

MORTGAGE BROKING

MISC Global
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**Market
Intelligence
Strategy Centre**



**Broker refinance reliance jumps to 29% with 11.4%
refinance growth in one quarter, as major bank cash
incentives finally bite**

**FINAL RELEASE
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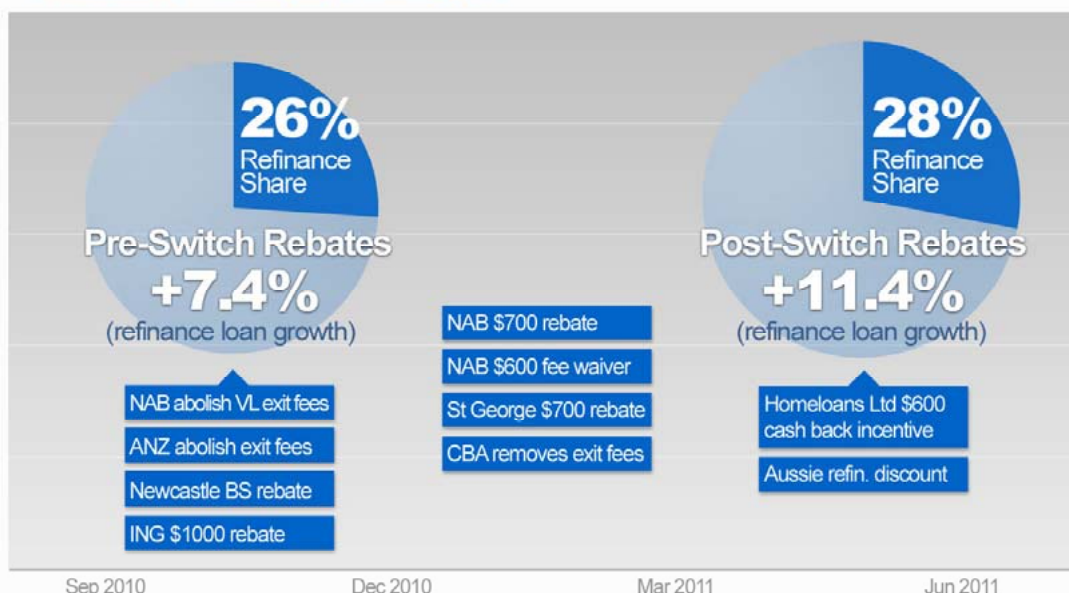
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Broker refinance reliance jumps to 28% with 11.4% refinance growth in one quarter, as major bank cash rebates finally bite

On the back of what has been an unusually aggressive major bank competitive assault, by June quarter's end, most banks had introduced refinance cash incentives and/or fee waivers to borrowers willing to move business. This pattern encouraged considerable speculation of the true impact or otherwise of the refinance strategy. Now evidence of its true impact on the mortgage broker channel has just been released by MISC (Market Intelligence Strategy Centre) to its Lender and Broker Cooperative Pool members. This evidence clearly shows that such incentives have affected refinance patterns. The MISC competitive pool results show, that real increased refinance activity occurred by the June quarter. Figures released today by MISC, show that for the December *pre-rebate quarter* and the rebate periods of March and June quarters of 2011, brokers wrote 11.4% more refinance loans quarter on quarter. This June quarter growth only followed much of the rebate activity in the previous March quarter when the National Australian Bank (NAB) commenced its own rebate offers in the context of its controversial "Break-up campaign" and many competing banks responded with their own rebate or fee offers. While the recent growth is good news in a stressed lending market, it suggests that while some banks achieved business gains at the expense of others - a pattern that would have been evident with static refinance growth - the fact that it grew by 11.4% suggests that the rebate activity may have encouraged borrowers who might not have refinanced to do so and others to accelerate their decision. The results are further endorsed by increased refinance share. Refinance loans before the cash incentives or fee waivers of 2011 accounted for 26% or all broker written home loans in the December quarter late last year. By the June quarter 2011 the refinance share rose to 28%. Not coincidentally, says MISC, the June quarter coincided with an influx of additional lenders with cash back offers or other refinance incentives including the Commonwealth

Refinance Share of Total Broker Channel including All Lenders + Mortgage Managers



Source: MISC Global (Market Intelligence Strategy Centre) / MISC Co-operative Broker Level Pool Results December Quarter 2010 to June Quarter 2011

Bank of Australia (CBA)'s free fee product and even the odd boutique lender like ING Direct or Homeloans. While the rebates constituted the more obvious competitive strategy for most banks, others, notably Westpac (via its Westpac brand) shied away from a price war approach. Instead the Westpac

brand utilized a package of discount fee waivers and LMI to win business. These included standard variable rate discounts of up to 80 bps on its Premier Advantage Package. Over the two periods Commonwealth Bank introduced its free fee products, as well as embarking on its successful discount stance.

These competitive initiatives prompted some commentators to suggest that “a mortgage war was taking place”, while others argued that the competitive environment supported by the major banks was unsustainable. But the major banks were joined by some of the regional banks, including St George Bank, who offered rebates from February to April 2011, as well as the broker channel mortgage managers and the odd boutique bank lender like Homeloans who offered cash back incentives. Indeed, both Newcastle Building Society and ING Direct (for 1 month in November via its “Switch Your Bank Offer”) were the earliest of lenders to adopt this approach and in fact, set a precedent of the current activity.

**BROKER CHANNEL RECENT REFINANCE RELIANCE 2011
ALL LENDERS INCLUDING MORTGAGE MANAGERS**

	Latest Quarter Growth
All Lenders <i>including</i> Mortgage Managers	11.37%
All Major Bank Refinance Lending including Westpac, ANZ, NAB excluding Advantedge, CBA	10.50%
Regional Banks (including St George, Bankwest)/Boutique Bank Lenders Mortgage Managers	13.76%



Source: MISC Global (Market Intelligence Strategy Centre) / MISC Co-operative Broker Level Pool Results December Quarter 2010 and March Quarter 2011

MISC (Market Intelligence Strategy Centre), on behalf of its lenders and broker pool members, suggests that the real growth is also evident from the impact that refinance has had beyond the major banks who have led the charge. Significant in this is the difference in growth rates achieved by regional banks, boutiques and mortgage managers who recorded a higher 14% refinance growth, compared to the major bank growth of 10.5%. As previously noted, while the odd regional bank and mortgage manager or boutique has embraced the rebate process, this strategy has not been universal among them even though they appear to have disproportionately benefited from the major bank’s impact on the entire channel.

SELECTED MARCH QUARTER PRODUCT INITIATIVES

Lender	Date	Initiative
ING Direct	November 2010	ING Direct introduces \$1000 incentive for customers who switch home loans and open up an Everyday Savings Transaction Account before June 2011
Newcastle Permanent Building Society	November 2010	Newcastle Permanent Building Society offers \$700 for customers to switch from major banks
ANZ	November 2010	ANZ abolishes exit fees
NAB	December 2010	NAB abolishes exit fees on variable loans

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NAB	February 2011	NAB offer \$700 rebate of exit fees for Westpac and CBA customers who switch till June 2011
NAB	February 2011	NAB Broker waives \$600 application fees for non-NAB customers who refinance with Home side until June 2011
St George Bank	February 2011	St George offers a \$700 refinance rebate for existing and new customers with 95% LVR until April 2011
Pepper Home Loans	February 2011	Pepper Home Loans abolishes exit fees
Aussie Home Loans	March 2011	Aussie Home Loans offer variable rate of 6.69% for homeowners who refinance
CBA	March 2011	CBA remove exit fees
Homeloans Limited	May 2011	\$600 cash back incentive for its Ultra range, includes new borrowers and refinance borrowers



Source: MISC Global (Market Intelligence Strategy Centre) / MISC Co-operative Broker Level Pool Results December Quarter 2010 and March Quarter 2011

APPENDIX II: Brief to Editor

MISC method June Quarter change

Warning: The June quarter pool member collection suffers from a data issue with a single major bank pool member. The normal process of Aggregator/Franchise lender data cross triangulation, has in this quarter, been replaced with an Aggregator/Franchise Lender trace to correct the major bank data issue. A 12-quarter data test of this substitute method reveals a statistical acceptable error margin. MISC considers it does not affect the results.

Mortgage Broker Cooperative Pool Methodology

Cross Triangulation Lenders and Brokers = 70% + Coverage



Latest MISC Pool Market Coverage

This result emanates from the December quarter 2010, March Quarter 2011 and June Quarter 2011 collections of the Mortgage Broking industry co-operative statistical pool, derived from leading Bank and Broker Pool members. It consists of the majors and regional banks, along with national and state concentrated broker groups. Following the June Quarter 2011 collection, the facility's results now represent 70% of all broker generated home loan business. 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 (Market Intelligence Strategy Centre) (MISC-regulated) statistical collection, now in its 43rd 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 industry specialist research group. The MISC Data Pooling Facilities use of final settlements and only raw statistical records ensures that pool members gain a true reflection of broker loan business market activity.

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