

NATIONAL

47% SLUMP IN MORTGAGE SALES: AFG WARNS RBA ON ANOTHER RATE RISE

31 January 2010

A dramatic slump in mortgage sales in January has prompted AFG, Australia's largest mortgage broker, to warn the RBA that another rate rise in February would be a crippling blow to the country's fast-shrinking property markets. AFG arranged \$1.5 billion of mortgages in January – 47% less than the \$2.9 billion it arranged in September last year and an 18.7% fall on its December sales.

The \$1.5 billion figure for January is the worst figure the company has posted in any one month since January 2005.

In the past four months, mortgage sales have fallen steadily as first home buyers have exited the market, and upgraders have reacted to three rate rises in quick succession by freezing further borrowing.

AFG has over 2,100 member brokers nationally and over 10% of the total mortgage market (Source: ABS and AFG data).

Brett McKeon, Managing Director of AFG says: 'The impact of three rate rises in quick succession has had a far more dramatic effect on property buying than anything we saw during the Global Financial Crisis. People are not moving or upgrading their family homes - they've slammed the brakes on borrowing.

'We've seen a lot of data recently about rising house prices and increasing consumer confidence, all of which would suggest buoyant property markets. But the opposite is the case. The drip feed of rate rises is like water torture – people are anxious about when the next one is coming and how big it will be. Uncertainty about the future of rates is draining confidence out of the market.'

The AFG Mortgage Index showed refinancing edge higher again in January to comprise 36.2% of all new mortgages. Property investors were the only group of buyers to hold steady, comprising about a third of all new mortgages arranged.

Figures for each state are available at: www.afgonline.com.au under Corporate - News.

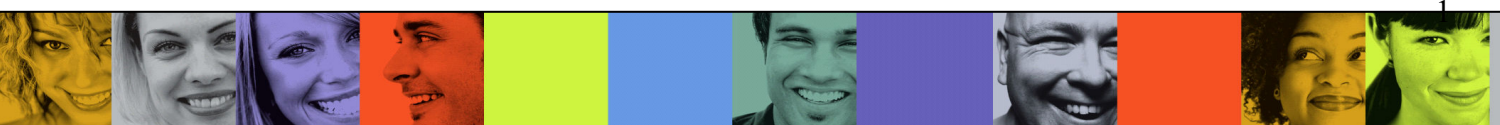
ENDS

CONTACT DETAILS:

Brett McKeon, Managing Director
Australian Finance Group Ltd
David Michie:
Mosaic Reputation Management

Mob 0411 138 059

Mob 0411 453 404



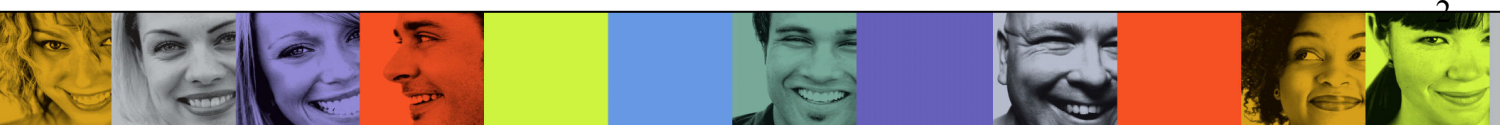
AFG - First with the Figures

AFG MORTGAGES SOLD
TABLE 1: ALL AUSTRALIA

MONTH	TOTAL NUMBER	TOTAL AMOUNT	AVERAGE SIZE	PROPERTY INVESTORS	FIRST TIME BUYERS	% REFINANCE
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%
Jan 10	4,426	\$1,547 m	\$349k	33.7%	12.9%	36.2%

AVERAGE MORTGAGE SIZE IN DOLLARS
TABLE 2: STATE BY STATE

MONTH	AUSTRALIA	NSW	QLD	SA	VIC	WA
2008 11	345,751	381,793	331,241	283,430	316,554	400,680
2008 12	352,267	391,297	333,838	295,123	325,161	399,241
2009 01	339,407	398,842	322,887	288,037	293,364	372,320
2009 02	348,539	391,142	335,992	309,305	308,700	385,463
2009 03	350,876	395,690	329,326	301,893	317,342	382,913
2009 04	344,429	377,612	336,166	283,339	304,807	387,187
2009 05	345,080	390,092	326,322	275,802	314,607	379,398
2009 06	351,572	397,088	332,916	291,918	321,128	383,470
2009 07	354,137	407,226	339,840	270,179	321,671	382,225
2009 08	347,505	397,029	328,050	284,746	321,012	377,170
2009 09	360,223	419,232	335,063	309,075	325,328	391,058
2009 10	360,723	415,602	335,227	292,237	331,238	399,988
2009 11	367,399	432,960	325,365	322,030	352,216	391,318
2009 12	367,123	414,202	340,658	314,113	349,793	390,178
2010 01	349,604	397,888	320,579	286,101	328,323	388,463



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

	AUSTRALIA	NSW	QLD	SA	VIC	WA
2008 09	65.9%	70.5%	66.4%	63.0%	67.3%	62.1%
2008 10	68.7%	71.5%	67.7%	68.7%	71.6%	63.7%
2008 11	72.0%	75.4%	71.1%	71.8%	73.8%	67.8%
2008 12	70.8%	74.9%	69.8%	68.4%	73.9%	67.1%
2009 01	72.5%	75.4%	72.0%	69.9%	74.4%	70.8%
2009 02	72.7%	76.6%	72.0%	69.6%	75.0%	70.6%
2009 03	73.6%	76.2%	73.5%	72.4%	76.3%	69.8%
2009 04	73.7%	75.6%	74.0%	71.8%	76.4%	70.5%
2009 05	70.0%	72.0%	69.0%	67.0%	74.6%	67.3%
2009 06	66.9%	71.5%	64.8%	63.9%	70.1%	64.2%
2009 07	67.0%	71.1%	65.2%	65.1%	71.1%	66.5%
2009 08	66.3%	70.7%	65.7%	65.3%	71.7%	66.0%
2009 09	67.5%	70.2%	66.3%	66.5%	70.6%	67.1%
2009 10	65.0%	68.9%	64.2%	63.6%	69.8%	61.2%
2009 11	64.4%	68.6%	62.9%	61.0%	67.7%	60.9%
2009 12	64.1%	67.0%	62.5%	63.7%	66.9%	62.8%
2010 01	64.0%	65.6%	62.1%	63.2%	67.6%	61.4%

LOAN TYPE
TABLE 4: ALL AUSTRALIA

MONTH	BASIC VARIABLE	EQUITY	FIXED	INTRO	STANDARD VARIABLE
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%
Jan 10	20.5%	11.3%	2.6%	8.8%	56.8%

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.



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

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

