

MORTGAGE BROKING

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At last Broker refinancing lending falls as refinance share abates to 29% with loan size fall of 7%

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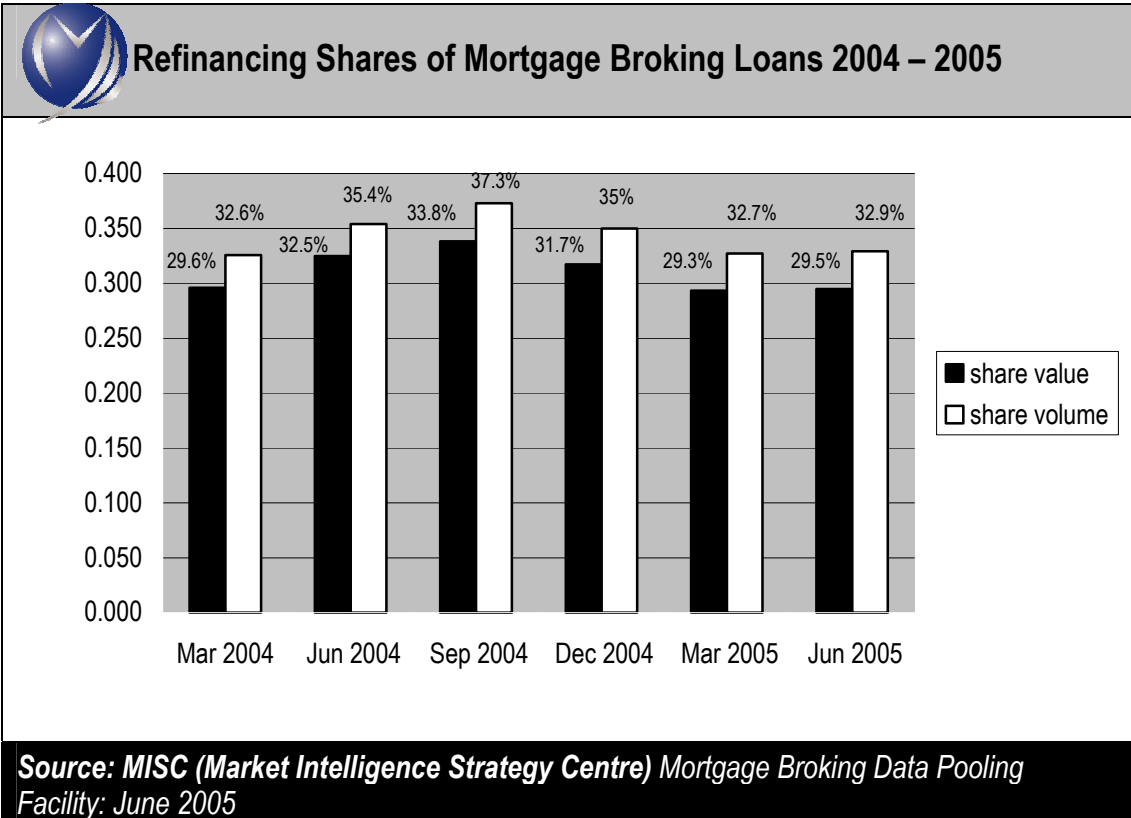
At last Broker refinancing lending falls as refinance share abates to 29% with loan size fall of 7%

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

The expansion in Refinance lending in the Mortgage Broker channel has finally abated after two quarters of falling refinance activity and a refinance share level of 29% (\$ value share). This compares to the 34% peak in refinance share reached in the September 2004 quarter. The new refinance share and changed refinance activity is also reflected in the reduced loan sizes for refinanced loans, which now average \$178,000 compared to nearly \$190,000 several quarters ago i.e. a 7% reduction. While reduced refinance levels are reflected nationally the same is not the case in each state market with QLD and NSW still recording the highest Broker refinance shares at 30% and 34%. The lowest refinance rate recorded by the MISC (Market Intelligence Strategy Centre) Mortgage Broker pool is in WA where the Broker share has fallen to 25%. These results come from the latest June quarter 2005 MISC (Market Intelligence Strategy Centre) Mortgage Broker Co-operative Pool, which highlights that the regional composition of the broker market and the changing role of refinance lending through the broker channel.

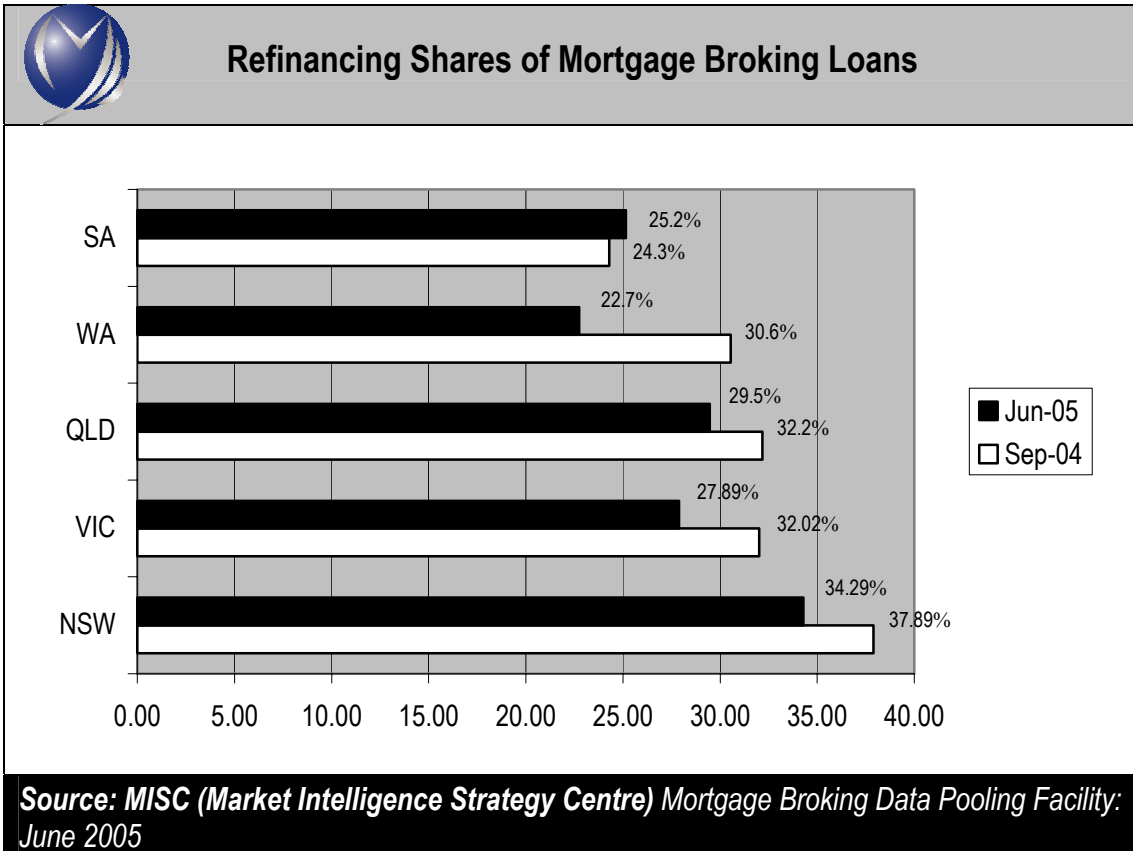
The falling refinance rate was reflected in the March 2005 quarter and similar patterns carried though to the June 2005 quarter. MISC says the new levels, on one hand reflect signs of Broker home loan market maturity, while on the other are the result of ongoing post election confidence and more stable rate conditions prevailing at the time. This assisted in tempering consumer fears about future rate rises, says MISC (Market Intelligence Strategy Centre) on behalf of its Bank and Broker Pool members. In the September 2004 Quarter, Broker refinance loans nationally reached their highest level and a record of 34% of all new loans. This increase coincided with mounting speculation over possible interest rate rises and resulted in higher patterns of loan refinance as consumers were successfully encouraged to switch.

The brokers have been addressing the refinance issue with their introducers and several now have their own programs or jointly developed programs with the lenders. Choice Aggregation Services has worked closely with some lenders for some time. The results are particularly welcome news for the lenders, and in part reflect their more deliberate stance to discourage the practice. In late last year some lenders increased the periods of qualifying commission clawbacks from 6 months to 18 months specifically to dissuade refinance intention. ANZ for instance realigned broker clawbacks from 12 months to 18 months. Some lenders like Suncorp, for selected brokers, suspended clawback programs based on stronger relationships. On behalf of its Broker and Bank pool members, MISC says that the lower levels of refinance have also flowed from the further development in the broker channel of Pro Pack lending packages which reward borrowers with discounts for aggregating of loans and encourage cross sell. MISC (Market Intelligence Strategy Centre) says, on behalf of its Broker and Bank pool members, that refinance activity in the broker channel is now 66% derived from existing owners who have sought to either take advantage of more competitive fixed interest rates on offer or seek to leverage off increased property values and increased equity. Products like Offset and Line of Credit enable borrowers to increase their level of borrowing on existing homes and use surplus funds for other purposes. In today's less volatile rate climate and with softening of home prices these opportunities are now less attractive and the competitive nature of the market has dissuaded some consumers from switching.



The remaining 33% of refinance lending, says MISC, is made up of investors who are financing typically to extend their investment borrowing through Brokers into other property and utilise the leverage capability of some Professional Pack type products. While the extent of this investor borrowing is normally associated with high refinancing, investor refinance has also fallen at the same time. MISC says that the Professional Pack initiatives of several banks, including the investor tailored packages offered by HomeSide Lending (Home Plus Package), Suncorp (Professional Ready Access), Westpac (Premiere Advantage) and BankWest (Gold Offset), which typically combine several securities under one investment umbrella, have in this period effectively discounted refinance intention. Broker pool members in particular state that with more of those products becoming more complex it is also harder for borrowers to switch.

On a state basis the falling refinance levels are not consistently represented. WA now records the lowest refinance rate and the most dramatic change. This is in part a consequence of the current stamp duty regime where a further stamp duty impost on refinance remains until Jan 2006. This is unlike the exemption that now exists in most other states. In contrast the remaining higher refinance levels are still maintained in NSW and QLD but these rates are never the less still falling. The SA experience defies the trend where a 79% growth was recorded in Investment Refinance Loans in just the one quarter and over the period the level of refinance has increased. These loans now represent 25% of all SA loans having grown from 23% a year earlier.





Lender Membership

These results emanate from the June quarter 2005 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, Bank of Queensland, BankWest and Adelaide Bank, along with national and state concentrated Broker groups including Mortgage Choice and Choice Aggregation Services Home Loans.

Latest MISC Pool Market Coverage

Following the June 2005 quarter collection, the facility's results now represent 83% 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 (National Australian Bank)	NR	300	National
Adelaide Bank	NR	15	SA
Bank of Queensland	NR	50	National
BankWest	NR	300	National
Commonwealth Bank / Colonial	NR	200	National
Suncorp	NR	150	National
Westpac Banking Corp.	NR	200	National
Mortgage Brokers		Teams Employed	
Choice Aggregation Services	35	400 +	National
Mortgage Choice	28	570	National

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

Background to the Development of the Facility

This independent (MISC regulated) statistical collection, now in it's 19th 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.

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