

MORTGAGE BROKING

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**Market
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Broker Home loans reach record \$18.3 billion recording an 18% growth on same quarter last year or \$2.87 billion in extra Quarter flows driven by WA and NSW turnaround

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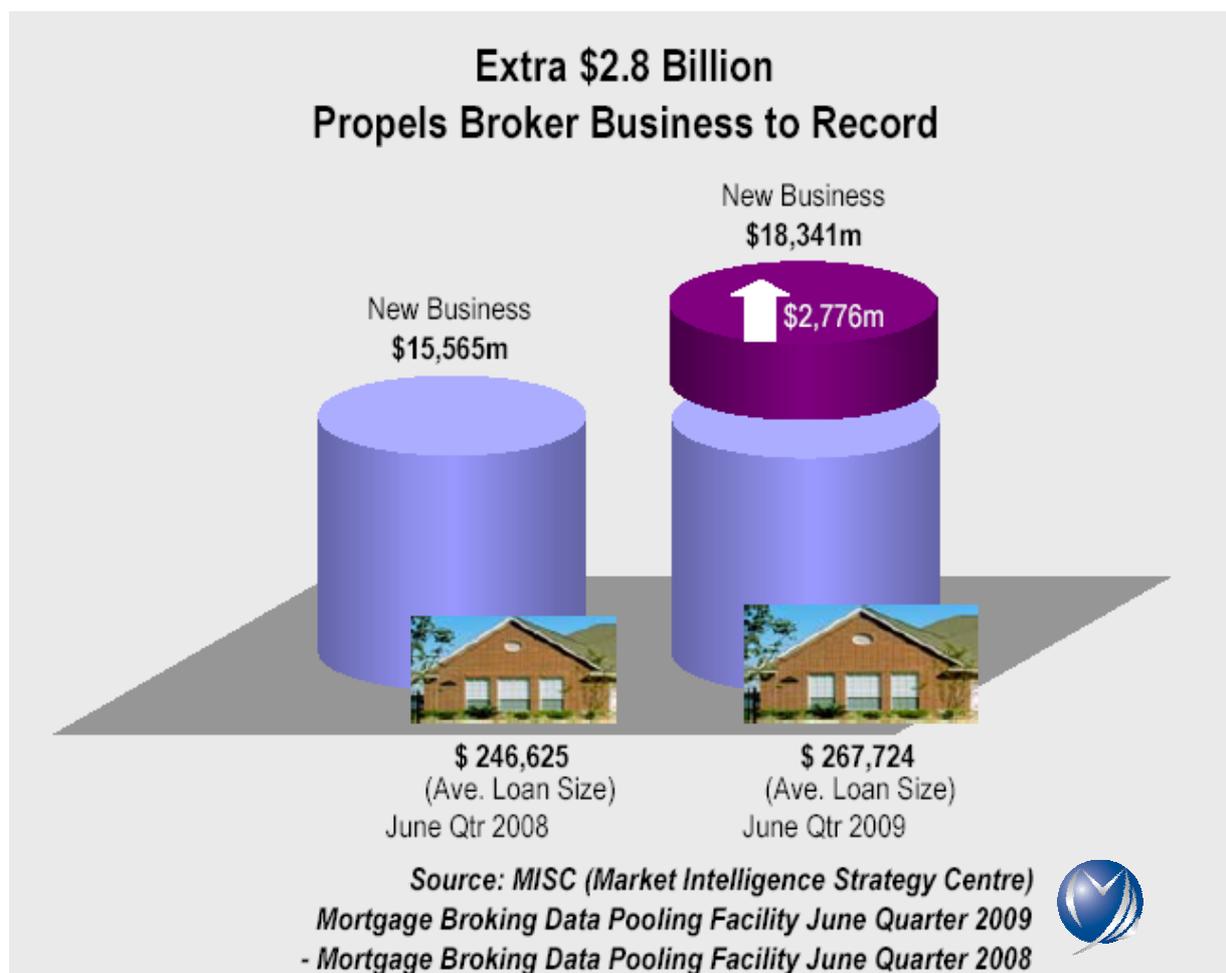
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Broker Home loans reach record \$18.3 billion recording an 18% growth on same quarter last year or \$2.87 billion in extra quarter flows driven by WA and NSW turnaround

On the back of the pending withdrawal of much of the government first home buyer incentive, some speculation of rising interest rates, and still rising home prices (June 08 to June 09) the Broker market saw its best ever quarter writing \$18.3 billion in settled loan contracts. The latest June quarter broker mortgage business results were released today by MISC Market Intelligence Strategy Centre on behalf of its broker and bank lender pool members. The results clearly demonstrate that the government first home buyer incentive often (enhanced by further state incentives) has turned the mortgage market, though brokers, around.

In fact says MISC (on behalf of its Bank and broker pool members) many brokers and lenders were run off their feet with surging demand from not just for first home buyers but also investors. MISC believes the \$18 billion result might have been even more had it not been for the fact that some lenders were unable to effect settlement till after the quarter. MISC says that this suggests that some carry over demand will flow though to the September quarter results.



On behalf of its Broker and Bank pool members MISC say a confluence of a variety of compelling factors brought about this 18% surge in lending. Not the least were the Commonwealth and State government incentives that meant that many borrowers were given a \$29000# once in a lifetime gift which represented 11% of the average loan. Further with the imminent prospect of some of the same grants disappearing after June (later revised by the Government to Sept 2009) plus the lessening availability of higher LVR loans on offer (many banks tightened lending criteria ceasing to count the grant as part of the deposit), a fear of rises interest rates, and some easing of home prices all made for a compelling and unprecedented opportunity that many first home buyers, and even others, could not afford to ignore.

MISC says that the grant played a significant role in boosting the average loan size from \$246,626 in June 2008 to \$267,724 by the June quarter 2009 despite a contraction in loan sizes prior to that quarter. The grant also helped ensure that loan sizes, and possible prices, held over the latter part of the year despite evidence of increasing price pressure. MISC explains that this was in no small part a result of the marketing initiatives adopted by many homebuilders who expanded their offering and package prices with the grant. MISC believes that without the grant the 8% rise in average loan sizes would have been negative.

These factors says MISC, who manages the broker pool for the pools Bank and Broker members, were enough to override what was ongoing recession talk in the quarter, more recent evidence of stalled or negative price growth (last quarter) as well as increasing under employment data. Further more the tightening lending conditions (by some lenders especially Low Doc) and the withdrawal in some cases of many smaller lenders were still not enough to stop the growth.

Levels of First Home Buyer Grant By State At June 2009			
	Minimum	Maximum	Conditions
VIC	\$17,000	\$29,000#	<ul style="list-style-type: none"> ▪ FHOB \$7,000 - \$14,000 ▪ FHOG \$7,000 ▪ First Home Bonus \$3,000 - \$8,000 ▪ Incl. Rural bonus of \$3,000
SA	\$18,000	\$25,000	<ul style="list-style-type: none"> ▪ FHOB \$7,000 - \$14,000 ▪ FHOG \$7,000 ▪ First Home Bonus Grant \$4,000
NSW	\$14,000	\$24,000	<ul style="list-style-type: none"> ▪ FHOB \$7,000 - \$14,000 ▪ FHOG \$7,000 ▪ New Home Buyers Supplement \$3,000
QLD	\$14,000	\$21,000	<ul style="list-style-type: none"> ▪ FHOB \$7,000 - \$14,000 ▪ FHOG \$7,000
WA	\$14,000	\$21,000	<ul style="list-style-type: none"> ▪ FHOB \$7,000 - \$14,000 ▪ FHOG \$7,000

**Source: MISC (Market Intelligence Strategy Centre)
Mortgage Broking Data Pooling Facility June Quarter 2009
- Mortgage Broking Data Pooling Facility June Quarter 2008**



#Victoria's extra generous increases to its own first home buyer scheme, announced in anticipation of a scaling down in federal incentives by the end of June, effectively offer first homebuyers an extra enticement running parallel to the federal government's extended program.

MISC say that not all states benefited as much from this surge in demand and the West coast more than the east led the charge especially Western Australia which saw a 38% quarter on quarter recovery propelling it to the third largest broker market (ahead of QLD) with 14% growth. NSW staged its own recovery recording similar growth rates as for QLD. Western Aust the home of Bankwest saw significant regional bank business competition and some evidence of a resurgence among smaller lenders as their share grew from 7% to 16%.

Interestingly says MISC the level of grant in most access appeared to have little direct influence on growth with the possible exception of SA. South Australia also recorded significant growth and because of its \$4000 bonus grant on top of the state and federal movement grant was the state affording the second most generous incentives. Despite the extra generous state government grants in Victoria which exceeded all other state (as a result of additional regional assistance) these incentives appear to have only sustained but not improved its growth MISC say without this fillip injection the Victoria broker market may well have declined.

Latest MISC Pool Market Coverage

This result emanates from the June Quarter 2008 to June Quarter 2009 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 June Quarter collection, the facility's results now represent 85% 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 (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, 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 Facility

This independent (MISC regulated) statistical collection, now in it's 35th 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 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.

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

Telephone: 03 9654 4266
Facsimile: 03 9650 7730
Email: miscinfo@marketintelligence.com.au