

# MORTGAGE BROKING

**MISC Global**  
• • • • •  
**Market  
Intelligence  
Strategy Centre**



**Fewer active brokers (119) write 18% more loans as broker mortgage market falls \$2.7 billion in latest March quarter**

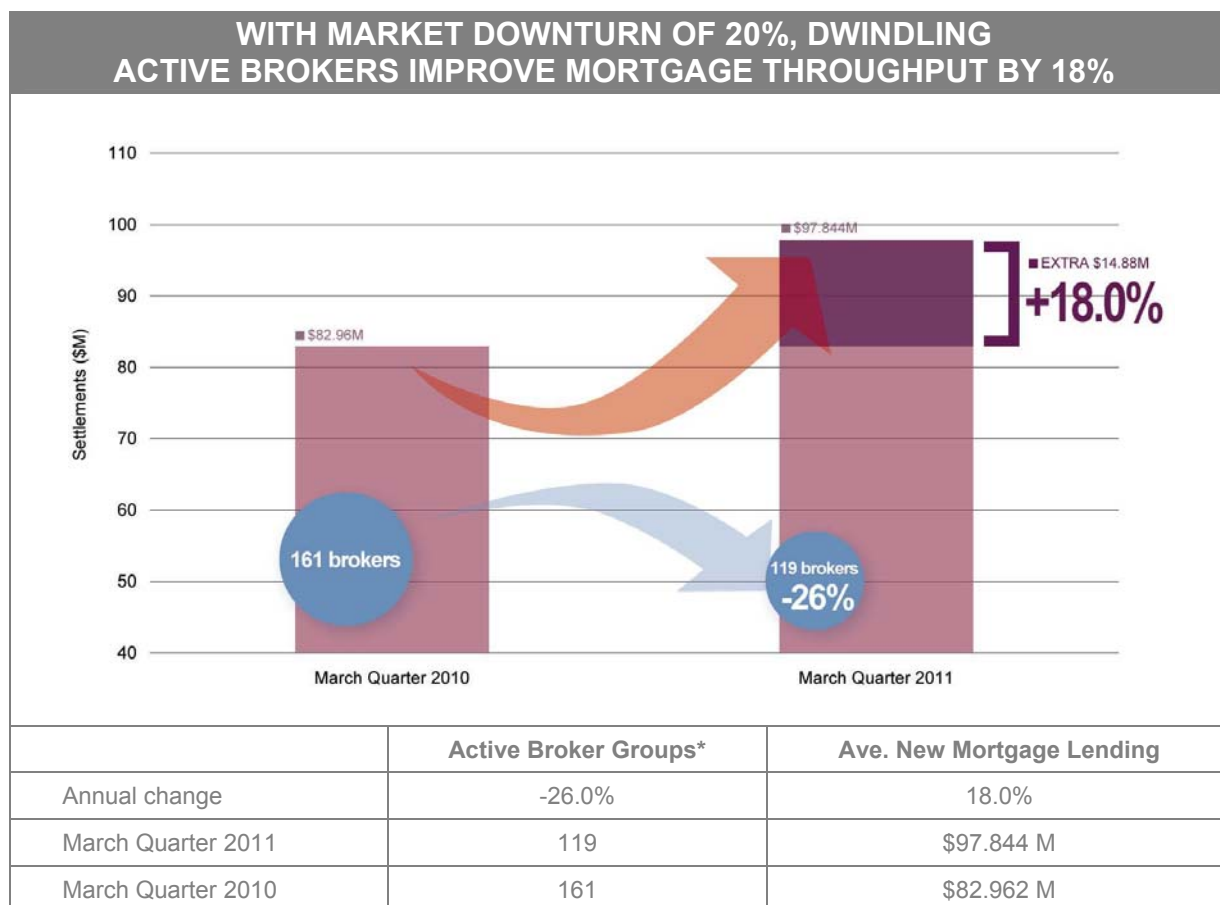
## FINAL RELEASE

Please adhere to the following reference conventions for any MISC material used in your article(s):

1. Please refer to MISC in the following manner; MISC (Market Intelligence Strategy Centre)
2. Do not cite any individual MISC staff
3. Please forward an original version of the published article(s) to MISC for internal records
4. Further information about MISC services please contact the Marketing Department

## Fewer active broker (119) write 18% more loans as broker mortgage market falls \$2.7 billion in latest March quarter

The mortgage broker market for new mortgage lending contracted sharply in the March 2011 quarter. With \$2.7 billion less loans written, the value of all mortgage business through brokers fell to \$11.6 billion. This aggregate fall in new mortgage business, written by brokers, comes in the context of poorer housing construction measures showing a 17.4% fall (ABS) as well as diminished approval data much of which was blamed by some commentators on the Queensland flood impacts. MISC (Market Intelligence Strategy Centre) on behalf of its Lender and Broker pool members, says, that these fewer loans were written by just 119 broker aggregators and other broker firms. This was the lowest recorded number of active broker firms measured by MISC since the co-operative broker industry pool was established in 2001. With now just 119 writer firms, the channel has seriously consolidated in more recent times says MISC. But these fewer broker firms have made up for their diminished numbers with an 18% upgrade in lending activity, despite a 26% competitive contraction. The MISC Co-operative Broker pool statistics measured the 161 active brokers operating in the same quarter last year alongside the 119 operating today i.e. March 2011. MISC, on behalf of its Lender and Broker pool members, notes that the 18% increase in business written this latest quarter occurred despite what were constrained mortgage market conditions.



\* Active aggregator and other Broker firms writing at least 3 loans in a quarter



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



Their reduced number also directly coincides with the impact of the ASIC administered Credit Reforms, which required mortgage brokers to be licensed by January 2011. By March 2011 ASIC had approved some 5,559 separate licences. These included licences to broker firms and writers as well as other financial intermediaries. The new licensing regime, says MISC on behalf of its Lender and Broker pool members, has established a more professional competitive broker environment that will auger well for the distribution channel that has helped many borrowers in the past.

***Lender interest rate discounting drives broker results***

In the latest MISC Mortgage Broker Pool results, released today, MISC says that the 18% improved lending productivity engineered by the active broker firms came on the back of what has been unprecedented competitive activity in the broker channel, as most lenders, even the majors, embarked on significant programs of price promotion. Fixed rate lending was especially targeted, with lower rate incentives, as most banks adjusted fixed rates to be more competitive. This compared with earlier upgrade revisions to variable rates late last year. Via enhanced product and promotional focus, the banks sought to better reward more conservative borrowers. Even though some banks (like St George) had raised loan to value ratio limits to 95% (new customers) and Westpac to 97% (with LMI capitalized insurance), incentives were also in place for lower LVR loans. Westpac introduced waivers on LMI insurance for 80-85% LVR loans written via its Premiere Advantage package loan product while offering a maximum of .80% discount. The National Australia Bank's Homeside 'price for risk tiered' discount structure (introduced in October 2009) based on loan size and LVR continued to lead the market with its 6.90% rate for loans \$250,000 and above with LVRs up to 75%. The smaller lenders followed suit, Citibank for instance offered .85% discount on its 70% LVR or less lends. In addition it discounted its Mortgage Plus Home loan. Several banks adopted both discounts and fee rebates. Commonwealth Bank established something of a new standard when it introduced the first no fee variable loan, for the life of the loan, with competitive rates fixed at 7.24%. National Australia Bank waived the Homeside \$600 application fee for refinances for a limited time in the quarter. St George Bank provided a \$700 refinance rebate with a maximum 1% discount on its introductory rate home loan. Among the regional banks, Bankwest also sought to focus on discounts and fees. On its Bankwest Super Start home loan, it offered customers a .80% discount for 3 years with LVR limits of 95% while it waived its application fees on all its home loan products. On its premier Advantage broker package Westpac waived its first year annual package fee of \$395 and increased its discount to a maximum of 80 bps. Existing mortgages were not without offers as many lenders directly targeted other lenders customers to switch, via direct cash incentives or both incentives and fee waivers. The National Australia Bank broke up with the other major lenders, supported with an above the line campaign offering to pay customers \$700 to cover their exit fees if they refinanced their home loan from CBA and Westpac. This offer was available to brokers via the NAB Broker Loan Writing Solutions service.

SELECTED QUARTER'S PRODUCT INITIATIVES	
Bankwest	Launch of Super Start Home loan @ 6.9% for 3 years then Lite Home loan rate effectively provides a .8% discount
Bankwest	Waives application fees across all products
Bankwest	Discounts plus waived application fees and relaxes minimum loan value requirements for Premium Select broker loans
AFG broker	Launch white label "Alternative" range

## PRESS RELEASE: MORTGAGE BROKING



Plan broker	Credit Union mortgages added to Plan lenders panel via Phoenix alliance
CBA	Commonwealth Bank introduces the first no fee for life Variable loan at 7.24%. Available through all distribution channels.
Westpac	Eliminates LMI insurance on Premier Advantage package for 80%- 85% LVR loans.
Westpac	Increases discounts on Premiere Advantage loans to max of .80% (Loans over \$500k) Also waives annual package fee of \$395. Waives \$600 application fee for limited time on non Premier Advantage products
St George	Offers a \$700 refinance rebate for existing and new customers with 95% LVR.
St George	Discounts standard variable Intro home loan as part of Advantage Package by 1% first year and .7% subsequent
NAB	Offered to pay customers \$700 to cover their exit fees if they refinanced their home loan from CBA and Westpac. Available to brokers via the NAB Broker Loan Writing Solutions service.
NAB	Waived the Homeside \$600 application fee for refinances.
ING	Offers .35% Life of Loan discount On Orange Advantage 100% offset
Citibank	Discounts standard variable rate by .72 basis points for LVR loans 70-80% and .85% discount for LVR of 70 % or less
Citibank	Citibank discounts Mortgage Plus loans by .15%



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

## APPENDIX I: Brief to Editor

### AS CREDIT LICENSE THROUGHPUT GROWS, ACTIVE BROKERS NOW RATIONALISED

	ASIC Credit Reform Licenses Granted	Active Broker groups**	Growth
March Qtr 2011	5559	119	-13.77%
December Qtr 2010	2445	138	-25.41%
September Qtr 2010	656*	185	19.35%



Source: Market Intelligence Strategy Centre (MISC Global) / MISC Co-operative Broker Level Pool Results March 2010 and March 2011. ASIC Credit Reform Update

## APPENDIX II: Brief to Editor

### Latest MISC Pool Market Coverage

This result emanates from the March Quarter 2010 and March Quarter 2011 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 March Quarter collection, the facility's results now represent 73% 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 regulated) statistical collection, now in it's 42<sup>nd</sup> 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.

**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](mailto:miscinfo@marketintelligence.com.au)**