

MORTGAGE BROKING

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Mortgage Broking market writes \$7 billion in one quarter as latest measurement from the MISC Mortgage Data Pooling Facility reveals 12% growth in June 2001 quarter. The June quarter results also show Queensland and Victoria Broker markets driving recent growth.

FINAL RELEASE

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Mortgage Broking market writes \$7 billion in one quarter as latest measurement from the MISC Mortgage Data Pooling Facility reveals 12% growth in June 2001 quarter. The June quarter results also show Queensland and Victoria Broker markets driving recent growth.

Bank and Broker Pool members released today results from their third quarterly collection produced through **MISC** (Marketing Intelligence Strategy Centre), revealing that Broker-generated new Home Loan business volumes grew some 12% and reached \$7166m.

This loan business was written by 502 active* Broker firms out of 2000. This rise in the number of firms contributing to the growth of the Mortgage Broking market augers well for the sustained influence of Brokers on the development of the overall market.

This independent (MISC regulated) statistical collection, now in it's 3rd 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 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.

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 adjacent table:

Mortgage Broking New Business Highlights June Quarter 2001		
Business Profile Measures		
Total Mortgage Broking Loan Business	\$7166m	↑
Number of Active* Brokers	502	↑
Quarter Growth Rate	value 12%	↑
Top 10 Broker Share (June '01)	45%	↑
Top 5 Broker Share (June '01)	32.6%	↑
State growth highlights > 23%	1: Qld 2: Vic	↑
Pool Lender Profile		
Average Broker Lender Panel	24	static
Regional/Minor Bank & Originator Share	44%	↑

Source: **MISC** (Market Intelligence Strategy Centre) Mortgage Broking Data Pooling Facility /June 2001 Quarter Collection

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

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Institutional Market Performance

While the major Banks clearly win most loans settled through the Mortgage Broking channel, the collective statistical pool results show that loan business is better spread through Brokers with 44% of all Broker business now written by regional Banks, Building Societies and Credit Unions. The wide-spread use of Brokers by many other financial institutions clearly impacts favourably upon their business development. Conversely, the use of Brokers (usually as many as 24 ie Lender average of Pool members 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 (variety of options) 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) 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 502 active Brokers in the quarter, the Top 10 wrote 45% of the business. The **MISC** Broker measures also show the Top 5 hold just 32% share.

MISC says that this shows that the channel is still evolving with the opportunity for market development high. For instance strong competitive jockeying is highly prevalent, particularly on a State basis, where the local Brokers fiercely compete to hold a significant share of the business.

State Markets Develop Differently

The latest results for the **MISC** research for this June 2001 quarter, for the first time provide an insight as to the complex nature and real structure of the Mortgage Broking market across Australia. Currently NSW leads the market with 30% more business than Victoria. The **MISC** research also reveals that both Queensland and Victoria have in fact led the recent market's development in this quarter with both states experiencing the better growth rates hovering around 30%. By way of contrast, household penetration numbers, (rate of Broker business written per Household), indicate both Western Australia and South Australia perform more efficiently in attracting borrowers to select Brokers as an preferred option.

State Penetration of National Mortgage Broking Market Share of volume of loans Cumulative June 2001				
	Relative Size Index Cumulative New Business Measure	RANKING Broker New Business	Household Number Share #	RANKING Broker Loans Per ('000) Household (Composite)
NSW/ACT	100	1	35%	3
VIC	70.3	2	24.4%	4
WA	60	3	9.9%	1
SA	34.5	5	8.5%	2
QLD	41	4	18.7%	5

#ABS Australian Demographic Statistics Cat. No.3101.0 June 2001
Source: **MISC** (Market Intelligence Strategy Centre) Mortgage Broking
Data Pooling Facility/June 2001 Quarter Collection

The variety of state measurement benchmarks the pool data provides, further reinforces the unique performance characteristics that each state market enjoys and thus raises a number of interesting questions for industry participants. For instance: "Is the NSW/ACT market experiencing a slowdown and becoming saturated by Brokers?" "Are Victoria and Queensland, both highly competitive markets, becoming more Broker-friendly as borrowers explore every avenue for a loan source or competitive quote?" Why are Western and South Australians more receptive to the use of Brokers and how much further can they penetrate?"

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Additional MISC Mortgage Broking Data Pooling Facility Notes

Latest MISC Pool Market Coverage

In its third quarter collection, the pool results now represent 72% 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 among 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.

MISC Mortgage Broking Data Pooling Membership			
Financial Institution	Lender Panel	Approximate Number of Brokers	State Distribution
Banks			
■ 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
Mortgage Brokers		Teams Employed	
• 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

Source: **MISC** (Market Intelligence Strategy Centre) Mortgage Broking Data Pooling Facility/ June 2001 Quarter Collection

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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 member's 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.

Background to the development of the Facility

The MISC 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. In addition, its reporting will reflect the dominance or otherwise of certain players within it. It achieves this on a quarterly basis, by delivering a unique individual market share measurement as well as 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 back to individual pool members. From a strategic planning perspective the report provides essential performance signposts in the form of sector benchmarks.

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 regularly measure Internet Banking activity.

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 or even 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 sell 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.

(For further information please refer to the MISC website at: www.marketintelligence.com).