

## MORTGAGE BROKING

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**New Mortgage Broking Data Pooling Facility Shows 492 Active\* Brokers Settled In Excess Of \$6 Billion In New Home Loans In The Quarter Ending March 2001. The Research Also Reveals A Market Sector Which Is Highly Fragmented With The Top 10 Brokers Producing Just 42% Of New Loans**

**FINAL RELEASE**

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## **New Mortgage Broking Data Pooling Facility Shows 492 Active\* Brokers Settled In Excess Of \$6 Billion In New Home Loans In The Quarter Ending March 2001. The Research Also Reveals A Market Sector Which Is Highly Fragmented With The Top 10 Brokers Producing Just 42% Of New Loans**

Bank and Broker Pool members released today results from their second quarterly report produced by MISC, revealing that Broker-generated new Home Loan business grew some 8% and exceeded \$6b for the first time. The fact that this business was written by 492 Broker firms (a fraction of the 2000 Brokers operating in Australia) has surprised many in the industry. In the March quarter, just one quarter were active\* in transacting new home loan business. This early evidence clearly shows that the balance of Brokers could be viewed as ‘occasional loan introducers’.

Broker and Lenders alike have been eagerly awaiting the first results from the inaugural Broker industry measure of Broker home loan lending. This independent non regulated statistical collection is the result of a unique industry initiative of key Brokers and Lenders to ‘pool’ together their quarterly records of all Broker derived Home Loan settlements on a regular basis through the MISC industry specialist research group. The MISC Pooling Facility use of final settlements-only statistics ensures that pool members gain a **true** reflection of Broker loan business market activity. This contrasts favourably with the use of approvals/submissions data, which is misleading when used for appraisal of market performance due to the volume of loan cancellations.

Such a real measure of actual Mortgage Broking business has enabled market participants to finally lay to rest the ongoing speculation that abounds about the size, value and growth of the Broker distribution channel in the Home Loan market for Banks and other Lenders. Its quarterly reporting will reflect the dominance or otherwise of certain players by delivering a unique individual market share measurement in addition to a full aggregated National market development and size perspective of the Broker channel. On a confidential basis, a measurement of **true** Broker and Lender new business shares and volumes is regularly reported to individual pool members. From a strategic planning perspective the report provides essential performance signposts in the form of sector benchmarks.

*\* Active Brokers, as defined by MISC and the Pool members, are those that have settled 3 or more loans in a quarter.*

The Pool’s latest results paint an intriguing picture of this once ‘hidden’ Home Loan distribution channel showing that it is far from representative of all Home Loan business written through other channels (eg Mobile Lenders or Branches). It exhibits a unique profile as shown in the following table:

**Business Profile Measures**

**Mortgage Broking New Business  
Highlights -March Quarter 2001**



Total Mortgage Broking Loan Business	\$6400m
Number of Active* Brokers	492
Quarter Growth Rate	8%
Top 10 Broker Share (6 months to Mar 01)	42%
<b><i>Pool Lender Profile</i></b>	
Average Broker Lender Panel	24 Lenders
Regional/Minor Bank & Originator Share	35%

MISC Mortgage Broking Data Pooling Facility Report/March Quarter 2001

\* Active Brokers as defined by MISC and the Pool members are those that have settled 3 or more loans in a quarter. MISC notes that although a large additional number of Brokers have settled 1 or 2 loans in the quarter these make a comparatively negligible contribution.

**Institutional Market Performance**

The Broker and Bank Pool members acknowledge that in many respects the industry is still developing and accordingly the Broker participant share of new home loan business is highly fragmented.

**Bank Performance**

While the major Banks clearly lead the way in terms of loans settled via the Mortgage Broking channel, the collective statistical pool results show that loan business is spread with some 35% of all Broker business written by regional and medium-sized Banks and Originators. The wide-spread use of Brokers by Banks has clearly impacted favourably upon their business development. Conversely, the use of Brokers, usually as many as 24 (ie Lender average for Pool member panels) by a variety of Lenders assists Brokers in their own development as the wider the range of Lenders on a Broker’s panel the larger their appeal to would-be borrowers. This the Pool members say, suggests that their multi-Lender strategy has been successful and confirms that loan business is in fact diversely established via a wide range of Lenders including Banks, Credit Unions, Building societies and even Originators.

**Broker Performance**

The Broker share evidence that emerges from this landmark industry collection shows that contrary to popular belief and speculation that a handful of Top Brokers dominate, actual market shares could not be more fragmented. In fact the Banks and Brokers pooled statistics show that out of the 492 active Brokers in the quarter, the Top 10 wrote 42% of the business. MISC says that this shows that the channel is still evolving with the opportunity for market development high. It is evident that strong competitive jockeying is occurring particularly on



a State basis, where the local Brokers fiercely compete to hold a significant share of the business.

### **Latest MISC Pool Market Coverage**

In its second quarter the collection already covers more than 74% of all Broker generated Home Loan business and as such sets a world precedent for the level of co-operation in an industry previously known for its privacy. Despite the youth of the industry sector with its dynamic nature, this early collective research initiative demonstrates a high level of sophistication on behalf of the Pool members, as they collaborate to ensure effective measurement of their industry. MISC understands that no other co-operative non-regulated independent statistical data pooling system developed overseas has managed to win such a level of industry support so early. Via its extensive market coverage the Facility fulfils a long awaited need for reliable statistical measurement of this increasingly influential channel for Home Loan market distribution.

*Please note specific individual Pool member loan business share confidentiality is fully protected by the Pool charter and member contracts.*

### **Current Pool Membership**

Members include a who's who of the Mortgage Broking industry and their Lenders. The leading Brokers and Bank Lenders who are inaugural members of the Pool and who have driven the initiative include a wide cross section of Lenders. They include key Banks such as CBA/Colonial, Citibank, BankWest, Westpac, Suncorp Metway, Bank of Qld and Adelaide Bank. From a non-Bank perspective members include leading national and regionally focused Broker groups (eg Franchises, Aggregators and Real Estate Agents) like Mortgage Choice, Hooker Home Loans, Ray White, Bernie Lewis Home Loans, Choice Home Loans and Smartline. In all, these 13 Brokers and Banks have now joined to form the first co-operative statistical measurement pool of Mortgage Broking market business.

**MISC MORTGAGE BROKING DATA POOLING MEMBERSHIP**

<b>Financial Institution</b>	<b>Lender Panel</b>	<b>Approximate Number Of Brokers #</b>	<b>State Distribution</b>
<b><i>Banks</i></b>			
■ Adelaide Bank	NR	15	SA
■ Bank Of Queensland	NR	50	National
■ BankWest	NR	300	National
■ CBA/Colonial	NR	200	National
■ Citibank	NR	500+	National
■ Suncorp-Metway Bank	NR	150	National
■ Westpac Banking Corp.	NR	300	National
<b><i>Mortgage Brokers</i></b>			
• Bernie Lewis Home Loans	26	28	SA
• Choice Home Loans	23	240	WA, VIC, NSW, QLD
• Hooker Home Loans	4*	68	National
• Mortgage Choice	22	300+	National
• Ray White Finance	13	43	QLD, NSW, VIC, WA
• SmartLine Home Loans	20	50	VIC, NSW, QLD

*Note: • = Number of Broker – teams, ■ = Number of accredited Brokers registered with Bank. \* Part of the Liberty Financial net., NR= Not Relevant.*

***Friends of The Pool***

Further adding to the integrity of the data collection process, MISC has also gained the support of a number of additional leading Brokers, who although not currently full data providers or financial members of the Pool, have generously contributed their own top-line loan business statistics to MISC. Their assistance permits the validation of non-Pool member loan business estimation via a MISC test of predictive accuracy for non-Pool members' contributions. This enhances overall reporting reliability. These Brokers who regularly feature among the Top 20, include groups like FASA, Fintrack, Plan Australia, Mortgage Gallery and Lawfund. This considerable level of commitment from the industry will further ensure the veracity of the data collection and success of the ongoing development of the Facility.

This concept is the second data pooling type initiative that MISC has undertaken and confirms its growing reputation as an innovative financial markets service provider. MISC successfully operates and maintains for most Banks a data pooling system to measure Internet Banking activity (For further information please refer to the MISC website at: [www.marketintelligence.com](http://www.marketintelligence.com)).

***Additional MISC Definitional Notes:***

Broker firms are defined as corporates, not teams. MISC notes that actual field representation of sellers working for such corporate Brokers can exceed 6000. The various types of

distributors of loans range from established small Franchisee operators, to Licensed Consultants, usually from the financial advisory and Real Estate groups and extend to individual operators who often transact with Lenders directly.

MISC measures all types of Mortgage Brokers in its special “performance benchmarking series”, including:

**Franchise Brokers:** like Mortgage Choice, who sell through appointed Franchisees nationally, or multi state operations like Smartline Home Loans.

**Aggregators:** like FASA or Plan Australia, who arrange lending panels and other services for existing retail Broker networks such as Accountants, Financial Planners, Small Mortgage Brokers etc;

**On-line Brokers:** like eChoice, who transact their business over the Internet;

**Real Estate Agents:** like Ray White who sells loans through existing real estate offices;

**Licensed Consultants:** like Mortgage Gallery, Mortgage Force or Choice Home Loans ^ who buy a license or the right to sell loans using the firm’s name.

*^ Although Choice Home Loans operates through Consultants, it also has an aggregation operation.*

**Other Third Party Distributors:** like Australian Finance Group (AFG) who primarily operate as a wholesaler and utilise financial services professionals to source new loan business and introduce Lenders and loan seekers.