

WA

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.

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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%	36.1%
Aug 14	9,087	\$3,959 m	\$435k	39.0%	9.5%	35.3%
Sep 14	9,839	\$4,365 m	\$443k	40.3%	8.4%	36.0%
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%	33.6%
Dec 14	8,510	\$3,778 m	\$443k	39.4%	6.9%	37.3%

AFG MORTGAGES SOLD
TABLE 2: WA

MONTH	TOTAL NUMBER	TOTAL AMOUNT	AVERAGE SIZE	FIRST TIME BUYERS	PROPERTY INVESTORS
Oct 13	2,089	\$857 m	\$410k	23.1%	27.4%
Nov 13	1,971	\$859 m	\$436k	20.2%	31.8%
Dec 13	1,558	\$681 m	\$437k	21.8%	30.8%
Jan 14	1,526	\$635 m	\$416k	24.2%	30.9%
Feb 14	1,868	\$804 m	\$430k	19.5%	32.7%
Mar 14	1,894	\$825 m	\$435k	22.4%	32.0%
Apr 14	1,781	\$783 m	\$439k	22.0%	32.2%
May 14	2,200	\$931 m	\$423k	21.6%	30.5%
June 14	1,900	\$806 m	\$424k	23.1%	33.0%
July 14	2,026	\$880 m	\$434k	22.2%	31.9%
Aug 14	1,879	\$805 m	\$428k	21.0%	30.1%
Sept 14	1,876	\$845 m	\$450k	18.5%	32.2%
Oct 14	1,965	\$898 m	\$437k	17.9%	30.2%
Nov 14	1,852	\$815 m	\$440k	19.1%	29.8%
Dec 14	1,642	\$702 m	\$427k	18.9%	28.6%

MAJOR VS NON MAJOR LENDER MARKET SHARE
TABLE 3: 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 4: 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 5 : 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 6 : 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.