

media release



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FOR IMMEDIATE RELEASE

AXE CONTINUES TO FALL ON LOW-DOC LOANS

CANNEX releases *low-doc home loan star ratings* report today.

As the global funding difficulties continue to show no mercy for lenders, low-doc home loans are falling by the wayside with lenders questioning the on-going viability of their products.

Twenty-seven low-doc home loans are no longer available and a few lenders have dropped out of the market in the last six months, says premier financial products research firm CANNEX who today released their latest *low-doc home loan star ratings*.

“Some lenders are struggling to maintain viability in a market which is becoming increasingly risky due not only to wholesale funding difficulties but climbing delinquency rates among borrowers,” CANNEX financial analyst Joshua Zenas said.

These two issues will undoubtedly influence the future behaviour of lenders.

CANNEX warns consumers to be aware of repercussions if the cost of funding and rates of arrears remain high or further increase.

“Interest rates on some low-doc products are likely to increase faster than those on standard loans, based on official and unofficial rate rises,” Mr Zenas said.

The credit crunch has taken a chunk out of low-doc products available to consumers. In January this year, CANNEX notes there were 180 loans from 46 lenders. Today, this has shrunk to 153 low-doc home loans from 38 lenders.

Lenders who have dropped out of new, residential low-doc lending include Bluestone, Ironbark Mortgage Solutions, Virgin Money and even big banks like Macquarie and HSBC.

It’s not all negative though, according to CANNEX which cites figures of low-doc products making up only 1% of outstanding loans in Australia last year, well below the U.S. 13% sub-prime loans.

“While there is demand, there will always be supply, and low-doc borrowers still have an excellent suite of products to choose from,” Mr Zenas said.

“In this reduced lending environment borderline propositions probably will not meet with approval but sound credit applications should receive the same favourable reception they always have.”

This time around, the CANNEX low-doc star ratings looked at 153 products and awarded five-stars to only 12.

As expected, the bigger players have dominated. St George Bank, Westpac, ANZ, Commonwealth Bank and Colonial (owned by the Commonwealth Bank) received five stars for their products, while Acura Finance is the lone representative of the “smaller” lenders in the list of CANNEX five star products.

Consumers can download all results of the CANNEX *low-doc home loan star ratings* report on www.cannex.com.au

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About CANNEX:

CANNEX provides Australia's only fully interactive online research service in retail and business finance.

Founded in 1992, CANNEX (Aust) Pty Limited is Australia's premier researcher of retail finance information for over 350 institutions such as Banks, Building Societies, Credit Unions, Finance Companies, Brokers, Mortgage Originators, Life Companies and finance related Internet Portals.

CANNEX customers use the extensive database for competitor analysis as well as a means of disseminating their product range. CANNEX also distributes this information to print and electronic media for publication and to Agents, Accountants, Brokers and Internet Portals for use in advising their clients.

Does CANNEX rate other product areas?

YES, CANNEX also rates the suite of banking and insurance products listed below. These star ratings use similar methodologies. This guarantees the quality and transparency of all our star ratings. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANNEX website at www.cannex.com.au if you would like to view the latest CANNEX star ratings reports of interest.

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