

Speaker 1: Welcome to Elite Broker with your host, Alex Whitlock.

Alex Whitlock: Hi and welcome to Elite Broker. The podcast brought to you from The Advisor. My name is Alex Whitlock, I'm your host. Joining me today is one of the best brokers in Australia. His name is Ross Le Quesne. He is Principal of Parramatta, Aussie franchise for quite some years. He's just recently taken on the Rouse Hill business.

Aussie Parramatta has been Aussie's number one brokerage for five years running. It's doing exceptionally well under anyone's terms. Ross, welcome.

Ross Le Quesne: Thanks. Thanks for having me.

Alex Whitlock: Ross, I've known you for quite awhile mainly because you are my personal broker, but this is the first time we've had a chance to catch up and to really talk about your business rather than you organizing loans and my property portfolio.

I've never asked you, what got you into mortgage brokering in the first place and when was that?

Ross Le Quesne: It was about 2001. I had just done some studies. I was studying Physical Education course actually and my first year through it I was doing a bit of tent work in the credit union and one of my clients said, ah, you should come and try out these Wizard home loans. So, I tried it and it was at a time when Mark Burris had cut the rates before the Reserve banks so it was a flight of leads came in.

Alex Whitlock: Had you heard of Wizard Bank then? Did you know who Wizard was?

Ross Le Quesne: I knew them because of the rugby league.

Alex Whitlock: Okay.

Ross Le Quesne: I knew that they had sponsored The Blues at that point in time. I didn't know a lot about more than that but I joined [inaudible 00:01:30] because I had a mortgage background because I worked my way up in a credit union from the mail boy. Did a couple years in the credit union doing you know personal loans, few mortgages here and there, from telling, all the back office sort of functions. Because I had a bit of an idea of mortgages, I went well in that area and so within a few months I ended up throwing in the university degree even though [crosstalk 00:01:55].

Alex Whitlock: So, you'd started it?

Ross Le Quesne: Yeah. After one year I had high distinction average and threw in the towel and got offered a job to work in Wizard's head office which I did for two years.

Alex Whitlock: Was that salaried role in the head office? Was it sort of commission base to that?

Ross Le Quesne: No, no. That was just a salaried role. Recruiting and training mobile lending

manages.

Alex Whitlock: Okay, so that was in 2001?

Ross Le Quesne: Yes. That was in 2001. I worked in that role, loved the role and did it for two years. Finished that role, I saw an opportunity in the Parramatta Wizard office so there was some sort of in-fighting and I had my ears close to the ground and I recruited my brother Scott into the business.

Alex Whitlock: So, what was Scott doing for...

Ross Le Quesne: Scott was a sales guy. He just traveled the world. Spent a bit of time in London doing odd jobs and he'd just come back and was looking for for something to do. He didn't have any mortgage experience so I recruited him in and he worked out of Blacktown Wizard office at that point in time.

Alex Whitlock: Okay.

Ross Le Quesne: So, six months... he had been in the role six months when this opportunity to take over the Wizard's store at Parramatta came on board and at the time we were 27 and 26 so they took upon two young guys and in their first month in business it was around the last property boom, February 2003.

Alex Whitlock: I was going to say, yeah. Just to get your mind back, rates around that time were ...

Ross Le Quesne: I reckon probably around about 7,8%.

Alex Whitlock: Yeah, they were just starting to creep up weren't they?

Ross Le Quesne: Yeah, well actually ...

Alex Whitlock: It wasn't a great market in Sydney at that time.

Ross Le Quesne: Yeah, I mean at that time rates were low and the market was still in the boom. The last boom was in 2003, ended in 2004.

Alex Whitlock: Okay, [inaudible 00:03:46].

Ross Le Quesne: We started in the boom. In our first month of business we were at ten million dollars in applications. We had a really good start and we were on a three months trial with Wizard at that point, so it was good. That sort of ended our trial, that's how these guys know what they're doing and it was a great in to the business in an easy market in that point of view. We had 12 months of good times and then the market stopped.

Alex Whitlock: Where were your leads coming back from then? You were saying ... Were they coming from Head Office at Wizard or were you going out prospecting?

Ross Le Quesne: No. Coming from leads from the existing database. We made sure we called the existing database that Wizard Parramatta had and then we networked. I've always been ... I joined I think within the first few months, so I joined business groups that would meet on a regular basis so I built a network that way.

Alex Whitlock: Did the introduce you to referral partners, or was that more sort of direct customers, prospective customers?

Ross Le Quesne: No. Referral partners, so that introduced me to referral partners and many of whom I'm still in contact with today from all those years ago.

Alex Whitlock: Scott's coming from a sales background, you coming from a credit background, how did Scott's sales, expertise really sort of enhanced the business in those early days? What did you learn from Scott in terms of his approach to the business?

Ross Le Quesne: He was about that activity. As a sales person you drilled about your role is ... it's all about activity. The activity that you do are gonna produce those results. Scott was really good in that and he was activity focused. Folks you'll know dollar productive activities, making phone calls to existing database, and so forth which helped him.

Alex Whitlock: In terms of ... I'm just interested ... I'm a salesman by trade, so I'm always fascinated by any sales component of any job. In terms of the selling aspect back then, how much selling was there in terms of the "Wizard Proposition"? Because it was a non-bank lender, it wasn't a recognized brand. I know there was some national advertising going on around Wizard but it wasn't a household name. In terms of the client, in terms of the customer ... and back then I know Wizard wasn't a Broker, but you're looking at probably about 25,30 percent of loans were being originated outside the bank branches at that stage?

Ross Le Quesne: We would do over 80% would be a Wizard based product. Very very was broking products at that point in time. Being involved with the Wizard brand was quite strong. It wasn't until we came across to Aussie that we realized that actually Aussie is a stronger brand than Wizard was, but at the time the Wizard brand ... There was more of a sell because it wasn't your big four banks, so there was more selling and positioning who Wizard was opposed to you sell a Commbank loan, everybody knows who Commbank is.

Alex Whitlock: How were the rates back then, Ross? Back then I'm guessing that securitization was still producing low cost funding for you guys. What was the differential between what the banks were offering and what you guys could offer in terms of Wizard loan?

Ross Le Quesne: The Wizard loan was a little bit cheaper. The way you would get competition is when the banks had their pro-packs.

Alex Whitlock: Okay, yeah.

Ross Le Quesne: But at that point in time not many of the banks had pro-packs [inaudible 00:07:13] a new thing, and you used to get half a percent and in the pro-packs in the old days they had to earn a certain salary to qualify. Very different to what it is today.

Alex Whitlock: In your first month you did 10 mil in applications. Once things are settled down in the market, because that market's slow it's only 2004 and onwards in Sydney, what were you and Scott writing a month? What was your average month back then?

Ross Le Quesne: Probably around about six million dollars in applications. I think we'd settle in an average year just over forty million dollars per year during initial years with Wizard.

Alex Whitlock: That was very respectable numbers back then.

Ross Le Quesne: Yeah. I mean we were definitely amongst the top twenty or thirty stores, that's for sure.

Alex Whitlock: Okay. How many stores did Wizard have at that stage?

Ross Le Quesne: When they were taken over by Aussie I think it was around about a hundred and fifty from memory.

Alex Whitlock: Yeah. Now I'm gonna take a stab in the dark and I reckon Aussie took Wizard over about 2008, is that right?

Ross Le Quesne: 2009.

Alex Whitlock: 2009? Okay. Just talk me briefly through how your volume went over that 2,3 year period, until the acquisition.

Ross Le Quesne: Before the acquisition it was tight credit criteria.

Alex Whitlock: Yeah, it was.

Ross Le Quesne: It went through JFC and we were owned by GE and they wanted to pull out of the market, so it was never ... I remember thinking it was never so hard to actually get a loan approved at that point in time. It was a real opportunity for us going from Wizard to Aussie because we had the opportunity where a lot of the GE customers, Wizard customers were 1% out of the market. We combined a number of different Wizard stores at that point so there was about 4 stores that came together which gave us a loan book of around 400 million in clients that we had access to, so we staffed up, got everyone on the phone. Clients were 1% out of the market and it was like Christmas. We could just go ... [crosstalk 00:09:18]

Alex Whitlock: Just to give our listeners a bit of a picture now. There's you and Scott How many did you have working in your team at that stage?

Ross Le Quesne: When we combined a few stores I think we had about 4 or 5 in our Parramatta store at that particular time.

Alex Whitlock: How many of those 4 or 5 were writing loans and what was sort of the back office operation?

Ross Le Quesne: We had 3 loan writers, and 2 support staff at that point in time.

Alex Whitlock: Okay.

Ross Le Quesne: But then we combined a number of offices. We combined Wizard at Castle hill, Wizard at Fairfield, Wizard at Black Town into one, and we put a call centre in, so we had about 15. By the time everyone joined ...

Alex Whitlock: That's a pretty good operation.

Ross Le Quesne: Yeah. Then the whole focus was then on refinancing. Because a lot of these clients were 1% out of the market it was like shooting fish in a barrel. You just went through ... and we were writing about 40 million dollars a month in refinancing in that transition. That's really what got our systems and process to the point that allowed us to write volume.

Alex Whitlock: When you say your systems ... This is yours and Scott's systems. This is the systems and processes that you had implemented in your business? Or did you get any guidance and support from head office?

Ross Le Quesne: It was more what we needed to do.

Alex Whitlock: Yup, okay.

Ross Le Quesne: And to enable us to enable us to write those levels of business. It's like when you reach the comfort zone, it's stretch thin and so from then on it made a lot easier even once we didn't have those refinances to write similar volumes and to grow where we are today.

Alex Whitlock: Do you find that there is a particular ratio in terms of either number of clients or number of applications, or a dollar volume where you're looked to take on another loan writer or you're looked to add processing staff? Do you have a formula around that?

Ross Le Quesne: Yeah, we do, and we got new brokers coming on at the moment. I think once you get to that where you're writing about 10 to 15 loans, people tend to ... that's a capacity for an individual, and you'll see that amongst whether it be different originators or aggregators, you'll see a lot of those successful loan writers will be writing around, settling around that 40-50 mil at this point and they hit a ceiling. Without getting an assistant onboard that's the ceiling.

Alex Whitlock: Yeah. It's quite a common theme, it's popped through people I've talked to.

Ross Le Quesne: Yeah. It's normally around that 10 to 15 applications a month.

Alex Whitlock: Okay.

Ross Le Quesne: Once you get that, that's when you need the additional support. For us we've chosen to go down where we've got a lot of processing staff, opposed to a lot of mortgage brokers so we've got that consistency of service. It takes the peaks and the troughs out of your business so that your typical broker without support staff, without helping the processing side of the business will typically have [inaudible 00:12:18] we'll a really good month of applications and then they're busy processing. It'll just be a wave up and down of good months after bad months, after good month, bad month whereas once you get a good processing team on place it just puts a lot of consistency in the business.

Alex Whitlock: You brought together 4 Wizard stores, is that correct? [crosstalk 00:12:39]

Ross Le Quesne: Yeah, yup.

Alex Whitlock: It's 2009 and ... I don't remember because we got a release from one particular group saying that they had acquired Wizard. I won't mention the name of the bank. Then low and behold, Aussie just from nowhere came out and took it off the table.

Ross Le Quesne: Yeah. It was actually around Christmas. I think it was Christmas day.

Alex Whitlock: It was Christmas time. Yeah, it was indeed.

Ross Le Quesne: Yeah. We all thought that we were gonna go to that particular bank and then it came as a big shock to us that Aussie had [crosstalk 00:13:09].

Alex Whitlock: We got the release from the bank, we sent it out as per their instruction and then literally one minute to midnight, bang.

Ross Le Quesne: Yeah. No, it was interesting and it was ...

Alex Whitlock: A major competitor as well.

Ross Le Quesne: Yeah. At the time we were as I said, disappointed that the Wizard brand was buried by one of our competitors but looking back on hindsight the strength of the Aussie brand has been really good for us.

Alex Whitlock: You guys were given a choice. I remember back in the day Aussie said "You can join us, the choice is yours". What made you at that stage decide that you wanted to go across, take on the Aussie brand?

Ross Le Quesne: There was a number of benefits to joining Aussie at that particular time. The one,

you had access to your database again, you kept some of your trialing commission, and you also could waive some of the early repayment penalties that were common back then. So if you went across to Aussie you had the ability to waive those fees, whereas if you went out on your own you didn't have that same luxury, there was also some mortgage insurance discounts at the time. The proposition was far better and far more attractive, especially the size of the portfolio that we had to refinance. As I said, it's not everyday you get a 400 million dollar loan book, and most of those markets are 1% out of the market and say "Refinance them, and it's in the client's best interest to refinance with you if you go with Aussie". To us, there wasn't really a decision to be made.

Alex Whitlock: Ross, I'd actually really like to get you back. I could carry on talking for a long time here and now, but I'd like to get you back because what I'd like to talk to you about next time is really, sort of post 2009 up to today and how you've built your business under the Aussie brand. Look, just before you go, if you just share with our listeners now, what was last year's volume for Aussie Parramatta? What are you doing now?

Ross Le Quesne: Last financial year we settled at 280 million in loans, so that's probably about 800 settled loans.

Alex Whitlock: Wow. I think it would be fascinating to look at how you've gone from the [inaudible 00:15:18] 40 million a year up into those kind of volumes. Thank you very much for joining me. For everyone who's listening, thanks very much for turning in again. My name is Alex Whitlock, please do go and visit The Adviser and I will catch up with you very soon.