



Money Mindset Report

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A golden opportunity for Australians



Mario Rehayem

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When it comes to financial products and loans in particular, there are many factors and considerations which go into making decisions. For many borrowers, the process can be a stressful one, as it's often interlinked to their hopes, goals and dreams. We wanted to understand how those dynamics affect the way Australians seek finance to see whether there are better ways that we can help them succeed.

Specifically, we wanted to understand which factors are impacting borrowers' ability to identify and secure the best loan option for them.

The research reveals some interesting insights, highlighting the importance that understanding your options can play in giving you confidence that you have found the solution that suits your individual circumstances, needs and priorities. It also shines a light on the role that rushing to a decision can play in creating financial regret further down the track.

Aussies clearly get that it's in their best interest to explore options, but many admit to not doing their due diligence when it comes to selecting a loan option. This report shows that time pressure, anxiety and the fear of rejection are clearly playing a pivotal role in causing Australians to not fully understand their options before making big financial decisions.

I've been particularly surprised by the insights in this report that reveal people spend more time exploring their options for phone and internet plans than they do researching their options for a home loan. We spend countless hours searching for the perfect home, yet many are not taking the time to deeply understand all their available options to finance this purchase.

Particularly in these times of changing lending criteria and tightening household budgets, it's important that borrowers understand there are often a range of alternative flexible finance options to explore beyond the banks, and they should seek out and understand all of their options before taking 'no' for an answer or jumping at the first 'yes' they are offered.

More than ever, against the backdrop of rising costs of living and often shifting goalposts when it comes to securing finance, borrowers should have an expert like a broker in their corner to help them understand all the different lenders and loan alternatives available without all the stress.

There is a golden opportunity for Australians to connect with mortgage brokers, who can offer a clear understanding of the different lenders and loan alternatives available that meet each individual's needs and secure the right option for their circumstances.



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Australians aren't always exploring their financial options

We understand that money can be stressful, and the reality is that no matter who you are, everyone has their own stresses when it comes to money. It's all relative to individual circumstances, and it's those individual circumstances that then impact what options are available to you.

With so many factors affecting what we can borrow, and particularly amidst tightening lending criteria in more recent times, it's easy to be focused completely on getting a 'yes' - any yes! And when we get it, we grab onto it, even if it isn't quite what we had in mind. Or, as is increasingly happening, we get told 'no' - things have changed and you'll have to come back when you've saved more deposit or improved your credit rating.

But what if taking a little extra time to understand your loan options could put more money back in your pocket? What if, by taking the initial feedback at face value, we are actually missing the opportunity to find other options available to us that better suit our personal needs?

With rates rising and household budgets tightening, it's important that Australians understand the power of their options. To do this, we first wanted to understand Australians' sentiment when it comes to making financial decisions and looking into their options.

Our research shows:



98% of Australians say that taking the time to understand their options helped them more confidently make decisions.



53% admitted to having taken the first loan approval option they were offered.



78% of respondents admitted to experiencing regret at least once as a result of a past financial decision.



65% of Australians recognise that financial products and advice is the most important area to seek out a second opinion on, ahead of health-related matters (60%) and major purchases (55%).



Australians' disparity with decision-making

65% of Australians recognise that financial products and advice is the most important area to seek a second opinion on, but only 3 in 5 (61%) say they would spend time researching different options about a loan before making a decision.

While a home purchase is one of the largest investments most people make in their lifetime, Australians say they are more likely to spend time understanding their options for phone and internet plans, car insurance and even electrical purchases, than a loan.

There is a disparity in what Australians are willing to do their due diligence on. When asked which products and services Australians would spend time researching we found:

71% will research a phone plan before deciding

70% will research an internet provider deciding

68% will research car insurance before deciding

65% will research home insurance before deciding

62% will research electronic products before purchasing

60% will research a loan* before deciding

*(home loan, personal loan, car loan, etc.)

The cause? A fear of rejection and time pressure

When it comes to a big decision like securing finance to get a home, car, or personal loan, feelings of being overwhelmed and other cognitive emotions relating to anxiety, are key factors in the decision-making process.

25% of Australian cited a fear of being turned down elsewhere when asked why they have previously chosen to take the first option they were offered.

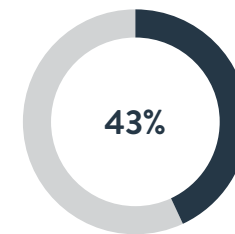
32% admitted they wouldn't seek a second option because it takes too long, demonstrating a clear connection that time pressure is contributing to Australians choosing the first option presented to them.

Other time-sensitive reasons Australians don't explore their options include:

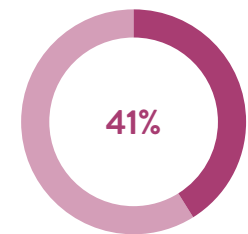
- They want to secure fast finance (**34%**)
- They have concerns that the approval of the first offer will expire (**22%**)

34% of Australians were just relieved and happy to have received approval in the first place, an interesting insight!

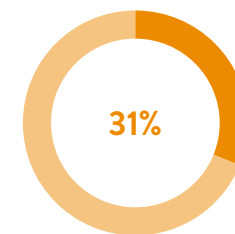
The research also showed that time pressure and fear contribute to many people being willing to compromise on their loan products and features. Aspects respondents indicated they would be willing to compromise on included:



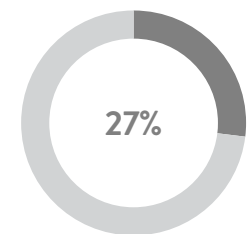
Speed of approval



A linked credit card



Account features such as an offset account



The interest rate



“The finance market has so many different lenders and variables that it can feel confusing to navigate; but taking the extra time to find the best option for your circumstances can make a much bigger real-life difference to the household budget than your choice of phone plan.”

- **Mario Rehayem**
Chief Executive Officer, Pepper Money

Why having a broker in your corner counts

57% of Australians believe engaging a mortgage broker is expensive. However, this is a common misconception. In Australia, many mortgage brokers offer home loan guidance and application assistance to prospective borrowers and don't charge a fee directly.

Mortgage brokers may be paid by banks and other lenders, but they work for borrowers. Despite the misconception around Australians thinking brokers are expensive, the majority of Australians also understand the value of a mortgage broker, with most agreeing that a broker can help them understand their options.

81% of those respondents who previously used a broker said they would do so again in the future.

This suggests the experience is one they valued in helping them get to the best decision.

70% of borrowers (a record breaking proportion) are accessing mortgage brokers, according to the Mortgage and Finance Association of Australia.¹

Getting the right advice and taking the time to understand your options could help you get the best option for your circumstances, or even be the difference between getting approved for a loan or not.

¹ <https://www.mfaa.com.au/news/mortgage-broker-market-share-breaks-records-again>





“An experienced broker will know what questions to ask to present you with relevant options and give you greater confidence in the financial choices you are making.”

- **Mario Rehayem,**
Chief Executive Officer, Pepper Money

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About Pepper Money

Pepper Money is one of Australia and New Zealand's leading non-bank lenders. It was established in 2000 as a specialist residential home loan lender in Australia with a focus on providing innovative home loan solutions to customers that were being turned down by traditional lenders. Today Pepper Money has a broad product offering of loans that help people succeed across a lifetime of changing situations – from a first car loan, to personal loans, residential home loans, asset finance, commercial real estate and novated leases in Australia and residential home loans in New Zealand. For more information visit www.peppermoney.com.au

The research

This research was conducted by PureProfile on behalf of Pepper Money with a representative sample of 1,010 respondents in Australia aged 18-65+ years old. The research was in field from 11th July 2022 till 15th July 2022.

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