

## MORTGAGE BROKING

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**Market  
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**Consolidation in Broker Industry as Broker loans growth rate slows to 1% and Banks increase share to 62% on the back of fewer active brokers (now 550)**

**FINAL RELEASE**

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## Consolidation in Broker Industry as Broker loans growth rate slows to 1% and banks increase share to 62% on the back of fewer active brokers (now 550)

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

The latest MISC Mortgage Broker Co-Operative measure of Broker-generated home loans shows that quarterly growth has slowed to 1% as active broker numbers fall to 550 (active brokers writing 3+ loans#) but MISC says Big Bank lenders have won more of market capturing 62% share (compared to 59% share in 2001). Is this the beginning of a major consolidation asks MISC (Market Intelligence Strategy Centre) on behalf of its growing Bank and Broker Pool members who have now reached their 8 successive quarter of co-operatively pooled home loan data for the unique market measure.



Note: MISC says the broker pool shows that 550 brokers were active in the quarter nation wide out of more than 2500 known to occasionally write home loans. In March 2002, these active\* Brokers numbered 623.

\* Active Brokers as defined by MISC and the Pool members are those that have settled 3 or more loans in a quarter. MISC notes that although a large additional number of Brokers have settled 1 or 2 loans in the quarter these make a comparatively negligible contribution.

The industry consolidation pattern says MISC is a result of two drivers:

1. The banks and other lenders are clearly targeting specialist brokers and reducing the number they seek to deal with. Some lenders have overtly sought to cease dealing with smaller brokers while others through new servicing regimes have sought to better serve priority brokers. This rationalization process is a normal feature of most maturing industries says MISC.
2. The brokers are consolidating and merging with, other sometimes interstate groups, or acquiring consultants (who once acted independently) to join their groups. Important among this trend is the increasing role that aggregators play in attracting smaller sole consultants to their networks eg. Select

Not coincidentally the quarter was also noteworthy as one in which additional positive competitive pressures were placed on the channel as some lenders stepped up their broker support and panel membership programs while others who had resisted the broker channel now embraced it or embraced it more fully. Some Credit Unions and even Building Societies extended their panel reach while new lenders joined Brokers. Rams for instance joined Mortgage Choice to assist in extending lender coverage. On the flip side, lenders while rationalizing smaller brokers also sought to extend more productive coverage. Suncorp Metway in the quarter expanded its focus through an alliance with Plan to provide multi-lender offerings to Hooker and First National outlets while of course Aussie announced the commencement of a new broker arm to its business (although results will only be reflected in the December quarter). Several lenders like Adelaide Bank and NAB in particular stepped up their 3rd party exposure. Adelaide Bank who relies on the channel for much of their eastern states expansion extended its broker support regimes and embarked on a special no-fee broker campaign.

MISC says that the low recent quarters growth of 1% compares to 8% in the same quarter in the previous year when the Broker channel at times recorded double-digit quarterly growth rates. This may suggest a maturing of the broker channel or simply a reflection of the now (MISC predicted) slow down of the total home loan market. Even though the MISC home loan market measures for the same period are yet to be released. This might suggest that the Broker channel has in this quarter been more resilient. Alternatively, some pool members, both banks and brokers believe that the broker market could lag that of other distribution channels and be the slowest to react to any pending market down turn.



**Latest MISC Pool Market Coverage**

Following the September 2002 quarter collection, the pool results now represent 78% 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. New lender and broker members will be announced and reflected in the December 2002 quarter results, thus further expanding the Pool’s coverage. Despite the youth 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. 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 Home Loan market distribution.

*Please note: specific individual Pool member loan business share confidentiality is fully protected by the Pool charter and member contracts.*

**Current Pool Membership**

Members include a who’s who of the Mortgage Broking industry and their Lenders. The leading Brokers and Bank Lenders who are inaugural members of the Pool and who have driven the initiative include a wide cross section of Lenders. They include key Banks such as CBA/Colonial, Citibank, BankWest, Westpac, Suncorp Metway, Bank of Queensland and Adelaide Bank. From a non-Bank perspective members include leading national and regionally focused Broker groups (eg Franchises, Aggregators and Real Estate Agents) like Mortgage Choice, LJ Hooker, Choice Home Loans and Smartline.

<b>MISC Mortgage Broking Data Pooling Membership</b>			
<i>Financial Institution</i>	<i>Lender Panel</i>	<i>Approximate Number of Brokers</i>	<i>State Distribution</i>
<b>Banks</b>			
■ Adelaide Bank	NR	15	SA
■ Bank Of Queensland	NR	50	National
■ BankWest	NR	300	National
■ CBA/Colonial	NR	200	National
■ CitiBank	NR	500+	National
■ Suncorp Metway Bank	NR	150	National
■ Westpac Banking Corp.	NR	300	National
<b>Mortgage Brokers</b>		<b>Teams Employed</b>	
• Choice Home Loans	23	240	WA, VIC, NSW, QLD
• LJ Hooker	4*	68	National
• Mortgage Choice	24	300+	National

Source: **MISC (Market Intelligence Strategy Centre)** Mortgage Broking Data Pooling Facility/ June 2002 Quarter Collection

**Background to the development of the Facility**

This independent (MISC regulated) statistical collection, now in it’s 7th 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** 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.