

MORTGAGE BROKING

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Mortgage Broking Channel Loses Nearly \$2b in New Home Loans as Market Falls 14% and 10,000 Loans

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

Results from the March 2004 quarter show that the national broker market declined by 14% or \$1.8 billion, to reach just under \$11.5 billion. While some of this quarterly decline is no doubt due to the traditional seasonality that usually accompanies March quarter reporting, the decline was larger than in previous similar quarters i.e. March 2003 and March 2002. In these quarters declines of 8% and 2% have occurred respectively. There is little doubt that there will be increasing pressure on the broker market in coming quarters says MISC (Market Intelligence Strategy Centre).

On behalf of its broker and lender Pool members the respected industry research group posed the question today, whether this latest measure reflected maturity of the Broker market or just the response to the 2 rounds of interest rate rises in the preceding records December quarter?. The question is made all the more relevant particularly as loan volumes fell by more than 10,000 loans and further consolidation of the channel continued with just 467 brokers actually actively #writing loans in the quarter. In the March 2002 quarter says MISC (Market Intelligence Strategy Centre) some 623 brokers were active# writers. The Broker market has been established as a significant channel for more than 5 years and the MISC Broker pool, which provides the official quarterly measure, has recorded in detail its activity for more than 14 quarters. MISC (Market Intelligence Strategy Centre) notes that in more than 1/3 of these significant quarterly adjustments have taken place suggesting, says MISC, the results could alternatively be more simply a reflection of changing market conditions i.e. the down turn in the home loan market in general.

Changing Broker Dynamics with \$2 Billion Business Loss or Maturity?

March Quarter 2004 Market Loss

	Previously Dec-03	Now Mar-04
Industry Market Contracts....		
Market Size	\$13.3billion ▶▶▶▶	\$11.5 billion
Market loss		14% ↓
.....As Refinance Rate improves		
Market Share		30%

MISC Australia

Source: MISC (Market Intelligence Strategy Centre) Mortgage Broking Data Pooling Facility/Mar 2004 Qtr Collection

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A further sign of possible maturity says MISC (Market Intelligence Strategy Centre) is the slow down in growth previously noted of refinanced loans which in the quarter fell back to 30% of all loans written by brokers. This scotches the view that Brokers are still increasingly encouraging borrowers to switch. The broking industry has been criticized before for the practice of loan churning and a considerable amount of negative press has resulted. MISC says that this press could well have impacted on the change, as has the more stable interest rate conditions of the quarter when compared to December when 2 rate rise encouraged more refinance. The better stability of interest rates in the quarter may well have been a contributing factor to this slow down as rate changes was less important as a driver in encouraging new business says MISC. (Market Intelligence Strategy Centre) on behalf of its lender and broker pool members.

MISC (Market Intelligence Strategy Centre) notes that there was no change in loan size in the quarter as borrowers continued unabated to access the increased equity still remaining in their properties. With price evidence suggesting considerable falls in values this will impact on future results. So too will the structural changes foreshadowed by increasing commission pressures as the industry seeks to change the imbalance between up front commissions and trails. In such an environment, says MISC, still greater pressure will no doubt come to bear on market consolidation in the coming quarters.

New Bank Lender Membership

These results emanate from the March quarter 2004 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, Commonwealth Bank/Colonial, Suncorp, Bank of Queensland, BankWest and Adelaide Bank, along with national and state concentrated Broker groups including Mortgage Choice, LJ Hooker and Choice Home Loans. The Pool was enhanced even more this quarter by the inclusion of the National Bank Broker Channel HomeSide, which will significantly enhance the coverage of the Pool. HomeSide has a wide third party distribution network, which encompasses other third party introducers and separated brokers. The HomeSide membership is however restricted to Broker originated loans only.

Latest MISC Pool Market Coverage

Following the March 2004 quarter collection, the facility's results now represent 79% 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 of specific individual Pool member loan business share is fully protected by the Pool charter and member contracts.

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Current Pool Membership

MISC Mortgage Broking Data Pooling Membership			
Financial Institution	Lender Panel	Approx. No. of Brokers	State Distribution
Banks			
HomeSide (National 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	300	National
Mortgage Brokers		Teams Employed	
Choice Home Loans	35	400 +	National
LJ Hooker	4*	68	National
Mortgage Choice	24	462	National

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

Background to the Development of the Facility

This independent (MISC regulated) statistical collection, now in it's 14th 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'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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