

HOUSING LOANS

MISC Global
• • • • •
**Market
Intelligence
Strategy Centre**



**MINTEL says banks win only 49% share of
new loan business in expanding home loan market**

**FINAL RELEASE
Embargoed to Midnight Monday 12th July 1999**

Please adhere to the following reference conventions for any MISC material used in your article(s):

1. Please refer to MISC in the following manner; MISC Australia (Market Intelligence Strategy Centre)
2. Do not cite any individual MISC staff
3. Please forward an original version of the published article(s) to MISC for internal records
4. Further information about MISC services please contact the Marketing Department

In its latest release of its half-yearly monitor of the Housing Loans market, MINTEL reveals that Banks gained just 49% (6 months to December 1998) of the Home Loan new business not 70% to 80% as is widely assumed. MINTEL says that in the half-year assessed, new Home Loans grew by some 12 %, a 25% growth improvement on 1997.

Last year the leading Industry Research Group MINTEL, revealed the Home Loan market had attracted new niche lenders who wrote an additional \$19 billion (12 months to December 1997) in 'hidden' loansⁱ. This 'wake up call', forced many in the industry to re-examine the structure of the Home Loan market and re-assess its total size as well as the role that traditional and non- traditional lenders were playing within it.

The respected market analyst, MINTEL, has since been monitoring the market on a quarterly basis to assess its development. Building upon its landmark 1998 survey, it revealed today that in just the 6 month period to December, the market has grown 12% and that hidden new loan business has already reached \$17 billion suggesting that the small lenders that escape official data collections (i.e. from the ABS and APRA) were still growing in importance. MINTEL says that this finding is entirely consistent with a market undergoing major structural upheaval and is in fact similar to developments that have been previously noted in the US market.

The MINTEL research shows that this development has important implications for the Banking sector in particular, who the research finds now hold only 49% of a larger market and not the 80% as has been popularly believedⁱⁱ when measured against major lenders only. This share is inclusive of securitised new loan business that Banks like Westpac, Adelaide Bank, Colonial and St George now write. MINTEL, of course acknowledges that Banks achieve in reality a larger share if wholesaling activity is added, as many Banks will provide funding for a variety of lenders. For example, several Banks have stepped in to help fund the Mortgage Originator, Aussie Home Loans (eg. Macquarie, CIBC, ANZ).

BANKS GAIN ONLY 49% OF BUOYANT HOME LOAN MARKET	
	6 MONTHS TO DEC '98
Home Loan Market Grows With Home Completions Rates (Average Variable Bank Rate)	▲ by 12% ▲ by 9.9% (seasonally adjusted) ▶ stable at 6%
HOWEVER....	
Banks ONLY Win	49% of new loan business
AS.....	
Hidden Small Lenders Win	▲ \$17 billion new business in 6 months (almost as much as won in 1997 in 12 months)
Source: MINTEL /Housing Loans Research Programme & Monitor Service 1998/1999	

The cause of this lesser Bank share of the market MINTEL believes, is the result of the market being infiltrated by a variety of Small Lenders and Originators who previously have escaped measurement and a resultant 'hidden loan market'.

The 'hidden' loan market, explains MINTEL, is uncounted new loan business written by a variety of niche operators and omitted for various reasons from statistical records in the form of:

- **Small Originators**
- **Small Credit Unions**
- **Solicitors, Accountants and Real Estate Agents who lend on mortgage**
- **Inter-family lending**
- **Incorrectly classified housing owner investment business particularly in the commercial lending data**
- **Warehoused loans (an industry term for awaiting securitisation because they have not accumulated to a recognised batch of size)**

MINTEL market intelligence also suggests that when the larger Mortgage Originators, like RAMS, are viewed alongside those smaller not captured in other measures, the Origination market is considerably larger. MINTEL reveals that the difference between the new loan business figures derived from traditional measures used by the industry to monitor sales of new home loans i.e. balances outstanding and new approvals and the wider measures that MINTEL's primary research is able to derive, explains the \$17 billion of hidden new loan business written in the 6 months to December last year. Furthermore, indications from MINTEL's on-going tracking of the market suggest that this figure will grow and MINTEL forecasts that the trend will continue as Small Lenders continue to offer attractive, niche, Home Loan products.

This discovery by the respected industry research group, who also recently completed an extensive survey of the Superannuation market and is currently investigating the Electronic Banking market, has serious implications for the Banks and other financial institutions who calculate their market share, says MINTEL, on a much smaller market pool. It also suggests that the Housing Loan market recovery has become far more fragmented than previously thought.

MINTEL anticipates radical reviews of strategic planning by all participants will follow this research. Unwittingly many participants, says MINTEL, have been basing their tactical operations and product development upon obscure market positions which fail to recognise this major structural change.

MINTEL Market Measurement Methodology Description, i.e. Technical Notes

Previous data collections of the ABS and Reserve Bank are of selected institutions and those of a threshold size, and thereby understate the true universe of loan transactions, says MINTEL. Stamp duty records of sale transaction duty and mortgage duty, where payable, reflect the universe of transactions in all states, except NT and ACT. These reveal the full aggregate of domestic housing and land transactions. When this data is compared to converted transactions for mortgage duty the difference reflects re-financed loans and some non-mortgage transactions.

For some time now several groups including the Reserve Bank have been interested in the development of a research method to utilise the invaluable data set contained in stamp duty records, but anomalies in collections, as well as exclusions, and exemptions in some states, has restricted this research.

ⁱ Loans not measured by alternate Government and APRA statistics

ⁱⁱ The perception that Bank shares are greater MINTEL believes arises from the common practice in the Industry of monetary accumulated loan business (not new business written) which obviously favors 'established' lenders not new

**MISC (Market Intelligence Strategy Centre)
Level 4, 14 Collins Street
Melbourne Vic 3000 Australia**

**Telephone: 03 9654 4266
Facsimile: 03 9650 7730
Email: miscinfo@marketintelligence.com.au**