

'Tis the season

With the worst of the global financial crisis behind us, the traditionally quiet Christmas quarter is looking surprisingly jolly for brokers

THE DECEMBER quarter is traditionally a quiet season for mortgage brokers, giving them the chance to reflect on the year that was and plan for the year ahead.

But this year, it's likely to be anything but quiet – and brokers aren't complaining.

It's a welcome change from last year, when the global financial crisis had plunged the mortgage broking industry into turmoil, with one third of all brokers expected to have exited the industry by year's end.

This time last year non-bank lenders had also lost almost two-thirds of their market share as borrowers fled to what they perceived as the safety of the banks.

The fatter margins the banks enjoyed as a result paved the way for many to slash broker commissions. Westpac, for example, cut its broker commissions by 40 per cent – a pay cut of \$400 on an average \$300,000 home loan.

It's a happier story this year, with liquidity gradually returning to the market and non-bank lenders slowly beginning to claw back market share.

The federal government's first home owner grant has certainly helped, with new home owners accounting for about one third of all new mortgage applications to banks in September.

And while the number of first home applications has risen, so too has the size of the average loan.

According to ABS data, the average loan size for first home owners was up from \$246,500 a year ago to \$269,100 in July this year; this compared to an average loan size for all owner occupied housing commitments of \$266,900.

Continued strong activity in the property market has meant more prosperous conditions for brokers – a state of affairs that looks set to continue into the new year.

Tiffen & Co. and The Mortgage Detective director Alison Whittle says the ACT has enjoyed heightened activity from investors and expects this market to provide consistent demand for the next quarter and well into 2010. But it is not only the investor segment that is heating up.

"While I do expect 2010 to bring with it a reinvigorated investor market, we have a good cross section of business that is not attributable to one particular sector," Ms Whittle says.

"We are certainly expecting increased activity in our business, partly due to growth in our sales team and partly due to our increased customer contact over the past 12 months."

Whittle says she expects investor enquiries to remain strong right up until Christmas, regardless of whether the RBA moves again on rates.

"I think there will be another increase in rates before Christmas which will have an effect on consumer confidence



ALISON WHITTLE

leading to the New Year. In saying this, I do think that consumers are now well aware of potential interest rate increases and they certainly factor this into their affordability when looking at their funding requirements," she says.

Auspak principal Gerard Hansen says the new year should bring new opportunities for business and expects his loan book to increase in particular over the coming quarter.

"We have done remarkably well over the past few quarters and I expect this trend to continue," he says, adding that the opportunity is ripe over the Christmas quarter for brokers to reinvigorate their client communications as well as strike up new referral relationships.

"That way you organise work for the following year and get your loan book ticking over before the new year has even begun," Mr Hansen says.

He says there will also be a "lot of orphaned referrers that are seeking new broker relationships" and that "if a broker plays their cards correctly, they may be able to significantly increase their revenue through these relationships".

Auspak Financial Services is not alone in having achieved pleasing results over the last year.

Last quarter brokers recorded an 18 per cent jump in loan settlements, totaling \$18.3 billion.

According to research by the Market Intelligence Strategy Centre (MISC), the withdrawal of the first home owners grant boost combined with a low interest rate environment fuelled activity in the June quarter. And the result could have been even higher had it not been for the delay in settlements that caused some deals to spill over into the next quarter. ■