Genworth Financial

NEWS RELEASE

Level 23, 259 George St
Sydney, NSW 2000

Hardship Programs and Innovative Products Vital as Mortgage Stress Grows

23 July, 2008 – More than one in four borrowers expect to struggle to pay their mortgage at some time during the next year, almost double that of two years ago, according to the latest Mortgage Trends Report released today by lenders mortgage insurer, Genworth Financial (Genworth).

Following four official cash rate increases, and numerous unofficial interest rates in the 12 months preceding the survey, rising interest rates has overtaken a change in personal circumstances (such as job loss or illness) as the biggest concern for borrowers in meeting their repayments – nominated by 44% in 2008 compared to 26% last year.

“Despite these concerns highlighted through the survey, analysis of our portfolio shows that it still takes a defined event, such as a loss of income or illness, for a borrower to default on their mortgage. However when borrowers are already stretched to capacity, the defined event only has to be small to have serious implications,” says Peter Hall, Country Executive of Genworth.

The survey, conducted by research group, Retail Finance Intelligence (RFI), found 4% of borrowers are under severe mortgage stress and expect to find difficulty meeting their mortgage commitments every month, with 23% anticipating a struggle during some months.

While a significant majority of borrowers – 73% - were more positive about their ability to make repayments, the report confirms rising levels of mortgage stress. The 27% who expect to have a problem in at least some months is up from 18% in 2007 and 15% in 2006.

Commenting on the report, Mr. Hall aid it was now even more important that borrowers starting to slip behind in their payments, seek help early from their mortgage provider so strategies could be developed to keep them in their homes.

Mr Hall said Genworth had approved more than 1,800 requests for assistance under its Hardship Solutions program since its inception in November, 2006.

“Through our Hardship Solutions Team, almost 90% of requests for hardship assistance have been approved, and of these the majority of borrowers were able to get back on their feet.” he said

The report also found that the banks are increasing their dominance in the mortgage market, with these institutions providing 72% of loans (up from 68% in 2007), with 16% coming from a non-bank mortgage originator and 9% from a credit union or building society. Data from Genworth’s portfolio also shows a similar trend.

The report found rising interest rates are having an inevitable impact on how consumers choose a loan, with 50% of respondents indicating price – in the form of a low ongoing rate and low fees - was the most important factor followed by loan flexibility (44%). In the previous two surveys loan flexibility and having existing products with the lender were the top reasons for choosing a lender.

However, the number of borrowers who rely on brokers to save time and get them the best deal remains steady on 39%, and a large majority of those who used a broker – 92% – were satisfied with the service.

“Despite some concerns that the Australian mortgage broker industry suffers from lack of regulation and uniformity, it seems that the majority of borrowers who have used a broker are satisfied,” the report said.

Mr Hall said the report clearly identified affordability and low awareness among potential home buyers of the products available to assist them as continuing problems in the Australian market.

Despite the challenges for those outside the property market, the report proves that the great Australian dream of owning a home is still alive, “While 46% of non-property owners would ideally like to purchase property in the next 12 months, only 15% said they would be in a financial position to do so,” the report said.

With debate continuing about how to make home ownership more affordable, it was also important to canvass the popularity of innovative products. The survey found that:

- Family guarantee products, requiring a parent or family member to go guarantor for a loan have traditionally lacked support, however opportunities are available in the current market for prudent lenders who embrace this product

- Longer term mortgages which reduce the monthly repayment but increase overall interest paid by extending the loan period, usually to 35 or 40 years, were popular with 51% of respondents

About Genworth Financial
Genworth Financial is a leading financial security company meeting the retirement, longevity and lifestyle protection, investment and mortgage insurance needs of more than 15 million customers. It has a presence in more than 25 countries. For more information visit www.genworth.com.au.

About Lenders Mortgage Insurance (LMI)
LMI is one of the most popular ways to achieve the dream of home ownership sooner for borrowers that do not have a large deposit.

Many Banks and Lending institutions require borrowers to contribute a 20% deposit before they will agree to provide a loan. LMI protects lenders against a loss should a borrower default on their home loan. If the security property is required to be sold as a result of the default, the net proceeds of the sale may not always cover the full balance outstanding on the loan. By using LMI, lenders are able to pass on this risk to a mortgage insurer such as Genworth Financial, which in turn, enables them to offer the same loan amount but require less deposit.

For further information, call Emma Rumble, Marketing Leader on 02 8248 2227, or visit www.genworth.com.au.

STATE CHARACTERISTICS

NSW/ACT

- NSW/ACT has the lowest level of home ownership at 53%
- NSW/ACT borrowers are most likely to have the biggest mortgage repayments
- Non-property owners are most likely to be out of the property market because they are unable to save a deposit

Victoria

- 69% of Victorian renters expect a rental increase in the following 12 months
- 13% of non-property owners from Victoria expect to spend over $500,000 on their first property
- Respondents in Victoria were the least likely to have sourced their most recent loan from a non-bank lender

Queensland

- Along with NSW/ACT, Queensland had the lowest level of property ownership by state at 58%
- 74% of Queensland renters expect an increase in their rent in the next 12 months
- Queensland respondents had the highest level of consumer debt, with only 14% debt-free

South Australia

- The median weekly rent in SA is below national average at $101-$200
- Only 3% of non-property owners from SA expect to spend over $500,000 on their first property
- SA respondents were the least likely to use a mortgage broker, with 29% doing so. This is contrasted to WA where 46% used a broker for their last loan

Western Australia

- WA had the highest level of property ownership by state, with 72% of respondents from WA owning property in some form or another
- WA had the highest level of investment property ownership at 21%
- WA renters were most likely to expect a rental increase in the next 12 months