus on those who deliver volume and wider distribution channels. The economics are now such that larger packagers and distributors are able to command on-site underwriting, offer production and even post-offer management. In short, the full 'branded lending' proposition.

With business introducers and direct clients becoming more demanding in terms of quick, high quality service and a less heterogeneous profile, how can smaller packagers with ambitions best participate in the market?

Opportunities

One of the advantages of this shift in position created by lenders' devolution is the ability of major packagers to create a similar devolved model, utilising the depth of experience that exists in specific markets. Major packagers, particularly those who offer wholesale design and distribution, can offer an outsourcing opportunity to those who want to take control over the front-end process,

giving them access to leading lenders and enabling them to earn more money than they would normally expect by going direct, thus creating the opportunity for satellite packaging.

You don't have to be big to take advantage of this trend. By becoming a satellite packager, you automatically become part of a larger business entity and, in addition, benefit from any organisation which they may be a part of, such as a trade alliance which represents the interests of their members. As an example, we are one of the founding members of the Professional Mortgage Packagers Alliance (PMPA). As a group, PMPA will collectively write £8 billion worth of mortgage business this year.

Benefits

- **Commission levels** – the primary benefit of satellite packaging is enhanced commission as a result of your own collective distribution powers and as a reflection of your increased responsibility for devolved sales and marketing.
- **Access to different lenders** – the larger packagers and distributors tend to work with more lenders than their smaller relations. They also assist new mortgage lenders entering the market so



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that a satellite packager is able to access the new entrants at the same time, rather than wait for further phases of roll-out.

- **Access to exclusive offers** – the larger trade alliances such as PMPA and RAMP, receive regular exclusive and semi-exclusive products, from an enviable range of lenders.
- **Fast-track servicing for your brokers** – on-site underwriters are provided by branded and some non-branded lenders – in an increasing number of cases, for up to five days a week. Consequently, most offers can be produced in-house – a major plus as the case does not get caught up in

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the lender's head office process. Copies can be forwarded to all interested parties quickly, and one of the key pressure points in the process resolved. In other instances, if there is a hiccup towards the end of the process and, when time is of the essence, on-site underwriting often enables another lender to step quickly into the breach.

Choice and control

Choosing the most appropriate product/lender for the client, possibly with the support of the host packagers' sales consultants, is much easier when a broad range of suitable products is available, along with other aids, such as online decision-in-principle (DIP) facilities. You can then generate the required paperwork, instruct and receive the valuation report directly from the valuer, collect all of the items required by the lender and, hopefully you have a case that is ready for offer, without it ever having left your office. Access to an in-house underwriter combined

For the host packager, the relationship must supply high quality cases requiring no reworking. This is a real issue, so severe that recent developments have seen the introduction of a tiered system of packaging payments and which are directly related to the quality of packaging for cases received from satellite packagers

with the host packager's support gives control of the front-end process, empowering you to set your own service standard.

Scope for satellites

We believe satellite packaging will continue to boom and expect to see a significant growth across the UK. There is, however, one caveat. For the hosts, the relationship must supply high

quality cases requiring no reworking. This is a real issue, so severe that recent developments have seen the introduction of a tiered system of packaging payments and which are directly related to the quality of packaging for cases received from satellite packagers.

So, how do we make sure that the standard of packaging is high?

I worked for Citibank back in the 1980s, and, every day when I turned on the computer, up came the message, 'get it right first time'. It may be corporate brainwashing, but the principle is the key. It is indisputable that getting things right first time will ultimately secure the result required, but the challenge is how can we make sure it is right first time?

Training and support material must be provided to the satellite throughout the entire relationship with the host packager. This can be a combination of direct support from the host packager and the branded lenders, for whom the satellites may

package. Satellites must have access to up-to-date packaging manuals, preferably electronic, and receive feedback from the host packager ongoing – quality control is a constant process.

So, who are the host packagers looking for to become their new satellite packagers?

- Firms who are directly authorised by the Financial Services Authority (FSA), or appointed representatives (ARs) who have specific authority from their network, with all of the appropriate insurance and relevant regulatory registrations.
- Existing packagers who want to gain access to a wider selection of lenders and products.
- Introducers who want to take the next step, gain more control over the front-end process, and achieve more income at the same time.
- Small networks or umbrella groups who want to harness the power of the group and maximise their buying power.
- Any of the above firms who do not get access to certain lenders with closed or limited distribution (Unity Homeloans and Victoria, for example).

As anyone with many years' experience in the mortgage industry knows, the next challenge is always around the corner. However, if you can take control of your own destiny, the challenges become a little easier to handle, particularly when you have the strength of powerful organisations in your corner, ready to help you as and when required with access to everything you need to complete the job.

We are currently aware of a number of organisations looking for satellites, including ourselves. So, if you fall into any of the above categories, why not contact a host packager or distributor now and find out more.

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