

MORTGAGE BROKING

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



**Broker Business Recovers To \$12.9 Billion
(December Quarter) As 11% More Brokers Write
Business. Competition Steps Up For Top 10 Brokers
As Their Share Falls By 5%**

FINAL RELEASE

Embargoed for Release 12.05 am Wednesday 27 April 2005

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 (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 Do not cite any individual MISC staff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

Broker Business Recovers To Hit \$12.9 Billion (December Quarter) As 11% More Brokers Write Business. Competition Steps Up For Top 10 Brokers As Their Share Falls By 5%

MISC (Market Intelligence Strategy Centre) announced a 12% recovery in Broker home loan business that saw \$12.9 billion in broker loans written in the December 2004 quarter. This was the result of 11% more broker activity for that quarter. Nearly 400 brokers wrote more than 3 loans compared to just 351 active broker groups# in the September quarter last year.

"These results are seasonal as the October, November and December months are always good home loan months," said MISC (Market Intelligence Strategy Centre) on behalf of its broker and lender pool members but this recovery was different.

The result was accompanied by a fall in the level of refinance loans written by brokers. In the September 2004 quarter, refinance levels of new business reached a record at 37% of all new loans. However, refinance rates fell to 32% in the December quarter suggesting that much of the improved broker loan business was new business, not churned loans.

"The recovery was greatly impacted by the post election consumer confidence and mounting speculation that 2005 would see the Reserve Bank increase interest rates," said MISC. (Market Intelligence Strategy Centre). MISC notes that during the quarter, many lenders promoted fixed-rate lending and more attractive longer-term fixed rates. In the context of rate raise speculation, this clearly impacted on borrower behaviours.

The news was not all good as the larger brokers saw increased competition and lost collective share. The Broker and Lender Co operative Statistical Pool findings show a 5% volume fall in the collective share that the top 10 brokers wrote of aggregate business this quarter. The Top 10 broker groups now write 68% of all broker originated home loans says MISC (Market Intelligence Strategy Centre).

The MISC broker and lender pool records all broker lending activity by broker, with the exception of broker groups who failed to write 3 loans in the 3 months measured. These top 10 Brokers had been a driving force in the broker market and consist of a mixture of assorted groups. Not all broker groups operate on a national basis. In some instances, they will include state-focused broker groups with primary activity centred in a combination of two states, or even just one big state.

"This has important implications for the industry and suggests that previously noted consolidation of the broker industry might have been somewhat overstated. This occurs as second-tier brokers, those top 20 and beyond, begin to fight back to claim greater market share," said MISC(Market Intelligence Strategy Centre).

In the tighter market conditions of 2004, several broker groups have merged and several consultancies have expanded. At the same time, aggregator operators (an industry term for groups who assemble the business of those brokers that are too small to deal with the banks) who previously have driven business through new introducer memberships, began to rationalise their own networks.

Franchise operations, similar to Mortgage Choice have, by in large, developed their networks and some even expanded them. For example, Mortgage Choice continues to be active in the recruitment of Franchise/Brokers. Its current network stands at 413 franchises (570 brokers).

PRESS RELEASE: MORTGAGE BROKING



Top 10 Brokers see 5% share fall as 11% more Broker Groups are active

Table: Comparison of December 2004 and September 2004 Quarter findings

Broker Activity	December Quarter 2004	September Quarter 2004/ December Quarter 2004 % Growth
Selected Highlights		
Active brokers Groups #	392	+ 11% ▲
Top 10 Broker Groups #business share	68%	-5% ▼
Industry Performance		
Broker Industry Business	\$1,2900m	+12%

An active broker group represents a single broker organisation, which may or may not have multiple introduces (individual brokers) selling home loans. These broker groups, eg. Mortgage Choice, is 1 such group must write 3 loans or more to be classed as active. There are some 2,000 known broker groups that potentially can be active in any period.

Source: **MISC (Market Intelligence Strategy Centre)**, Mortgage Broking Data Pooling Facility/December 2004 Quarter



Lender Membership

These results emanate from the December quarter 2004 collection of the Mortgage Broking Industry Co-operative Statistical Pool derived from leading Bank and Broker Pool members. It consists of major and regional Banks including Westpac, National Bank /HomeSide Lending, Commonwealth Bank/Colonial, Suncorp Metway, Bank of Queensland, BankWest and Adelaide Bank, along with national and state concentrated Broker groups including Mortgage Choice Hooker and Choice Home Loans.

Latest MISC Pool Market Coverage

Following the December 2004 quarter collection, the facility's results now represent 81% 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 relative infancy of the industry sector with its dynamic nature, this collective research initiative demonstrates a high level of sophistication among the Pool members as they collaborate to ensure effective measurement of their industry.

Leading industry researcher MISC understands that no other co-operative, non-regulated, independent, statistical data pooling system developed overseas has managed to win this level of industry support. Via its extensive market coverage, the facility fulfils a long awaited need for reliable statistical measurement of an increasingly influential channel for Housing Loan market distribution.

Please note: The confidential nature of specific individual Pool member loan business share is fully protected by the Pool charter and member contracts.

Current Pool Membership

MISC Mortgage Broking Data Pooling Membership			
Financial Institution	Lender Panel	Approx. No. of Brokers	State Distribution
Banks			
HomeSide Lending (NAB)	NR	300	National
Adelaide Bank	NR	15	SA
BankWest	NR	300	National
Commonwealth Bank/Colonial	NR	200	National
Suncorp Metway	NR	150	National
Westpac Banking Corp.	NR	200	National
Mortgage Brokers		Teams Employed	
Choice Home Loans	35	400 +	National
Mortgage Choice	27	570	National
Hooker Home Loans	4	68	National

Source: MISC (Market Intelligence Strategy Centre) Mortgage Broking Data Pooling Facility/December 2004 Quarter

Background to the Development of the Facility

This independent (MISC regulated) statistical collection, now in it's 17th quarter, 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 though the MISC (Market Intelligence Strategy Centre) industry specialist research group. The MISC Data Pooling Facility's 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.

For further information on this unique service please contact MISC Marketing.

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

Telephone: (03) 9654 4266
Facsimile: (03) 9650 7730
Email: media@marketintelligence.com.au