

NATIONAL

**REFINANCING SURGES:
BORROWERS BET ON RATE CUT**

7 January 2015

The proportion of home loan borrowers changing mortgage arrangements surged to 37.3% of all new mortgages in December, the highest level since March 2012 according to AFG, Australia's largest mortgage broker. AFG Mortgage Index shows that refinancing rose over the last quarter of 2014 from 33.5% of all home loans processed in September, to 37.3% in December.

Also in December, the proportion of borrowers choosing fixed rate loans fell significantly to 14.5% of all home loans processed from 17.1% in November. The proportion of introductory loans, offered by lenders to incentivise borrowers to move from other institutions, also rose from 4.9% in November to 5.8% in December.

Mark Hewitt, General Manager of Sales and Operations says: 'The last time we saw refinancing at these levels, in March 2012, borrowers were acting to lock in rates, and fixed interest loans reached a four year high. This time round with speculation that interest rates are more likely to go down than up, borrowers are shopping around for the variable rate deal and avoiding fixed for the time being.'

Refinancing averaged 37.3% nationally, but there were variations in different states, with the highest levels found in Victoria (42.2% of all home loans processed for that state in December), and South Australia (41.7%) followed by Queensland (39.9%), Western Australia (36.7%) and New South Wales (31.8%).

First home buying continued to fall to unprecedented, low levels, comprising just 6.9% of all home loans processed nationally by AFG. First home buying accounted for only 1.7% of all new home loans in NSW, 3.9% in Queensland, 5.3% in South Australia, 6.9% in Victoria and 18.9% in Western Australia. The long term national average for first home buyers was previously around 15%.

In December, AFG achieved a major milestone, with its loan book reaching \$100 billion. This makes the aggregation business of the company 50% larger than the next biggest aggregator in Australia.

More information for each state can be found at www.afgonline.com.au under Media Hub – News and Data.

ENDS

CONTACT DETAILS

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AFG MORTGAGES SOLD
TABLE 1: ALL AUSTRALIA

| MONTH | TOTAL NUMBER | TOTAL AMOUNT | AVERAGE SIZE | PROPERTY INVESTORS | FIRST TIME BUYERS | % REFINANCE |
|---------|--------------|--------------|--------------|--------------------|-------------------|-------------|
| Oct 13 | 9,597 | \$4,057 m | \$422k | 38.4% | 11.1% | 34.3% |
| Nov 13 | 9,162 | \$3,994 m | \$436k | 39.3% | 10.3% | 33.9% |
| Dec 13 | 7,213 | \$3,054 m | \$423k | 38.8% | 10.2% | 35.1% |
| Jan 14 | 6,297 | \$2,585 m | \$410k | 38.9% | 11.8% | 33.1% |
| Feb 14 | 8,740 | \$3,759 m | \$430k | 38.9% | 9.9% | 33.6% |
| Mar 14 | 9,264 | \$4,048 m | \$436k | 39.6% | 10.7% | 33.9% |
| Apr 14 | 8,517 | \$3,674 m | \$431k | 39.0% | 10.1% | 34.1% |
| May 14 | 9,815 | \$4,218 m | \$429k | 40.0% | 10.2% | 34.7% |
| June 14 | 8,745 | \$3,794 m | \$433k | 39.2% | 10.8% | 36.7% |
| July 14 | 9,300 | \$4,122 m | \$443k | 38.0% | 9.8% | 34.4% |
| Aug 14 | 9,087 | \$3,959 m | \$435k | 39.0% | 9.5% | 32.8% |
| Sep 14 | 9,839 | \$4,365 m | \$443k | 40.3% | 8.4% | 33.5% |
| Oct 14 | 10,463 | \$4,755 m | \$454k | 38.7% | 7.2% | 34.7% |
| Nov 14 | 9,806 | \$4,455 m | \$454k | 40.7% | 7.3% | 35.7% |
| Dec 14 | 8,510 | \$3,778 m | \$443k | 39.4% | 6.9% | 37.3% |

MAJOR VS NON MAJOR LENDER MARKET SHARE
TABLE 2: BY BUYER TYPE

| MONTH | TOTAL MORTGAGES | | REFINANCE | | FIRST HOME BUYERS | | INVESTORS | |
|---------|-----------------|-----------|-----------|-----------|-------------------|-----------|-----------|-----------|
| | MAJOR | NON-MAJOR | MAJOR | NON-MAJOR | MAJOR | NON-MAJOR | MAJOR | NON-MAJOR |
| 2013 11 | 72.3% | 27.7% | 64.4% | 35.6% | 71.8% | 28.2% | 74.7% | 25.3% |
| 2013 12 | 73.6% | 26.4% | 68.3% | 31.7% | 70.8% | 29.2% | 75.9% | 24.1% |
| 2014 01 | 76.0% | 24.0% | 70.0% | 30.0% | 73.5% | 26.5% | 80.2% | 19.8% |
| 2014 02 | 73.1% | 26.9% | 66.7% | 33.3% | 72.8% | 27.2% | 75.8% | 24.2% |
| 2014 03 | 74.6% | 25.4% | 68.2% | 31.8% | 68.4% | 31.6% | 76.8% | 23.2% |
| 2014 04 | 75.2% | 24.8% | 68.9% | 31.1% | 72.2% | 27.8% | 76.9% | 23.1% |
| 2014 05 | 74.7% | 25.3% | 69.2% | 30.8% | 70.4% | 29.6% | 77.2% | 22.8% |
| 2014 06 | 74.9% | 25.1% | 70.3% | 29.7% | 72.6% | 27.4% | 76.9% | 23.1% |
| 2014 07 | 74.7% | 25.3% | 67.9% | 32.1% | 71.4% | 28.6% | 77.5% | 22.5% |
| 2014 08 | 73.8% | 26.2% | 68.0% | 32.0% | 69.3% | 30.7% | 76.8% | 23.2% |
| 2014 09 | 73.2% | 26.8% | 64.9% | 35.1% | 68.1% | 31.9% | 75.5% | 24.5% |
| 2014 10 | 71.7% | 28.3% | 67.5% | 32.5% | 69.1% | 30.9% | 73.8% | 26.2% |
| 2014 11 | 70.1% | 29.1% | 63.0% | 37.0% | 64.3% | 35.7% | 75.5% | 24.5% |
| 2014 12 | 67.5% | 32.5% | 58.6% | 41.4% | 68.4% | 31.6% | 73.2% | 26.8% |

AVERAGE MORTGAGE SIZE IN DOLLARS

TABLE 3: STATE BY STATE

| MONTH | AUSTRALIA | NSW | QLD | SA | VIC | WA | NT |
|---------|-----------|---------|---------|---------|---------|---------|---------|
| 2013 10 | 422,758 | 512,192 | 355,836 | 353,916 | 414,923 | 410,299 | 383,306 |
| 2013 11 | 436,002 | 529,136 | 360,296 | 338,946 | 427,537 | 436,015 | 399,299 |
| 2013 12 | 423,510 | 516,483 | 358,121 | 319,007 | 406,055 | 437,591 | 379,182 |
| 2014 01 | 410,543 | 485,268 | 350,785 | 326,646 | 418,752 | 416,173 | 380,723 |
| 2014 02 | 430,194 | 518,145 | 357,754 | 333,958 | 419,253 | 430,772 | 378,874 |
| 2014 03 | 436,983 | 529,763 | 372,809 | 339,568 | 417,604 | 435,643 | 367,476 |
| 2014 04 | 431,484 | 528,674 | 364,432 | 334,894 | 408,827 | 439,959 | 423,630 |
| 2014 05 | 429,794 | 524,009 | 369,926 | 323,841 | 416,521 | 423,236 | 391,383 |
| 2014 06 | 433,960 | 526,954 | 373,126 | 335,919 | 419,893 | 424,349 | 425,155 |
| 2014 07 | 443,244 | 506,696 | 373,911 | 335,791 | 469,672 | 434,707 | 397,685 |
| 2014 08 | 435,782 | 532,105 | 365,571 | 338,525 | 422,125 | 428,916 | 401,888 |
| 2014 09 | 443,729 | 545,048 | 359,100 | 325,999 | 426,979 | 450,527 | 379,036 |
| 2014 10 | 454,516 | 577,439 | 367,670 | 352,569 | 425,011 | 437,373 | 408,427 |
| 2014 11 | 454,414 | 561,445 | 368,898 | 352,269 | 445,458 | 440,347 | 409,732 |
| 2014 12 | 443,986 | 544,281 | 374,391 | 349,146 | 438,934 | 427,983 | 374,898 |

LOAN VALUE RATIOS (loan stated as % of property value)

TABLE 4: ALL AUSTRALIA

| | AUSTRALIA | NSW | QLD | SA | VIC | WA | NT |
|---------|-----------|-------|-------|-------|-------|-------|-------|
| 2013 11 | 68.9% | 65.5% | 69.8% | 68.6% | 71.0% | 70.7% | 67.9% |
| 2013 12 | 67.3% | 65.4% | 68.7% | 70.0% | 69.5% | 71.3% | 59.2% |
| 2014 01 | 68.0% | 64.5% | 68.8% | 68.9% | 72.3% | 71.6% | 61.6% |
| 2014 02 | 68.0% | 65.6% | 69.0% | 67.8% | 72.0% | 71.0% | 62.3% |
| 2014 03 | 68.0% | 64.6% | 68.0% | 70.9% | 71.9% | 71.3% | 61.3% |
| 2014 04 | 66.7% | 64.2% | 65.0% | 70.3% | 72.4% | 70.5% | 58.1% |
| 2014 05 | 68.8% | 65.7% | 68.0% | 68.5% | 71.4% | 70.5% | 68.6% |
| 2014 06 | 66.6% | 64.1% | 66.7% | 68.6% | 70.6% | 69.8% | 59.8% |
| 2014 07 | 68.2% | 63.3% | 67.3% | 67.3% | 71.2% | 71.5% | 68.4% |
| 2014 08 | 69.5% | 64.3% | 67.8% | 70.4% | 70.9% | 71.1% | 72.5% |
| 2014 09 | 66.9% | 65.1% | 66.3% | 67.4% | 72.6% | 70.3% | 60.0% |
| 2014 10 | 67.9% | 65.8% | 67.5% | 71.7% | 72.0% | 69.4% | 61.1% |
| 2014 11 | 69.6% | 64.9% | 67.6% | 69.0% | 72.3% | 72.4% | 71.2% |
| 2014 12 | 68.2% | 65.1% | 68.1% | 68.0% | 71.3% | 68.4% | 68.5% |

LOAN TYPE

TABLE 5: ALL AUSTRALIA

| MONTH | BASIC | EQUITY | FIXED | INTRO | STANDARD |
|---------|-------|--------|-------|-------|----------|
| Oct 13 | 5.6% | 4.7% | 20.7% | 4.2% | 64.8% |
| Nov 13 | 5.9% | 5.0% | 20.8% | 4.3% | 64.0% |
| Dec 13 | 6.1% | 5.1% | 18.5% | 4.8% | 65.6% |
| Jan 14 | 6.4% | 4.6% | 17.5% | 6.7% | 64.8% |
| Feb 14 | 6.0% | 5.1% | 18.3% | 5.3% | 65.3% |
| Mar 14 | 6.1% | 5.1% | 17.2% | 5.6% | 66.0% |
| Apr 14 | 5.9% | 5.3% | 17.5% | 5.5% | 65.9% |
| May 14 | 6.9% | 5.1% | 17.6% | 5.3% | 65.1% |
| June 14 | 6.2% | 5.0% | 17.2% | 5.1% | 66.6% |
| July 14 | 6.3% | 4.8% | 16.8% | 6.6% | 65.5% |
| Aug 14 | 6.5% | 4.2% | 17.8% | 6.3% | 65.2% |
| Sept 14 | 6.2% | 4.3% | 18.2% | 5.9% | 65.3% |
| Oct 14 | 5.2% | 4.1% | 18.2% | 5.6% | 66.9% |
| Nov 14 | 5.3% | 4.6% | 17.1% | 4.9% | 68.0% |
| Dec 14 | 5.3% | 4.5% | 14.5% | 5.8% | 69.8% |

DEFINITIONS

1. **Standard Variable:** includes the full range of features available.
2. **Basic Variable:** without some features, lower fees and rates.
3. **Intro:** also known as 'honeymoon' where the borrower is offered a very cheap initial rate (fixed or variable) before the loan reverts to a Standard Variable.
4. **Fixed:** interest rate is fixed for a nominated period before it reverts to a Standard Variable.
5. **Equity:** also known as 'line of credit' allows the borrower to draw out money up to a specified limit. Generally more expensive than Standard Variable loans.

NOTE TO EDITORS

AFG is Australia's largest mortgage broking group and one of the country's largest financial services companies. Established in 1994, the company now provides more than 20% of brokers nationwide with access to Australia's leading lending institutions, and has a mortgage book in excess of \$100 billion.