

## MORTGAGE BROKING

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**Market  
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**Fixed Loans Approach 15% of All Broker Written Loans  
(in the September Quarter) as Fixed Loan Lending  
Grows 63% in One Quarter**

### **PRESS RELEASE**

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## Fixed Loans Approach 15% of All Broker Written Loans (in the Sept Quarter) as Fixed Loan Lending Grows 63% in One Quarter.

### Pool adds new member ie Credit Union originator Integris

In the December quarter, the Reserve Bank imposed two successive interest rate rises of .25 % each.\* This meant that on the average size of a broker written mortgage, Australian home owners would be paying an extra \$921 in interest each year. Some 3 months before the increase, Australian mortgage brokers encouraged 63% more (value of Fixed loan lending) of their clients to take out fixed loan or switch to them. This spectacular growth in the one quarter fuelled much of the 50% annual increase in fixed rate lending by brokers.

It compares to more modest increase loan activity for variable loans and Equity (see table below). This result emanates from the Sept quarter collection 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, including Westpac, Commonwealth Bank/Colonial, Suncorp, Bank of Queensland, BankWest and Adelaide Bank, along with national and state concentrated Broker groups including Mortgage Choice, Choice Home Loans, LJ Hooker and more recently Integris Home Loans (i.e. the non bank lender owned by Credit Union Services Corporation ie CUSCAL, and representing 11 Credit Unions across Australia) see *separate note#*

The Pool membership now accounts for 72% of all broker loans written in Australia and is the most authoritative broker industry source. Members through leading industry researcher MISC (Market Intelligence Strategy Centre) released today results from their latest quarterly collection, which showed the 63% increased in Fixed Loan business written by brokers. By comparison, the September quarter Valuable Loans, which have represented the lions, share of the Broker written home loan market grew by some 10 %, while higher value equity loan grew by 19%.

### Fixed Loan Lending Growth of 63% Foreshadows Reserve Bank Interest Increase as of October as Broker Encourage Borrowers to Fix

Selected Loan Types	Sept Quarter Growth June/Sept 2002	Current Sept 2003 Quarter Growth June/Sept 03
<b>Fixed Loans</b>		
Fixed Term		
1 Year, 3 Years, 5 Years	-11.0%	62.9%
<b>Variable Loans</b>		
Including Honeymoon	+5.0%	9.6%
<b>Equity Loans</b>	+24.0%	19.2%

Source: MISC (Market Intelligence Strategy Centre) Mortgage Broking Data Pooling Facility/September 2003 Quarter Collection)

**#Integris Home Loans** is a new non-bank lender owned by CUSCAL. Integris represents 11 credit Unions across Australia. The lender offers a unique Mortgage broker loan program to brokers nationally filling the void in linking Credit Unions with Brokers.

\* The Reserve Bank announced its first interest rate adjustment for some 6 quarters on the 5 November. It increased the cash rate by .25 % basic points to 5% suggesting that improved, domestic economic conditions and increased housing values had paved the way for inflationary pressure. Not long after by 3 December, a further .25% rise was announced increasing the cash rate to 5.25%.

This increased activity has coincided with a number of fixed rate initiatives of the banks lenders in the quarter and preceding quarters. Especially in June, some lenders actually reduced fixed rate loans in anticipation of a Reserve Bank interest rate cut (which failed to eventuate). In the June/July months, 50-point reductions were not uncommon and some even as high as 0.76%, as was the case for Bank of Melbourne and Westpac. In the following months, however, all banks made some corrective adjustment.

The significance of the banks response was also mirrored by decreasing rates of other broker dependant lenders, including the Building Societies Credit Unions and even Originators. In June, RAMS the originators, made more modest reductions of .10% compared to Aussie, who dropped rates by 0.25%, and Macquarie who became an increasing active broker lender, revised its fixed rates down by 0.36%. Even as late as July when rates were reviewed up, still some lenders continued with reductions. Examples were more common among non banks lenders and typically included the likes of Endeavour and Home Building Soc in WA. Some lenders introduced new fixed rate products (i.e. State West added a 4 and 5 year product).

### Recent Selected Fixed Rate Product Developments

#### Selected Pool Lender Activity 2003

Date	Fixed Rate Initiative	Lender
July	Endeavour C/U fixed rates decreased by up to 0.14%	Australian National C/U
July	Westpac, Bank of Melbourne and Challenge branded fixed rates increased by up to 0.2%	Westpac
July	Fixed rates increased by up to 0.21%	BankWest
July	Fixed rates increased by up to 0.2%	Adelaide Bank
July	Fixed rates decreased by up to 0.15%	Home B/S
July	Fixed rates increased by up to 0.2%	CBA
July	Introduction of a range of non-conforming fixed loans	Bluestone Mortgages
August	Fixed rates increased by up to 0.3%	RAMS
August	1 and 2 year Fixed Rate Loans introduced	HomeStart
August	Fixed rates increased by up to 0.46%	Aussie Home Loans
August	Fixed rates decreased by up to 0.24%	HSBC
September	2, 3 and 5 yr fixed mortgages increased by up to 0.2%	Suncorp
September	1 yr fixed mortgage introduced	RESI Mortgages
September	Fixed rates increased by up to 0.2%	ANZ
September	4 and 5 Year Fixed Mortgages introduced	StateWest C/U
September	Fixed rate home loan decreased by 0.21%	Police C/U (NSW)
September	3 yr fixed mortgage increased by 0.1%	IMB
September	Fixed rates increased by up to 0.4%, first in NSW, VIC and TAS, then in other states	Suncorp
September	1 year fixed mortgage decreased by 0.15%	Greater B/S

**Source: MISC (Market Intelligence Strategy Centre) Mortgage Broking Data Pooling Facility/September 2003 Quarter Collection**



MISC (Market Intelligence Strategy Centre) on behalf of its pool members suggest that this lending increase may be a precursor of further encouragement by Brokers to move borrowers to fixed rate lending and with a .5% increased cash tares in a little over a month it would appear that the brokers activity may well prove insightful assisting borrowers to whether further Reserve banks increases .By the same take some brokers believe that the reserve bank will later this year effectively reduce rates.

**Latest MISC Pool Market Coverage**

Following the June 2003 quarter collection, the facility’s results now represent 72% 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 (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 Housing 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 have driven the initiative, include a wide cross section of Lenders including key Banks such as Commonwealth Bank/Colonial, BankWest, Westpac, Suncorp, 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 now the new non-bank lender Integris Home Loans.

<b>MISC Mortgage Broking Data Pooling Membership</b>			
<b>Financial Institution</b>	<b>Lender Panel</b>	<b>Approx. No. of Brokers</b>	<b>State Distribution</b>
<b>Banks</b>			
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
<b>Mortgage Brokers</b>		<b>Teams Employed</b>	
Choice Home Loans	35	360	National
LJ Hooker	4*	68	National
Mortgage Choice	24	300+	National
Integris Home Loans	11	60	National
<b>Source: MISC (Market Intelligence Strategy Centre) Mortgage Broking Data Pooling Facility/September 2003 Quarter Collection</b>			

## PRESS RELEASE: MORTGAGE BROKING



The latest of these pool members includes the new non-bank lender, **Integrus Home Loans**. This Credit Union affiliated third party originator was established in 2003 by CUSCAL .It provides a unique credit union administered mortgage broking home loan program to brokers nationally. In a short space of time **Integrus** has captured sufficient share of broker loans to warrant its admission to the Broker and Lender MISC operated statistical pool.

### Additional MISC Definitional Notes

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MISC measures all types of Mortgage Brokers in its special “performance benchmarking series”, including:

**Franchise Brokers:** like Mortgage Choice, who sell through appointed Franchisees nationally, or multi state operations like Smartline Home Loans;

**Aggregators:** like Select or Plan Australia, who arrange lending panels and other services for existing retail Broker networks such as Accountants, Financial Planners, Small Mortgage Brokers etc;

**On-line Brokers:** like eChoice, who transact their business over the Internet;

**Real Estate Agents:** like Ray White who sells loans through existing real estate offices;

**Licensed Consultants:** like Residential, Mortgage Force or Choice Home Loans<sup>^</sup> who buy a license or the right to sell loans using the firm’s name;

<sup>^</sup> Although Choice Home Loans operates through Consultants, it also has an aggregation operation.

\* Misc active broker definition includes brokers writing 3 loans or more.

**Other Third Party Distributors:** like Australian Finance Group (AFG) who primarily operate as a wholesaler and utilise financial services professionals to source new loan business and introduce lenders and loan seekers.

### Background to the Development of the Facility

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This independent (MISC regulated) statistical collection, now in it’s 12th 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 though 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.