

# MORTGAGE BROKING

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**Minor banks and other lenders almost double broker mortgage business share to 14% as \$14 billion quarter broker market rebounds with 7% quarter growth.**

**FINAL RELEASE**

**Press & Electronically Embargoed for 12.05am Thursday 14 April 2011**

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## Minor banks and other lenders almost double broker mortgage business share to 14% as \$14 billion quarter broker market rebounds with 7% quarter growth.

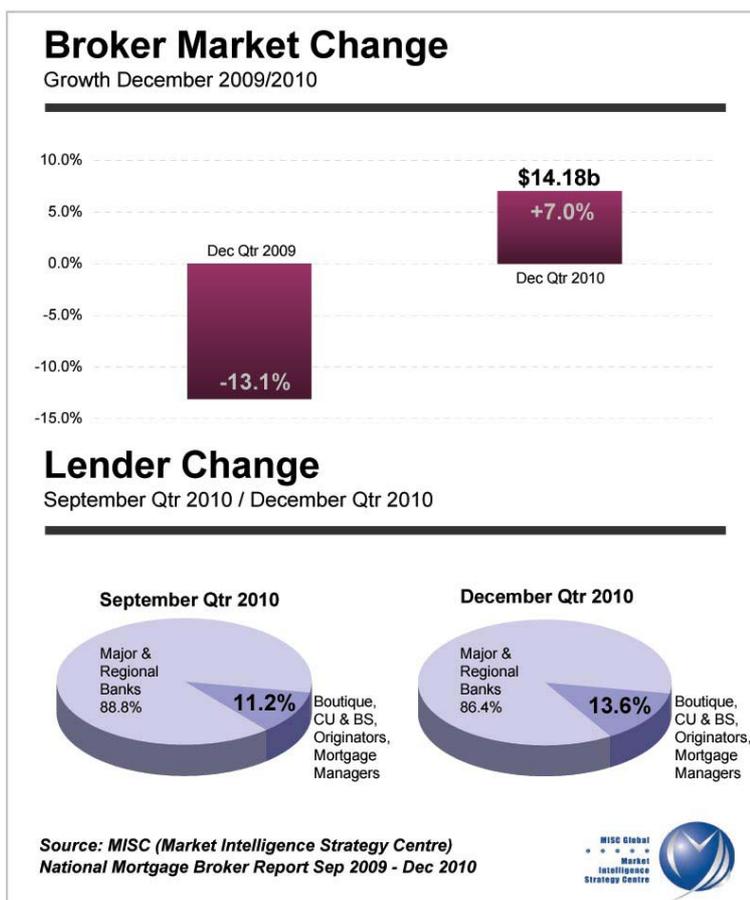
In the latest full quarter Broker Pool results, for December 2010, mortgages written by brokers grew some 7%. While the result is underpinned by steady major bank business, it was the smaller lenders that grew their share of all lending volumes to nearly 14% in the quarter from 11% previously, says MISC (Market Intelligence Strategy Centre). These are the latest December quarter results from the MISC Mortgage Broker Industry Pool, which was released today to its pool members.

### The 7% Growth

The full quarter (December 2010) was something of a milestone in the broker channel, says MISC on behalf of its Lender and Broker Pool members. After five quarters of successive declines in broker lending, this quarter's result staged something of a reversal with the full quarter reflecting a 7% quarterly loan volume growth in the channel. As a result, total loan values written in the three-month period reached \$14.18 billion. This single quarter recovery contrasted with the broker market a year prior (in the December quarter 2009), when the pool saw a 13% decline recorded in direct contrast.

The better recent result was aided by several factors, not the least of which was the effective rate relief for all borrowers (as the November rise was too late to impact on settlements). This was in the context of what was considered to be inevitable further rate rises, says MISC on behalf of its Lender and Broker Pool members. The growth thus came as the broker channel effectively shrugged off the effects of successive rate rises in earlier periods. It also reflected changed consumer sentiment as borrowers became more resigned to a now less Federal Government incentive-driven purchasing regime. The December quarter was the third quarter in which the Federal Government's additional first homebuyer support had well evaporated. The better result also came on the back of a generally more active and competitive mortgage market in the broker channel says MISC. The major banks collectively provided marginal growth on the September quarter. They

did this, despite their tighter lending criteria and their early efforts (ahead of the 2011 new credit code) to encourage more responsible broker lending practices from their broker distribution partners. Most major banks' variable rates stayed below 8%, with the National Australia Bank (NAB) maintaining the lower levels. While variable rates were ultimately adjusted late in the quarter, some major banks lessened the impact with several



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offsetting measures, including discounted fixed-rate specials and fee waivers. Both the Australia and New Zealand Banking Group (ANZ) and NAB took this initiative early. Westpac soon followed. For instance, both Westpac and ANZ had three-year fixed rate discount specials that applied throughout the quarter. Further competitiveness in the market came with the NAB's abolition of exit fees.

The regional banks were just as active, adopting either discount incentives via waivers of fees (typically application fees) or discounted variable rates for promotional periods and special broker bonus incentives. BankWest adopted two strategies. Early in the quarter it introduced its 10 bps commission bonus to invited brokers to reward high quality applications. It also waived application fees on its premium home loans for all brokers. Suncorp, who had stepped up broker channel activity, provided a 25 basis point discount on its variable loans through much of the quarter, while Bendigo and Adelaide Bank accompanied headline rate discounts for a fixed period, with special Pro Pak discounts for its brokers (a product aimed at Brokers for multiple investor clients).

### **Smaller lenders win 14% share**

A new level of competitiveness, however, did much to underpin the growth this quarter, says MISC (Market Intelligence Strategy Centre) on behalf of its Lender and Broker Pool members. It was the smaller lenders (excluding regional and major banks) that grew their share of all lending volumes to nearly 14% in the quarter from 11% previously. While the major banks collectively provided marginal growth on the September quarter, smaller lenders found they were better placed to compete more aggressively following on the heels of more than \$6 billion in new RMBS capital raisings in the previous quarter. Smaller lenders, defined by the MISC broker pool, include specialist banks as well as both the Credit Unions and Building Societies and those active Originators and Mortgage Managers. The response of these institutions was not just aided by funding changes but also by competitively aggressive variable and fixed-rate positioning with many smaller originators and white label broker groups affording 7% variable rate offers. Some of these were even set below the majors. Macquarie Bank sought to match the major banks' variable offers, while like Bendigo and Adelaide Bank, Macquarie also targeted Pro Pak products by eliminating their annual fees. AMP followed the strategy of some regional banks by reducing its fixed rates via its Basic package. HSBC was also an active promoter of its fixed rate.

It was also aided, says MISC, by a greater take up of white label offerings among the lenders. Especially active on the take up of these products were the brokers themselves. These white label offerings extended across several product fields including Low-doc loans with limited deposit conditions, and Line of Credit products.

### **Comparative Performance measures Broker Channel benchmarked**

	<b>September Quarter 2010</b>	<b>December Quarter 2010</b>
Major Banks	66.9%	64%
Regional Banks	21.9%	22.2%
Major Banks & Regional Banks	88.8%	86.2%
Boutiques, Building Societies, Credit Unions, Originators and Mortgage Managers	11.2%	13.6%

*\* MISC broker pool measure excludes internal refinancing*



**Source: Market Intelligence Strategy Centre (MISC Global) / MISC Co-operative Broker Level Pool Results March Half Year 2009 and September Half Year 2010**

## Latest MISC Pool Market Coverage

This result emanates from the December quarter 2009 and 2010 December quarter's collections of the Mortgage Broking industry co-operative statistical pool, derived from leading Bank and Broker Pool members. It consists of the major and regional banks, along with national and state concentrated broker groups. Following the December quarter collection, the facility's results now represent 80.5% of all broker generated home loan business and as such sets a precedent for the level of co-operation in an industry previously known for its privacy. 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 (Market Intelligence Strategy Centre) 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, and the facility fulfils a long awaited need for reliable statistical measurement of an increasingly influential channel for the housing loan market distribution. *Please note: specific individual Pool member loan business share confidentiality is fully protected by the pool charter and member contracts.*

## Background to the Development of the Broker Pool Collection

This independent (MISC regulated) statistical collection, now in its 41st 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 through the MISC (Market Intelligence Strategy Centre) industry specialist research group. The MISC Data Pooling Facilities use of final settlements and 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.

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