

NATIONAL

LENDER WARS ARE ON – BUT CONSUMERS CAUTIOUS TO BUY OR SWITCH LOANS: FEBRUARY FIGURES

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Increased competition among mortgage lenders has seen the market share of non bank lenders rise to levels last seen before the GFC according AFG Australia's largest mortgage broker. Non bank lenders comprised around 21% of all home loans processed in February according to AFG data. This continues the trend reported by ABS statistics showing that the market share of non bank lenders increased to 15.4% in the December quarter, double its lowest level of 7.5% in the first quarter of 2009.

But despite lenders fighting hard to win new customers, refinancing during February comprised 37.0% of all mortgages processed – somewhat less than the average 38.0% for the past twelve months.

In addition, the AFG Mortgage Index shows that Loan to Value Ratios (LVRs), the value of loans expressed as a percentage of the value of properties, fell to 53.2% in February. This is the most conservative LVR figure AFG has recorded in six years, showing that mortgage buyers borrowed only around half the value of the properties they were buying or refinancing. LVR figures in the long term have tended to be around mid 60%.

Mark Hewitt, General Manager Sales & Operations says: 'The Bank Wars are definitely good news for consumers as lenders compete on rates, upfront fees and policy. We're seeing lenders once again offering up to 95% of property values as they try to attract very cautious consumers back into the market. But this welcome outbreak of competition is being completely overshadowed by the threat of a Deferred Establishment Fee ban. If such a ban comes into effect, non-bank lenders will be badly disadvantaged and consumers could find their options rapidly evaporate.'

Overall mortgage sales for February showed that recovery from the summer of disasters has yet to occur, with the \$2,053 million of loans processed down 9.7% on February 2010 (\$2,275 million). New South Wales was the only state to show a modest increase on February 2010's figures (2.7%), with mortgage volumes in other states falling by 8.1% in Victoria, 8.8% in Western Australia, 16.3% in Queensland and 22.9% in South Australia compared to February 2010.

The AFG Mortgage Index also showed a reversal in the popularity of fixed rate loans which had increased to a 12.6% market share in December. These have now fallen to 6.6% as fewer consumers see the value of locking in current rates.

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

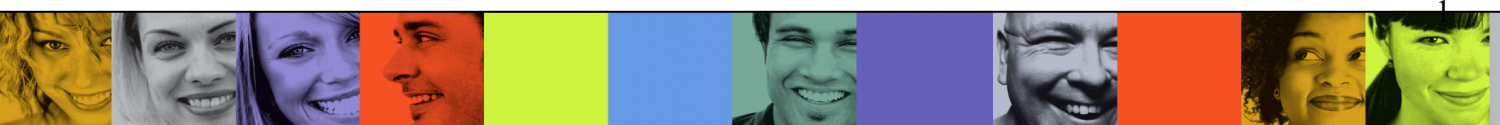
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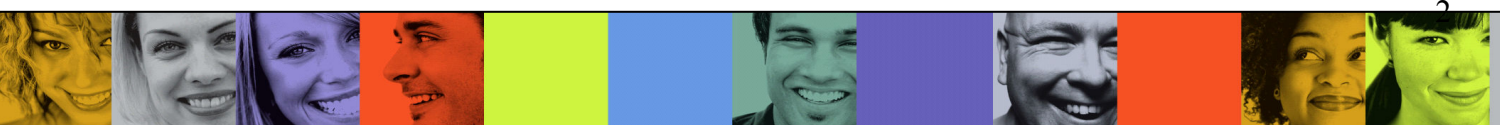
AFG - First with the Figures

AFG MORTGAGES SOLD
TABLE 1: ALL AUSTRALIA

MONTH	TOTAL NUMBER	TOTAL AMOUNT	AVERAGE SIZE	PROPERTY INVESTORS	FIRST TIME BUYERS	% REFINANCE
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%
Nov 10	6,619	\$2,511 m	\$379k	35.1%	12.2%	38.5%
Dec 10	5,472	\$2,076 m	\$379k	35.5%	11.4%	41.5%
Jan 11	3,583	\$1,310 m	\$365k	34.7%	14.1%	36.1%
Feb 11	5,365	\$2,053 m	\$382k	33.9%	14.6%	37.0%

AVERAGE MORTGAGE SIZE IN DOLLARS
TABLE 2: STATE BY STATE

MONTH	AUSTRALIA	NSW	QLD	SA	VIC	WA	NT
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
2010 11	379,385	434,898	354,220	305,978	359,343	395,325	338,145
2010 12	379,444	432,540	344,485	324,070	370,978	396,047	339,641
2011 01	365,799	416,527	319,554	301,933	349,155	397,102	329,902
2011 02	382,725	451,630	354,012	321,672	346,465	394,922	360,971



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

	AUSTRALIA	NSW	QLD	SA	VIC	WA	NT
2009 10	65.0%	68.9%	64.2%	63.6%	69.8%	61.2%	62.1%
2009 11	64.4%	68.6%	62.9%	61.0%	67.7%	60.9%	65.3%
2009 12	64.1%	67.0%	62.5%	63.7%	66.9%	62.8%	61.9%
2010 01	64.0%	65.6%	62.1%	63.2%	67.6%	61.4%	69.7%
2010 02	62.9%	66.7%	63.6%	64.7%	65.5%	60.3%	56.5%
2010 03	62.5%	65.9%	62.5%	63.5%	66.2%	58.7%	58.0%
2010 04	63.3%	66.1%	62.8%	62.7%	66.6%	60.1%	61.7%
2010 05	63.2%	66.4%	62.2%	62.2%	64.8%	60.4%	63.0%
2010 06	61.6%	65.5%	61.4%	60.3%	63.2%	59.3%	60.0%
2010 07	62.4%	64.9%	62.4%	63.6%	65.1%	62.2%	56.4%
2010 08	63.0%	67.0%	62.4%	62.3%	64.1%	61.4%	60.6%
2010 09	63.0%	64.9%	63.3%	63.5%	64.9%	61.6%	59.7%
2010 10	64.5%	67.5%	65.5%	64.9%	66.3%	63.7%	59.0%
2010 11	64.2%	65.1%	64.2%	62.1%	65.5%	64.1%	64.2%
2010 12	65.9%	66.2%	65.1%	65.5%	66.1%	63.6%	68.7%
2011 01	65.4%	66.5%	62.8%	62.2%	67.7%	66.8%	66.2%
2011 02	68.8%	69.2%	66.5%	66.5%	66.5%	65.9%	78.2%

LOAN TYPE
TABLE 4: ALL AUSTRALIA

MONTH	BASIC VARIABLE	EQUITY	FIXED	INTRO	STANDARD VARIABLE
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%
Nov 10	15.0%	9.5%	9.0%	7.4%	59.1%
Dec 10	13.7%	9.0%	12.6%	8.9%	55.7%
Jan 11	14.6%	7.7%	9.0%	11.9%	56.7%
Feb 11	14.2%	9.7%	6.6%	13.2%	56.2%

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%
4 th quarter 2009	88.1%	11.9%	100%
1 st quarter 2010	88.1%	11.9%	100%
2 nd quarter 2010	87.5%	12.5%	100%
3 rd quarter 2010	87.0%	13.0%	100%
4 th quarter 2010	84.6%	15.4%	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 \$65 billion.

