



Streets Ahead

Genworth Homebuyer Confidence Index
Broker Flyer – March 2015

genworth.com.au/streetsahead



Streets Ahead: Homebuyer Confidence Index

Genworth’s biannual Streets Ahead Homebuyer Confidence Index (HCI) monitors the changing attitudes and behaviours of Australians concerning economic and property market conditions, as well as consumer attitudes towards homes ownership, mortgages, mortgage debt and property investment. The most recent findings are based on a survey of 2,140 Australian adults, conducted in March 2015.

The recent 10th edition marks the five year anniversary of Genworth’s Streets Ahead report, with Homebuyer Confidence Index (HCI) increasing by 1.1% from 98.1 to 99.2 (from September 2014 to

March 2015). This increase was driven by a record high proportion of respondents who believe that now is a good time to buy, up to 52% (from 41% in September 2014). This sentiment is most likely attributable to record low interest rates, in particular the RBA’s decision to cut the official cash rate to 2.25% in February 2015 and expectations of further rate cuts.

To commemorate the release of our 10th edition, Genworth conducted a tailored analysis to reveal insights on the broker segment, broker customers and their sentiments toward the Australian mortgage market.

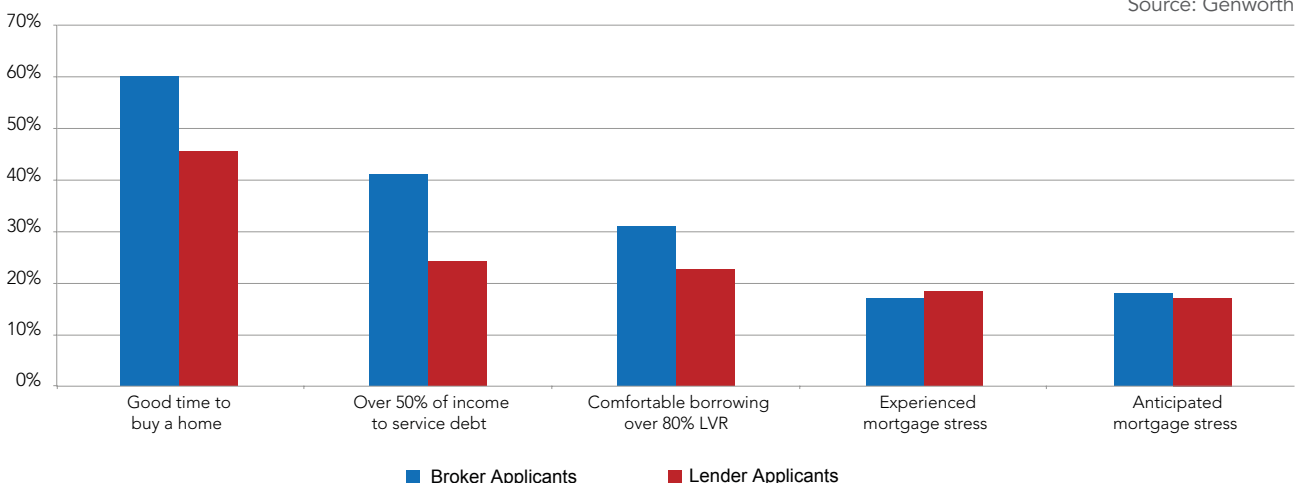
Broker Applicants and the HCI

Homeowners (all surveyed homeowners including First homebuyers [FHBs] and Mortgagees) who applied for their home loan via the broker channel (Broker Applicants) appear to be slightly less confident than those who applied directly with a lender (Lender Applicants), with the HCI for Broker Applicants reaching 97.6 in March 2015, compared to a reading of 98.3 among Lender Applicants. This lower HCI reading for Broker Applicants appears to be attributable to a higher proportion of Broker Applicants contributing more than 50% of their income to debt, at 41% compared to 24% among Lender Applicants (Figure 1). Broker Applicants also hold greater levels of debt with 62% holding non-mortgage debt, in comparison to 42% of Lender Applicants. Despite this, the proportion of Broker Applicants having experienced mortgage stress in the last 12 months is in line with Lender Applicants (17% and 18% respectively), as is those who anticipate mortgage stress over the next 12 months (18% and 17% respectively).

Furthermore, Broker Applicants are more likely to believe that it is a good time to buy a home, with 60% reporting that they believe it is a good time to buy compared to 45% of Lender Applicants.

While the national HCI results show minimal contrast between Broker and Lender Applicants, a state-based analysis reveals certain regional differences. Readings between these groups for New South Wales, Victoria and Queensland are broadly in line with one another. However, Broker Applicants in South Australia are more confident than Lender Applicants (101.2 and 97.5 respectively). This result is reversed in Western Australia where Lender Applicants are found to be more confident than their Broker counterparts (106.9 and 97.5 respectively). In both cases the more confident group were less likely to experience or anticipate mortgage stress.

Figure 1: Genworth HCI sub-indices



Source: Genworth

Profile of Broker Applicants

Of all Homeowners surveyed, 41% applied for their home loan through a broker. However, for those who purchased their first home in the last 12 months, this figure rises to 65%. As FHBs are taking out a loan for the first time they may prefer to apply via a broker as this channel provides them with a broader suite of products, a more independent view of the market and greater assistance with their mortgage application.

Interestingly, just 11% of Prospective FHBs (those intending to buy their property in the next 12 months) intend to apply for their home loan via a broker, compared to 47% intending to apply via a branch and 28% intending to apply online. This suggests that the choice to use a broker is not always made early in the decision process and could even come as a result of other channels failing to meet FHB needs. As such, it is unsurprising that around one in two (52%) Non-Property Owners (those who do not currently have a mortgage on a property nor own property) intending to apply for their loan via a broker do not currently have any particular broker in mind.

Homeowners may choose to apply via a broker to ensure that they are receiving the best deal available, even if that means choosing

a lender they do not currently have a banking relationship with. In March 2015, 32% of Broker Applicants held their home loan with an institution other than their main financial institution (MFI), compared to just 18% of Lender Applicants. Of those who took out their home loan with an institution other than their MFI, 33% of Homeowners cited that they did so due to a recommendation by their broker, suggesting that brokers broaden lender choice.

Perhaps as a result of brokers raising awareness of alternative lenders, Broker Applicants were significantly more likely than average to hold their home loan with a bank other than the major banks (54% compared to 30% of Lender Applicants), and were also more likely to consider one of the non-major banks to be their MFI (43% compared to 24% among Homeowners who applied directly with a lender).

Taken together, these findings reflect the educational role which brokers play in exposing mortgage customers to multiple lenders and products.

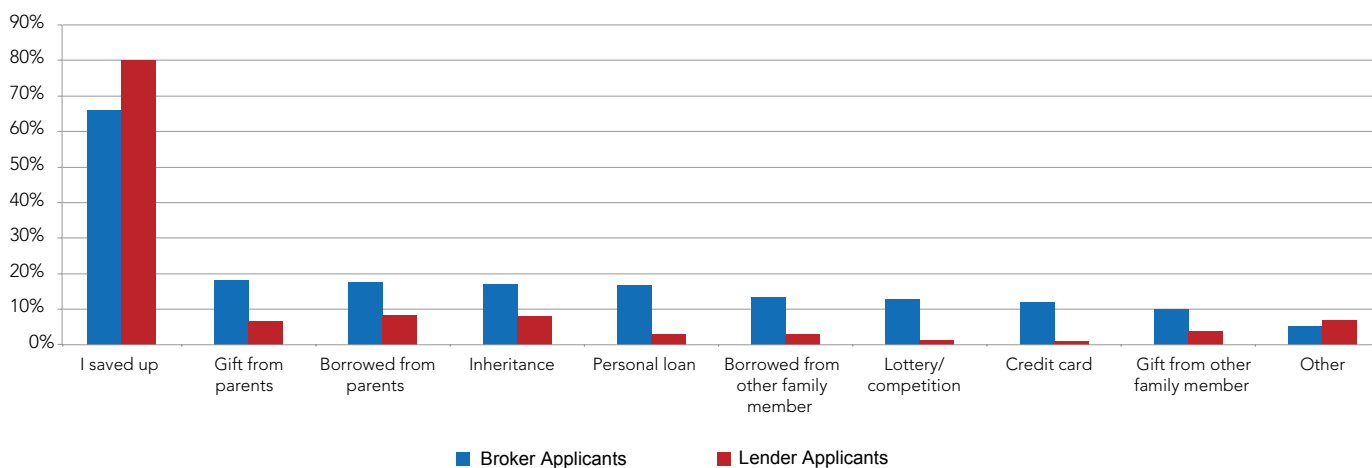
Deposit sources and barriers to home ownership

Broker Applicants tend to save for a shorter period of time and save smaller deposits as a proportion of the property value, with 71% having saved for a deposit for less than three years, compared to 63% of Lender Applicants. Furthermore, 73% had a deposit of less than 20%, compared to 66% of Lender Applicants. To supplement these smaller deposits, the majority of Broker Applicants relied on non-savings sources (56% compared to 33% of Lender Applicants).

Money gifted or borrowed from parents (18%), inheritance (17%) and personal loans (17%) were the most popular non-savings deposit sources for this segment (Figure 2). Broker Applicants were also more likely to have used LMI to obtain their loan, with 39% using LMI, compared to 17% of Lender Applicants. This suggests that brokers recognise the value of LMI and are effectively utilising its benefits to assist borrowers into getting their property sooner.

Figure 2: Deposit sources

Source: Genworth



In line with overall results, Broker Applicants were most likely to report high property prices (31%) and difficulty saving for a deposit (19%) as the greatest barriers to home ownership. Interestingly, Broker Applicants are more likely to consider loan approval a key barrier in comparison to Lender Applicants (8% and 3% respectively). This combination of findings indicates that it is

accessibility (the ability to enter the property market) rather than affordability (the ability to service a loan) that appears to be the main barrier to home ownership.

As a result some Homebuyers are possibly turning to brokers to help find an alternative way of entering the property market.

Disclaimer – Nothing in this Streets Ahead Broker brochure constitutes tax, stamp duty, legal, accounting or financial advice. The information and opinions provided are based on an interpretation of the results of the March 2015 Streets Ahead survey, with a full report of the survey results available on Genworth’s website at www.genworth.com.au/streetsahead. Genworth expressly disclaims all responsibility and liability for any action or inaction by you in reliance on any information provided by Genworth in this Broker brochure.

Genworth Financial Mortgage Insurance Pty Limited • ABN 60 106 974 305 • © Genworth, Genworth Financial and the Genworth logo are registered service marks of Genworth Financial, Inc and used pursuant to licence • © 2015 Genworth Mortgage Insurance Australia Limited. All rights reserved.

SABF0515

