

MORTGAGE BROKING

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**New Mortgage Broker Statistical Measure Attracts 71%
'Pool' Membership From Top Brokers And Banks. They
Join Together To Develop First Regular Monitor Of New
Business Growth In Mortgage Broker Sector**

FINAL RELEASE

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New Mortgage Broker Statistical Measure Attracts 71% ‘Pool’ Membership From Top Brokers And Banks. They Join Together To Develop First Regular Monitor Of New Business Growth In Mortgage Broker Sector

The Market Intelligence Strategy Centre, (the strategic consulting sister company of industry specialist researcher, MINTEL Australia) together with a group of inaugural pool members jointly announced the launch of the first regular co-operative industry monitor of Broker new home loan business derived from statistical collections from both key Banks and Broker lenders. This new research initiative will effectively provide for ‘pool members’, real measures of the Broker channel size and the shares on a quarterly basis. The inaugural and provisional pool members are mostly national Brokers with wide lender exposure and Broker active Banks. It includes some of the pioneering lenders who helped build the channel like BankWest, Citibank and Adelaide Bank.

INAUGURAL MISC MORTGAGE BROKING DATA POOLING MEMBERSHIP

Mortgage Brokers/Financial Institutions	Lender Panel	Approximate Number Of Brokers #	State Distribution
• Choice Home Loans	23	240	WA, VIC, NSW, QLD
• Mortgage Choice	22	300+	National
■ Westpac Banking Corp.	NR	300	National
■ Adelaide Bank	NR	15	SA
• Ray White	13	43	QLD, NSW, VIC, WA
■ Suncorp-Metway Bank	NR	150	WA, VIC, NSW, QLD, SA
■ Citibank Australia GCB	NR	500+	National
• Hooker Home Loans	4*	68	National
• SmartLine Home Loans	20	44	VIC, NSW, QLD
■ BankWest	NR	300	WA, VIC, NSW, QLD, SA

*Note: • = Number of Broker – teams, ■ = Number of accredited Brokers registered with Bank. * Part of the Liberty Financial net. , NR= Not Relevant.*

Excludes additional Broker/Bank Pool members who wish to retain anonymity prior to release of first quarter results.



The inaugural Bank/Broker member pool collectively accounts for 71% of aggregated Broker-written home loans says MISC (based on data drawn from its recently released Mortgage Broking Year 2000 White Paper). MISC claims that this is the largest representation of Brokers contributing to a statistical pool anywhere in the world. From this base, MISC will project for each pool member, all aggregated Broker business each quarter and subsequently report back on the members' individual market share movements.

In the absence of this unique facility, several groups have attempted to estimate the importance of the channel (refer table below). Various measures have reported implied levels of new loan business that exceed \$24 billion. Alternatively market share measures can range from 15% to 25 % of the Home Loan market. There are even projections which suggest that this single channel might soon capture 50% of all home loans. A fundamental aim of the Pooling facility is to finally lay to rest such speculation.

ALTERNATIVE ESTIMATES OF THE MORTGAGE BROKER MARKET

Institution	Indicative Estimate Of Market Size
Macquarie Equities (Research Report 2000)	Mortgage Broking represented 20% of Home Lending in 2000. Mortgage Brokers in WA originate 50% of total volume, eastern states 20%
AFG Website	AFG, based on its claims about its market share of the housing loans market, imply that the third party introducer market is in the region of \$24 billion*.
"Your Mortgage" Magazine (Summer 2000)	15-20% of all home loans written in 1999 (the magazine says that industry insiders claim that up to 60% of home loans in Western Australia and 40% in South Australia are written via Brokers)
SmartLine Home Loans Promotional Document (2001)	Claims the Broking industry could reach 50% of all home loans by 2004.

* Note: Based on AFG's website claims that it has 4% of the residential mortgage market; 20% of the Third Party Introducer market; and average monthly mortgages written of \$400 million

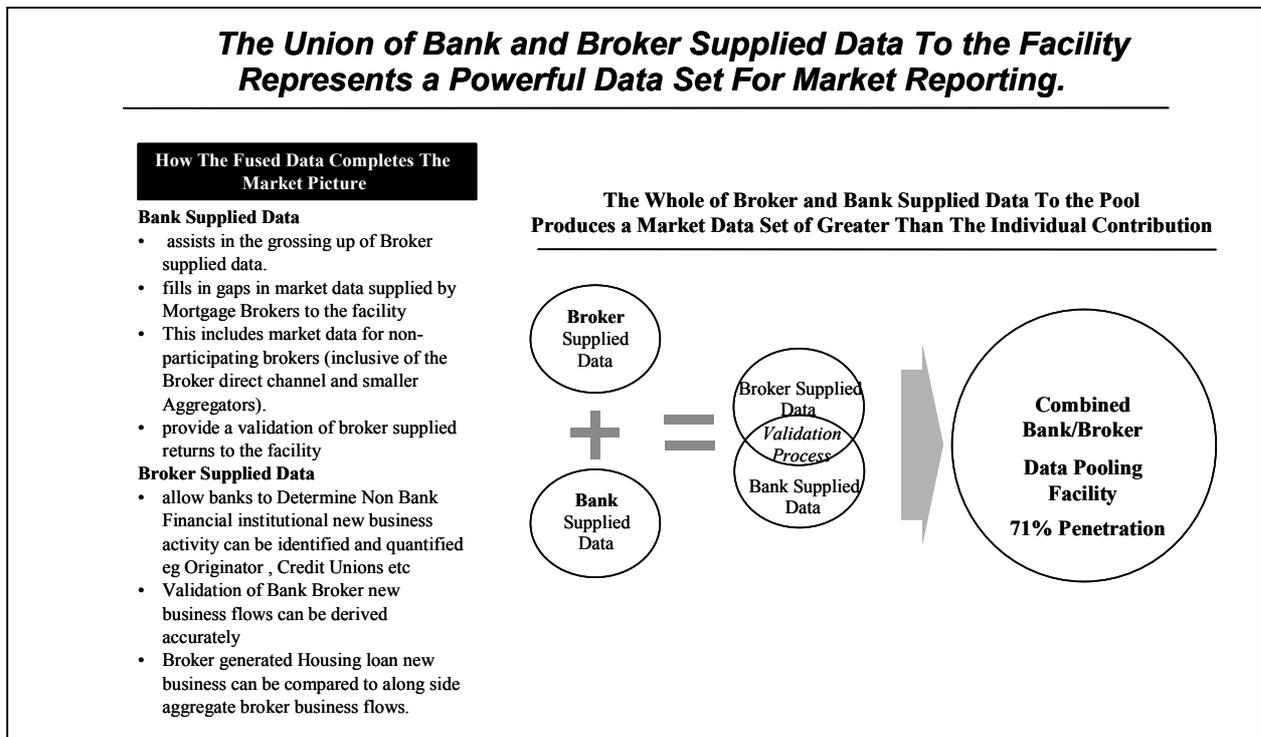
Source: **MISC** Mortgage Broker Data Base/Industry Search 1999 and 2000

The measurement process has been made all the more urgent following new evidence of strong growth within the Broker distribution channel, as recent MISC research revealed that part of the Broker market (ie that which was major lender derived) was growing at 28%. That research touched a nerve in the industry, which is increasingly cost driven (and in a low interest rate environment), thus forcing major lenders to seek alternate ways of not only finding new borrowers/increasing market share but also enhancing their operational efficiency. Hence, there is now wider recognition of the Mortgage Broking channel as an appropriate distribution solution. Conversely, with plans for several Brokers to publicly list in the future, there has been much speculation about their relative success in the distribution of home loans, as no official measurement of their business has to date, been collected or available.

MISC says there are more than 6,000 Brokers (individuals or Broker Field teams) operating in the Home Loan market. The various types of distributors of loans range from established small Franchisee operators to Licensed Consultants, usually from the financial advisory and Real Estate groups or even individual operators who often transact with Lenders directly. Despite its obvious size the channel has remained shrouded in mystery for some years as Mortgage Broking remains unregulated and unmeasured by any of the government statistical sources (Unlike measures of Bank

lenders by APRA, which report on Bank lender loan book sizes). One of MISC’s key roles in the development of this Facility is to provide an independent, co-operative industry measurement service that is supported by the data contributions from both Lenders and Brokers. A primary objective of the Facility is to ensure a reliable and accurate statistical measurement of Broker new business thus totally dispelling any previously un-authenticated market share claims and finally providing an industry-wide accepted and recognised source of market size and growth.

The considerable and unprecedented level of commitment from the Housing Loan industry will ensure the veracity of the data collection and success of the Facility. MISC notes that no co-operative system employed overseas has managed to win such a level of initial support. Measurement of Brokers who are **NOT** members of the pool is facilitated within the pool system by a “new loan business trace back process” derived from participating lender source data. The contribution of Broker and Bank statistical aggregation effectively enhances the value of each data set in a collective pool. This methodology will ultimately ensure that 100% of the market is traced from the 71% statistical contribution.



On a quarterly basis, the Facility will provide an accurate and regular measurement of the growth of this dynamic market sector. On a confidential basis, a measurement of **true** Broker and Lender new business shares and volumes will be regularly reported back to individual pool members. The first report delivered by the new Facility will measure the both the December 2000 and March 2001 quarters and is scheduled to be issued early this month.

PRESS RELEASE: MORTGAGE BROKING



This concept is the second data pooling type initiative that MISC has undertaken and confirms its growing reputation as an innovative financial markets service provider. MISC successfully operates and maintains for most Banks a data pooling system to measure Internet Banking activity (Refer MISC website www.marketintelligence.com.au).