

## MORTGAGE BROKING

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**Market  
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**Qld Broker market drives Mortgage Broker business with 20% gain in one quarter (national quarter growth 9%) as broker market rationalization sees 2<sup>nd</sup> tier (1000+ loan brokers) increase share to 15%**

**FINAL RELEASE**

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## **Qld Broker market drives Mortgage Broker business with 20% gain in one quarter (national quarter growth 9%) as broker market rationalization sees 2<sup>nd</sup> tier (1000 loan brokers#) increase share to 15%(was 13%)**

*Bank and Broker Pool members consisting of the leading major and regional Banks: including Westpac, Commonwealth Bank, Suncorp Metway Bank, Bank of Queensland, BankWest and Adelaide Bank along with national and state concentrated Broker groups including Mortgage Choice Smart Line Choice, LJ Hooker, released today results from their latest quarterly collection produced through MISC (Market Intelligence Strategy Centre).*

In the mortgage Broker industry the June quarter has seen a dramatic shift in the concentration of broker business across the country. While the total home loans written by Brokers in the June quarter increased by 9% Queensland lead the broker charge with a 20% increase in Broker business as Western Aust (the origin state for the emergence of the broker channel) grew by just 2%. WA is the home of Broker groups like AFG and Mortgage Force. While WA is often considered the birth state of the broker market it has gradually been losing its no 1 mantel as the eastern states and national lenders increasingly embrace brokers as a home loan distribution option. Queensland seems to be their latest target state as the results of the June quarter cooperative industry pool suggest.

The growth experienced from that state, says MISC, has been directly attributable not so much to a buoyant home loan lending in that quarter (as Queensland market showed no significant over all growth) but more because of the increased activity of brokers and lender broker activity in that state. Together with the local brokers the national lending groups, says MISC, contributed to aggressively expanding the Queensland broker market. These lenders variously rely on brokers for anything from 10% to 60% of their new home loan business and as well as the home state for many Banks eg Suncorp Metway and Bank of Qld the sunshine state is noted for attracting more activity from the national banks and even non banks in this quarter. In particular CBA and Westpac have expanded their local Qld support teams. Adelaide Bank who outside South Australia is intermediary-reliant released its "low doc" in the quarter and upgraded its broker loan processing in the Queensland Market. Citibank also saw increased business as a consequence of its special application fee - "free fee" campaign. Also, Suncorp Metway introduced a centralized broker originator model to greatly improve loan turnaround times.

The volatile nature of the pools state measurement 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?" "Is Queensland, (a highly competitive market), becoming more Broker-friendly as borrowers explore every avenue for a loan source or competitive quote?" Why is Western Australia which showed once more receptive use of Brokers now slowing.



5 key “1000 Loan a year” broker groups win 15% of Qld broker market in June quarter:

Accordingly says MISC (on behalf of the Broker and Bank Pool, members who collectively aggregate their quarterly home loan statistics exclusively through MISC) a new band of 1000+ loan brokers (ie. 1000 loans a year)\* in the quarter won nearly 15% of the entire broker market in that state and increased their share. The growth of, what the MISC research group calls “1000 +second tier” brokers especially in Qld underpins the consolidation the groups says of the broker industry which saw a 11% reduction in the total number of brokers writing business in the quarter. MISC says the broker pool show that 556 broker were active in the quarter nation wide out of more than 2500 known to occasionally write home loans. In March 2002 these active\* Brokers numbered 623. This fall in numbers is the first time since the inception of the Facility in December 2000 reflecting the continued rationalisation of the market’s participants and increasing competitive pressures.

\* 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.

The industry consolidation pattern says MISC is a result of two drivers:

1. The banks and other lenders are clearly targeting specialist brokers and reducing the number they seek to deal with. This rationalization process in a feature says MISC of a maturing industry
2. The brokers are consolidating and merging with other sometimes interstate groups or acquiring consultants who once acted independently to join their groups



**Latest MISC Pool Market Coverage**

Following the June 2002 quarter collection, the pool results now represent 78% 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. Two new members will be announced and reflected in the Sept 2002 quarter results, thus further expanding the Pool’s coverage. Despite the youth 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. 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 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 Queensland 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, LJ Hooker, Bernie Lewis Home Loans, Choice Home Loans and Smartline.

<b>MISC Mortgage Broking Data Pooling Membership</b>			
<i>Financial Institution</i>	<i>Lender Panel</i>	<i>Approximate Number of Brokers</i>	<i>State Distribution</i>
<b>Banks</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>Mortgage Brokers</b>		<b>Teams Employed</b>	
• Choice Home Loans	23	240	WA, VIC, NSW, QLD
• LJ Hooker	4*	68	National
• Mortgage Choice	24	300+	National
• SmartLine Home Loans	20	50	VIC, NSW, QLD

Source: **MISC** (Market Intelligence Strategy Centre) Mortgage Broking Data Pooling Facility/ June 2002 Quarter Collection



## Background to the development of the Facility

This independent (MISC regulated) statistical collection, now in its 7th 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.

### **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, 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 Hooker 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.

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)).