

# MORTGAGE BROKING

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## **Regional Banks capture 37% of the Broker mortgage volumes in a single quarter with Queensland and Victoria market's help**

**FINAL RELEASE**

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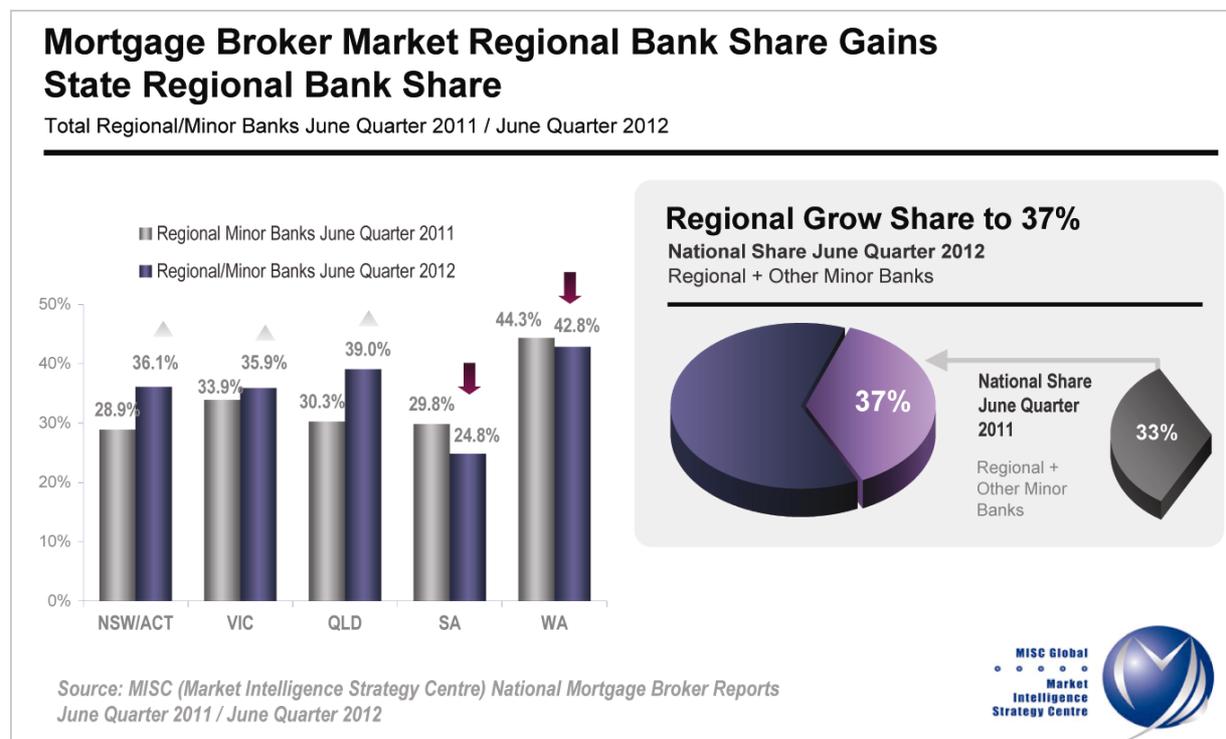
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## Regional Banks capture 37% of the Broker mortgage volumes in a single quarter with Queensland and Victoria market's help

In the latest full quarter Broker Pool results, for June 2012, it was the smaller Regional bank lenders that grew their share of all lending volumes to nearly 37% from 33% held in the same quarter last year says MISC,(Market Intelligence Strategy Centre). These are the latest June quarter results from the MISC Mortgage Broker Industry Pool, which was released today to its pool members. The jump in market share from 33% in the June quarter 2011 to 37% more recently represents a significant growth of 12% and suggests that a major structural change in the Broker originated mortgage market is underway says MISC, on behalf of its Lender and broker pool members. Of all states regional's won most share gains from Queensland where the regional banks combined share has now reached 39% of all broker business up from 30% one year earlier.

The regional banks performance came at the expense of the major banks, but also with real regional bank growth on the back of particularly keen pricing i.e. especially fixed Interest rates, and more aggressive discounting, which saw some borrowers benefit from further rate cuts of almost 100 basis points. On behalf of its Lender and Broker pool members MISC (Market Intelligence Strategy Centre) believes that the expansion of the regional banks was also assisted by the more consistent maintenance of their refinance cash back switch programmes, which the majors have previously withdrawn.



**Queensland Victoria and NSW drive better Regional bank share gains:**

The MISC (Market Intelligence Strategy Centre) broker pool results further show, that while two states suffered from contracting regional share evidence, in three states, regional banks grew their market share. The more significant change evident from this June Quarter 2012 research compared with the same period in 2011 came for the Queensland market where regional banks increased their share of mortgage business to almost 40% coming close to the regionally dominant state, Western Australia. Queensland recorded the largest regional bank share gain with a 10% market share improvement. This contrasted with a marginal loss of share in WA which is more traditionally a regional bank dominated market, says MISC (Market Intelligence Strategy Centre) on behalf of its lender and broker pool members. NSW and Victoria were also states in which the regional banks saw growing market share.

The Queensland result was aided primarily by the better performance of Suncorp bank, who for several quarters had adopted comparatively keen pricing (with the majors) in the broker channel, via its My Home Package variable rate product, which it had marketed with a .90% life of loan discount #. Its earlier introduction of first year trail and upfront commission bonuses for brokers had by the June quarter begun to impact, when, many other banks had revised trail commission qualification in the context of commission clawbacks says MISC (Market Intelligence Strategy Centre). The Victorian results, where regional's claimed a 36% share was fuelled by the impact of Bank of Melbourne. BOM was a particularly aggressive variable rate promoter, challenging the National Australia Bank's position in Victoria as well as adopting a similar Life of the Loan discount policy on its variable range of up to 90 basis points. This was time sensitive; effective after May 31 for the duration of the June quarter. At the same time its direct competitive rate assault was augmented via its \$700 cash back switch incentive across the Advantage package. This was matched by St George in other states.

*# This together with sometimes higher rates after discounts effectively netted a similar effective rate*

With almost the same Regional bank share penetration as Victoria, but lesser share growth, NSW attracted significant regional bank competition from Suncorp, Bankwest, Bendigo/Adelaide bank along side it's local St George bank. While St George provided Life of the loan discounts of .80 points on its variable loans and matched the \$700 cash switch incentives of BOM over the same time frame, its focus was also significantly geared to fixed rate borrowers, who it specifically targeted with rate cuts to its Advantage one and two year fixed loans, and then later to 3 year offers."

In contrast to rising regional state performances, the South Australian market provides a stark contrast to patterns in other states reflecting a significant loss of Regional share to just 25%. South Australia is typically regionally dominant in the Broker channel, but having exceeded the share in NSW a year earlier, was this time reduced. While Bank of South Australia had matched many of the St George initiatives, Bendigo/Adelaide Bank was less rate competitive in one of its home states, however the bank's broader mortgage manager business and private label activity in other states contributed to collective regional gains in Queensland and NSW. Especially active in the take up of these products are the brokers themselves. These white label offerings extend across several product fields including Low-doc loans with limited deposit conditions, and Line of Credit products.

## Latest MISC Pool Market Coverage

This result emanates from the June quarter 2012 and 2011 June quarter 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 72% of all broker generated home loan business and as such sets a precedent for the level of co-operation in an industry previously known for its privacy. 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, and 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 Broker Pool Collection

This independent (MISC regulated) statistical collection, now in its 47th 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 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.

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