

Fixed rate home loans reclaim marginal market share

Demand doubles, but from a low base

Fixed rates have started to re-emerge from the bottom of the loan barrel for new Australian home loan borrowers, according to data from Mortgage Choice, Australia's largest independently-owned mortgage broker. However, the comeback is very slight.

According to Mortgage Choice loan approval data for February 2010, fixed rate home loans have increased in popularity to just over 2% of new approvals from less than 1% the month previous.

Hence, variable rate loan demand has dropped from a record high of over 99% of new approvals in January to just under 98%.

Mortgage Choice senior corporate affairs manager, Kristy Sheppard said, "Despite having risen to 2% of all our new loan approvals in February, fixed rate home loans have a long way to go before reaching anywhere near their peak of 38% of new approvals in November 2007."

"Victoria was the only state to buck the trend of fixed loans increasing market share. Fixed rate demand in that state continued to fall, hitting a record low of 0.65% of new approvals. On the flipside, in Western Australia fixed rate demand rose from a record 0% to 4%."

"Despite the historically high premium of today's fixed interest rates, it seems that the proportion of new borrowers willing to pay more for steady repayments is on the increase.

"Within the variable loan category, standard variable home loans rose one percentage point to 49% of February approvals and held position as the most common choice for new borrowers.

"Our franchise owners tell us this is because there are so many quality 'professional packages' on offer when it comes to standard variable loans. Commonly known as 'pro packs', these usually provide benefits such as rate discounts, 'Gold' credit cards and other special features.

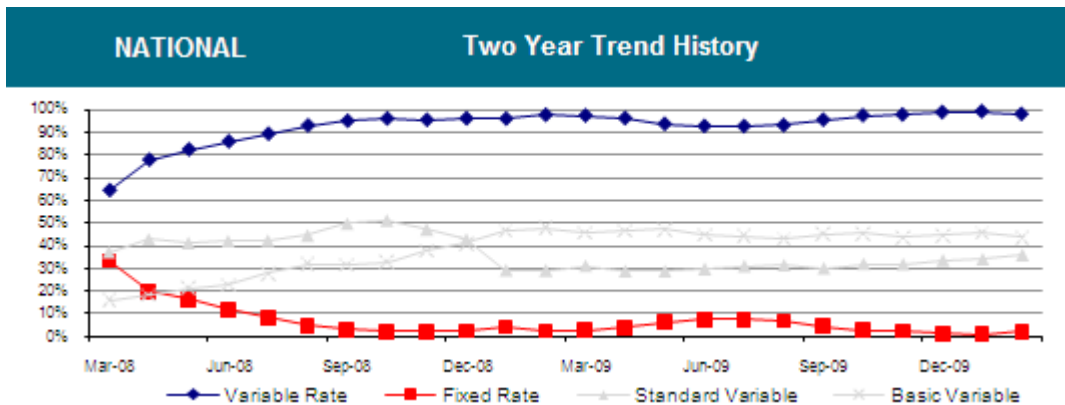
"In a rising interest rate environment, savvy borrowers look for a competitive product that makes a statement in terms of affordability and flexibility.

"It's well worth remembering that smaller lenders often offer quality products that are just as well-priced and innovative as those of the major lenders. Speak to a reputable mortgage broker about helping you research the breadth of what's available."

Other key loan product preference trends for the second month of the decade were:

- Basic variable: fell to 44% for February from 46% in January.
- Line of credit (often popular with investors): remained steady at 5% of approvals.
- Bridging (for those selling property while purchasing another): remained well below 1%.

| | NATIONAL | Feb-10 | Jan-10 | 6 Month Average | 12 Month Average |
|---|----------------------------|--------|--------|-----------------|------------------|
| ↓ | Variable Rate | 97.96% | 99.12% | 97.72% | 95.96% |
| ↓ | ⇒ <i>Basic Variable</i> | 43.75% | 45.87% | 44.77% | 45.04% |
| ↑ | ⇒ <i>Standard Variable</i> | 48.90% | 48.04% | 47.38% | 45.32% |
| ↓ | ⇒ <i>Line Of Credit</i> | 4.82% | 4.93% | 5.32% | 5.34% |
| ↑ | ⇒ <i>Bridging</i> | 0.49% | 0.28% | 0.24% | 0.26% |
| ↑ | Fixed Rate | 2.04% | 0.88% | 2.28% | 4.04% |



Note: Mortgage Choice's annual loan approvals are approximately 40,000 nationally and therefore provide a clear insight into the product preferences of housing loan borrowers generally.

For further information or to arrange an interview, please contact:

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About Mortgage Choice

Mortgage Choice, Australia's largest independently-owned mortgage broker, has a national network of hundreds of franchises and loan consultants supported by Group and State Offices. It provides loan advice on, and choice of, products offered by an extensive panel of Australia's leading lending institutions.

A number of the company's consultants provide a broader service offering, also helping customers source personal and commercial loans, asset finance and risk insurance.

Importantly, Mortgage Choice head office pays franchisees the same commission rate for home loans they write, regardless of the rate paid by the lender selected by a new customer - and has been doing so for most of its 17-year history. The company has no products of its own and works in each customer's interests to source a loan that suits their individual needs.

Mortgage Choice has no balance sheet or funding risk, and consistently delivers strong profits and attractive yields. The company listed on the Australian Stock Exchange in August 2004 (ASX sign: MOC) and is a member of the Mortgage & Finance Association of Australia (MFAA).

Recent awards/recognition: 2009, 2008, 2006 and 2005 MFAA Awards *Retail Aggregator/Originator of the Year*; 2009 and 2008 BRW *Fast Franchises* list; No.1 spot on *Top 25 Brokerages* list by Mortgage Business magazine; 2009 Australian Banking & Finance Awards *Best Financial Institution Employer*; 2009 Great Place to Work® Institute *Best Companies to Work For* list; 2009 and 2008 10 Thousand Feet *Top 10 Franchise* list; 2008 MFAA Awards *Best In Mortgage & Finance Industry*.

Visit www.mortgagechoice.com.au or call the customer service centre on 13 MORTGAGE.