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MORTGAGE BROKING

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As Broker Business Falls 7% in the September Quarter, Banks Gain a 3% Share at the Expense of Building Societies/Credit Unions

FINAL RELEASE

Embargoed for release 12:01am, Monday 28rd February 2005

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As Broker Business Falls 7% in the September Quarter, Banks Gain a 3% Share at Expense of Building Societies/Credit Unions

In the September 2004 quarter, the Mortgage Broker market saw a -7% contraction in loan volumes compared to a 5.3% growth in the same quarter in 2003. In this context the major banks have significantly increased their business share while smaller lenders, most notably Credit Unions and Building Societies, were more sensitive to the changing market conditions which was reflected through their lost share. Regional banks have however maintained their loan volume shares over the past year. The major banks have now won a 60% share of all broker written loan business (up 3% from the same period last year). Regional banks have held their 26% share, which is traditionally a better achievement than that obtained in the total home loan market. Building Societies and Credit Unions have seen their share fall to just 6%, down from 9% last year, while other financial institutions including originators increased their share slightly. MISC (Market Intelligence Strategy Centre) says that during this period, some institutions have succumbed to loan size pressures with loan sizes having been eroded, while on the other hand, some institutions have experienced increasing loan sizes. MISC has noted that despite suffering a loss in their loan volume share, Building Societies and Credit Unions have been writing bigger loans, as have the major banks, while other financial institutions have been hardest hit by falling loan sizes.

CHANGING FORTUNES IN STRAINED BROKER CHANNEL LEADS TO INSTITUTIONAL RESTRUCTURE SEPTEMBER 2003 AND SEPTEMBER 2004 QUARTERS COMPARED

Institutional Groups	September Quarter 2003		September Quarter 2004		Movement
	Loan volume share %	Loan Size	Loan volume share %	Loan Size	
Major Banks Top 4	56.80%	\$208,629	59.50%	\$212,449	Up
Regional Banks	26.40%	\$185,123	25.80%	\$180,784	Down
Building Societies Credit Unions	9.00%	\$179,284	6.1	\$184,999	Up
Other Financial Institutions eg Originators	7.70%	\$172,592	8.6	\$165,826	Down
Industry Performance					
Broker Industry Growth (volume)	5.3%		-7%		Down

Source: **MISC (Market Intelligence Strategy Centre)** Mortgage Broking Data Pooling Facility/Sept 2004 Quarter/Sept 2003

MISC says that it is no coincidence that in the same quarter, several regional banks promoted housing loan product lines that may have captured more first homebuyers and accordingly lesser loan sizes. Most notable among these banks was Suncorp Metway who promoted its "Back to Basics" suite of loan products in the quarter. BankWest, despite competitive pressure to reinstate application fees, retained their "no application fee" promotion while at the same time launched their Easy Doc product.

No doubt instrumental in holding or slightly increasing loan sizes were the promotions of Commonwealth Bank and of its "Mortgage Advantage" product which by nature attracts higher value loans and of HomeSide who sought some of the larger broker deals via their equity products.

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Despite a loss of share, Credit Unions and Building Societies no doubt gained from enhanced loan sizes as a consequence of a concerted effort to promote broker business in NSW (NSW is a market with higher property values and it attracts higher loan sizes).

With mounting evidence in the general home loan market of some price pressure, it appears that in the broker channel lenders have been affected quite differently, scotching the belief that all parts of the broker channel behave consistently. MISC, on behalf of its major bank and regional bank pool members, says that these factors represent a structural change taking place in the broker channel, due to a declining number of active brokers. MISC noted that 351 brokers were active in the last quarter compared to 500 in the same period one year earlier. It is a pattern of industry lifecycles that a period of maturity brings with it significant restructuring and rationalization. As in most quarters, particular products drove the new business written by brokers and in this quarter further change was evident as variable loans were the only loan type to augment market share and broker business. This is in stark contrast to the offset and other loan categories which suffered a 32% fall (admittedly off a low base).

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Lender Membership

These results emanate from the September 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 Lending, Commonwealth Bank/Colonial, Suncorp Metway, Bank of Queensland, BankWest and Adelaide Bank, along with national and state concentrated Broker groups including Mortgage Choice Hooker and Choice Home Loans.

Latest MISC Pool Market Coverage

Following the September 2004 quarter collection, the facility's results now represent 84% 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 nature of specific individual Pool member loan business share is fully protected by the Pool charter and member contracts.

Current Pool Membership

MISC Mortgage Broking Data Pooling Membership			
Financial Institution	Lender Panel	Approx. No. of Brokers	State Distribution
Banks			
HomeSide Lending (National Australian 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 Metway	NR	150	National
Westpac Banking Corp.	NR	200	National
Mortgage Brokers		Teams Employed	
Choice Home Loans	35	400 +	National
Mortgage Choice	27	570	National
Hooker Home Loans	4	68	National

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

Background to the Development of the Facility

This independent (MISC regulated) statistical collection, now in it's 15th 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.

For further information on this unique service please contact MISC Marketing.

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