

## NATIONAL

### 2 OUT OF EVERY 5 MORTGAGES FOR INVESTMENT AS NSW BUCKS NATIONAL DECLINE – DECEMBER FIGURES

5 January 2010

Two out of every five mortgages arranged in NSW in December were for investment properties according to AFG, Australia's largest mortgage broker. The AFG Mortgage Index shows that increasing interest in NSW property saw the state end the year with \$180 million invested in properties in December 2009 – compared to \$153 million in December 2008 – a 17% increase. AFG has approximately 10% of the NSW market (Source: ABS and AFG statistics).

However the overall mortgage market in December marked a third month of decline. In September AFG arranged \$2.9 billion of mortgage finance nationally, but this figure fell to a low of \$1.9 billion in December.

Mark Hewitt, General Manager Sales & Operations of AFG says: 'We have been warning for months that three rate rises in a row was overkill for a vulnerable market, and the latest figures confirm our fears. Yes, December is traditionally a slower month than November, but what we saw last month was a 20% fall compared to an 8% fall in 2008. When you combine the effects of increasing, out of cycle lending rates and tighter credit criteria with an end to the first home boost, what you get is a combination of factors that constrains confidence. Property investors, able to take a long term view, are hoping to ride a new upward cycle in property values, but right now ordinary families are sitting on their hands rather than upgrading.'

The AFG Mortgage Index also shows that fixed rate mortgages fell to an all time low of only 2% of the total product mix, with 77% of buyers opting for variable rate mortgages, and the balance choosing equity or introductory mortgages. The 2% figure is the lowest ever recorded by AFG, which saw fixed rate products average 22% of the product mix in 2007, 12% in 2008 and 4.36% in 2009. Given that the market has factored future increases into fixed rate products, from a buyer's perspective such products offer little perceived advantage in the current market.

Refinancing reached a high for the year, representing 35.5% of all mortgages arranged in December as customers reacted to out of cycle rate rises by some lenders. Figures for each state are available at: [www.afgonline.com.au](http://www.afgonline.com.au) under Corporate - News.

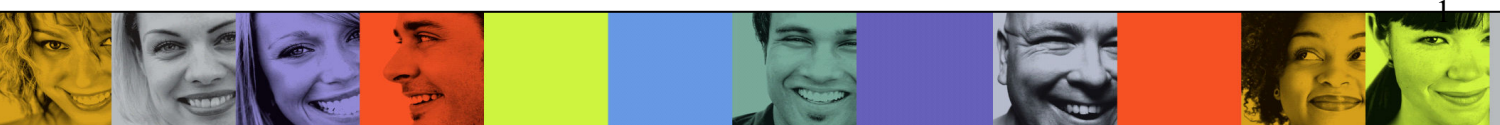
#### ENDS

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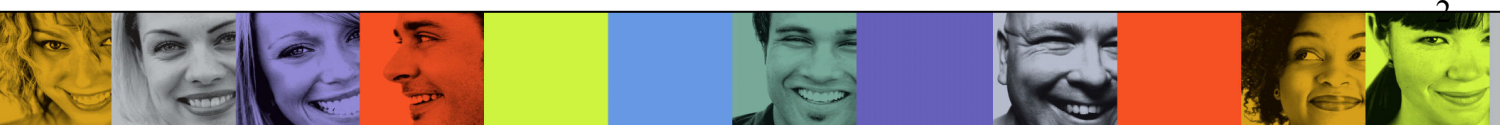
## AFG - First with the Figures

AFG MORTGAGES SOLD  
TABLE 1: ALL AUSTRALIA

MONTH	TOTAL NUMBER	TOTAL AMOUNT	AVERAGE SIZE	PROPERTY INVESTORS	FIRST TIME BUYERS	% REFINANCE
Dec 08	6,304	\$2,220 m	\$352k	28.0%	21.2%	37.2%
Jan 09	5,607	\$1,903 m	\$339k	26.5%	25.8%	34.7%
Feb 09	7,673	\$2,674 m	\$348k	25.4%	26.1%	34.2%
Mar 09	8,988	\$3,153 m	\$350k	24.5%	28.1%	32.6%
Apr 09	8,109	\$2,822 m	\$348k	25.4%	27.7%	30.1%
May 09	7,236	\$2,496 m	\$345k	28.0%	24.8%	33.9%
June 09	7,062	\$2,482 m	\$351k	29.0%	19.5%	35.7%
July 09	7,021	\$2,486 m	\$354k	30.0%	19.2%	34.6%
Aug 09	7,653	\$2,659 m	\$347k	27.1%	20.9%	29.2%
Sep 09	8,078	\$2,909 m	\$360k	29.8%	20.0%	33.5%
Oct 09	7,138	\$2,574 m	\$360k	31.3%	15.8%	35.1%
Nov 09	6,541	\$2,403 m	\$367k	33.8%	13.7%	35.1%
Dec 09	5,185	\$1,903 m	\$367k	33.9%	13.1%	35.5%

AVERAGE MORTGAGE SIZE IN DOLLARS  
TABLE 2: STATE BY STATE

MONTH	AUSTRALIA	NSW	QLD	SA	VIC	WA	NT
2008 10	353,223	418,458	326,192	275,938	328,753	398,105	285,450
2008 11	345,751	381,793	331,241	283,430	316,554	400,680	313,650
2008 12	352,267	391,297	333,838	295,123	325,161	399,241	349,066
2009 01	339,407	398,842	322,887	288,037	293,364	372,320	297,334
2009 02	348,539	391,142	335,992	309,305	308,700	385,463	396,646
2009 03	350,876	395,690	329,326	301,893	317,342	382,913	317,444
2009 04	344,429	377,612	336,166	283,339	304,807	387,187	322,308
2009 05	345,080	390,092	326,322	275,802	314,607	379,398	280,705
2009 06	351,572	397,088	332,916	291,918	321,128	383,470	302,588
2009 07	354,137	407,226	339,840	270,179	321,671	382,225	370,518
2009 08	347,505	397,029	328,050	284,746	321,012	377,170	311,084
2009 09	360,223	419,232	335,063	309,075	325,328	391,058	340,080
2009 10	360,723	415,602	335,227	292,237	331,238	399,988	361,199
2009 11	367,399	432,960	325,365	322,030	352,216	391,318	385,836
2009 12	367,123	414,202	340,658	314,113	349,793	390,178	357,050



**LOAN VALUE RATIOS**  
 (Loan stated as % of property value)  
**TABLE 3: STATE BY STATE**

	<b>AUSTRALIA</b>	<b>NSW</b>	<b>QLD</b>	<b>SA</b>	<b>VIC</b>	<b>WA</b>	<b>NT</b>
<b>2008 08</b>	66.7%	71.5%	64.2%	68.0%	69.3%	60.2%	64.5%
<b>2008 09</b>	65.9%	70.5%	66.4%	63.0%	67.3%	62.1%	67.5%
<b>2008 10</b>	68.7%	71.5%	67.7%	68.7%	71.6%	63.7%	69.7%
<b>2008 11</b>	72.0%	75.4%	71.1%	71.8%	73.8%	67.8%	74.4%
<b>2008 12</b>	70.8%	74.9%	69.8%	68.4%	73.9%	67.1%	67.4%
<b>2009 01</b>	72.5%	75.4%	72.0%	69.9%	74.4%	70.8%	70.2%
<b>2009 02</b>	72.7%	76.6%	72.0%	69.6%	75.0%	70.6%	72.0%
<b>2009 03</b>	73.6%	76.2%	73.5%	72.4%	76.3%	69.8%	69.1%
<b>2009 04</b>	73.7%	75.6%	74.0%	71.8%	76.4%	70.5%	72.0%
<b>2009 05</b>	70.0%	72.0%	69.0%	67.0%	74.6%	67.3%	59.1%
<b>2009 06</b>	66.9%	71.5%	64.8%	63.9%	70.1%	64.2%	62.9%
<b>2009 07</b>	67.0%	71.1%	65.2%	65.1%	71.1%	66.5%	63.3%
<b>2009 08</b>	66.3%	70.7%	65.7%	65.3%	71.7%	66.0%	58.4%
<b>2009 09</b>	67.5%	70.2%	66.3%	66.5%	70.6%	67.1%	64.2%
<b>2009 10</b>	65.0%	68.9%	64.2%	63.6%	69.8%	61.2%	62.1%
<b>2009 11</b>	64.4%	68.6%	62.9%	61.0%	67.7%	60.9%	65.3%
<b>2009 12</b>	64.1%	67.0%	62.5%	63.7%	66.9%	62.8%	61.9%

**LOAN TYPE**  
**TABLE 4: ALL AUSTRALIA**

<b>MONTH</b>	<b>BASIC VARIABLE</b>	<b>EQUITY</b>	<b>FIXED</b>	<b>INTRO</b>	<b>STANDARD VARIABLE</b>
Jan 09	17.1%	11.5%	4.1%	17.3%	50.0%
Feb 09	15.1%	11.8%	2.5%	21.8%	48.8%
Mar 09	15.4%	11.5%	3.7%	20.5%	48.9%
Apr 09	15.4%	9.9%	6.8%	14.4%	53.3%
May 09	16.2%	10.9%	6.5%	15.8%	50.2%
June 09	16.2%	11.7%	8.3%	14.3%	49.5%
July 09	15.0%	12.1%	5.0%	15.7%	52.1%
Aug 09	14.6%	11.9%	5.1%	17.7%	50.6%
Sep 09	13.7%	12.1%	3.2%	19.7%	51.3%
Oct 09	17.5%	11.6%	3.0%	15.6%	52.3%
Nov 09	18.6%	11.8%	2.1%	8.3%	59.1%
Dec 09	19.2%	11.7%	2.0%	9.4%	57.7%

**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.



## LENDER TYPE (SOURCE: ABS) TABLE 5: ALL AUSTRALIA

MONTH	BANK	NON BANK	TOTAL
2 <sup>nd</sup> quarter 2007	79.7%	20.3%	100%
3 <sup>rd</sup> quarter 2007	79.6%	20.4%	100%
4 <sup>th</sup> quarter 2007	85.4%	14.6%	100%
1 <sup>st</sup> quarter 2008	87.5%	12.5%	100%
2 <sup>nd</sup> quarter 2008	84.5%	15.5%	100%
3 <sup>rd</sup> quarter 2008	90.8%	9.2%	100%
4 <sup>th</sup> quarter 2008	91.8%	8.9%	100%
1 <sup>st</sup> quarter 2009	92.5%	7.5%	100%
2 <sup>nd</sup> quarter 2009	89.1%	10.8%	100%
3 <sup>rd</sup> quarter 2009	88.3%	11.7%	100%

### Note to Editors

AFG is Australia's largest wholesaler of mortgage finance. 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 \$60 billion.

