

**NATIONAL****HORSE ALREADY BOLTED ON RATE FEARS: OCTOBER DATA****AFG CALLS FOR CANBERRA LEADERSHIP IN STALLED HOME LOAN MARKET****1 November 2010**

AFG, Australia's largest mortgage broker, has called for leadership from Canberra to shake the fear out of a stalling mortgage market as the company reported its worst October mortgage sales for four years. AFG arranged \$2.2 billion of mortgages in October – down 17.5% in volume compared to October 2009 and 4.3% lower than last month, which was already subdued.

NSW was the worst affected state, where mortgage sales fell 13.1% month on month. Victoria and WA saw falls of 3.9% and 4.3% respectively, while QLD and SA bucked the trend, with rises of 6.4% and 5%, although on relatively low, September figures.

Commenting on current market conditions, Brett McKeon, Managing Director of AFG says: 'The idea of holding some sort of commission into banking competition and rate setting is farcical. Everyone knows that the best way to keep rates keen is to promote competition. But by allowing the 5<sup>th</sup> and 6<sup>th</sup> largest banks to be taken over by the Big Four, and by structuring the AOFM to benefit only the Big Four, no one has more effectively sabotaged lender competition in Australia than this Government. If it goes ahead with a commission, to avoid self-incrimination the Government will have to restrict the terms of its inquiry so much that its findings will be meaningless.

'Right now we're suffering from a failure of leadership. All the data suggests that ordinary Australians are worried about rate rises. They are in lock down mode, saving their money, instead of spending it, which would be healthier for the economy. The politicians in Canberra are responding to this fear with populist claptrap about inquiries and regulation, but the horse has already bolted and unless something is done it will take half a decade to see proper competition return. What's really needed is a circuit-breaker. The fundamentals of our economy are strong, but most Australians are rightly anxious because they sense a lack of leadership, even coherence, in economic policy.'

The AFG Mortgage Index showed a continued rise in Fixed Interest mortgages in October as consumers responded to rate worries. These comprise 6.3% of mortgage sales, having climbed steadily since comprising 3.4% in July 2010.

There were proportionately fewer First Home Buyers in October (11.8% of all mortgage sales) compared with September – 12.6% - reversing a trend of the



past three months which had seen this sector recover somewhat from its post-First Home Owner Grant low.

Figures for each state are available at: [www.afgonline.com.au](http://www.afgonline.com.au) under Corporate - News.

**ENDS**

**CONTACT DETAILS:**

Brett McKeon, Managing Director  
Australian Finance Group Ltd

Tel 08 9420 7888

David Michie:  
Mosaic Reputation Management

Mob: 0411 453 404



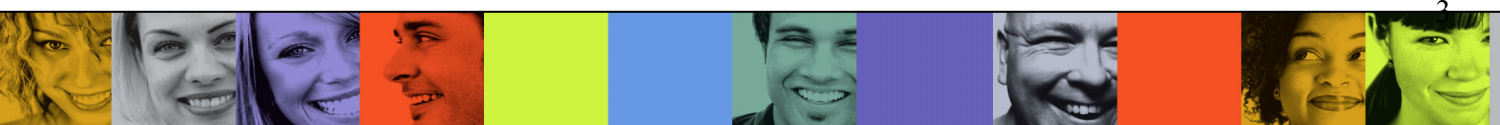
## AFG - First with the Figures

AFG MORTGAGES SOLD  
TABLE 1: ALL AUSTRALIA

MONTH	TOTAL NUMBER	TOTAL AMOUNT	AVERAGE SIZE	PROPERTY INVESTORS	FIRST TIME BUYERS	% REFINANCE
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%
Feb 10	6,294	\$2,275 m	\$361k	34.1%	11.3%	35.8%
Mar 10	7,376	\$2,760 m	\$374k	35.1%	10.4%	37.1%
Apr 10	6,150	\$2,329 m	\$378k	36.9%	10.2%	36.6%
May 10	6,624	\$2,561 m	\$386k	36.7%	9.9%	38.0%
June 10	6,159	\$2,323 m	\$377k	35.4%	9.5%	39.0%
July 10	5,698	\$2,111 m	\$370k	33.6%	11.1%	39.4%
Aug 10	6,269	\$2,343 m	\$373k	34.3%	11.7%	38.3%
Sep 10	6,157	\$2,335 m	\$379k	34.5%	12.6%	36.8%
Oct 10	5,891	\$2,234 m	\$380k	35.4%	11.8%	37.8%

AVERAGE MORTGAGE SIZE IN DOLLARS  
TABLE 2: STATE BY STATE

MONTH	AUSTRALIA	NSW	QLD	SA	VIC	WA	NT
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
2010 01	349,604	397,888	320,579	286,101	328,323	388,463	402,322
2010 02	361,589	420,554	339,467	303,404	323,317	390,842	360,457
2010 03	374,297	455,955	345,800	288,115	334,014	397,473	357,295
2010 04	378,814	432,435	348,285	304,489	355,865	412,126	346,745
2010 05	386,632	452,240	368,809	303,342	349,963	411,972	369,483
2010 06	377,233	455,649	346,234	303,212	353,886	386,513	337,167
2010 07	370,505	428,943	335,850	288,165	356,642	393,134	358,630
2010 08	373,750	433,378	341,353	305,536	360,431	391,397	332,643
2010 09	379,374	454,325	318,556	300,754	354,673	398,064	318,556
2010 10	380,027	442,743	354,651	315,306	359,271	393,479	307,661



**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>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%
<b>2010 01</b>	64.0%	65.6%	62.1%	63.2%	67.6%	61.4%	69.7%
<b>2010 02</b>	62.9%	66.7%	63.6%	64.7%	65.5%	60.3%	56.5%
<b>2010 03</b>	62.5%	65.9%	62.5%	63.5%	66.2%	58.7%	58.0%
<b>2010 04</b>	63.3%	66.1%	62.8%	62.7%	66.6%	60.1%	61.7%
<b>2010 05</b>	63.2%	66.4%	62.2%	62.2%	64.8%	60.4%	63.0%
<b>2010 06</b>	61.6%	65.5%	61.4%	60.3%	63.2%	59.3%	60.0%
<b>2010 07</b>	62.4%	64.9%	62.4%	63.6%	65.1%	62.2%	56.4%
<b>2010 08</b>	63.0%	67.0%	62.4%	62.3%	64.1%	61.4%	60.6%
<b>2010 09</b>	63.0%	64.9%	63.3%	63.5%	64.9%	61.6%	59.7%
<b>2010 10</b>	64.5%	67.5%	65.5%	64.9%	66.3%	63.7%	59.0%

**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>
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%
Feb 10	19.4%	10.9%	2.2%	10.6%	56.8%
Mar 10	19.3%	10.8%	2.5%	8.5%	58.9%
Apr 10	19.5%	10.3%	3.2%	8.4%	58.6%
May 10	17.1%	11.7%	2.9%	8.7%	59.6%
June 10	17.5%	11.1%	3.9%	7.1%	60.4%
July 10	16.9%	10.6%	3.4%	7.5%	61.6%
Aug 10	16.8%	10.2%	3.9%	8.2%	60.8%
Sep 10	16.7%	9.0%	5.4%	7.5%	61.4%
Oct 10	16.2%	10.4%	6.3%	6.9%	60.0%

**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%
4 <sup>th</sup> quarter 2009	88.1%	11.9%	100%
1 <sup>st</sup> quarter 2010	88.1%	11.9%	100%
2 <sup>nd</sup> quarter 2010	87.5%	12.5%	100%

### Note to Editors

AFG is Australia's largest mortgage broker. 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.

