



media release

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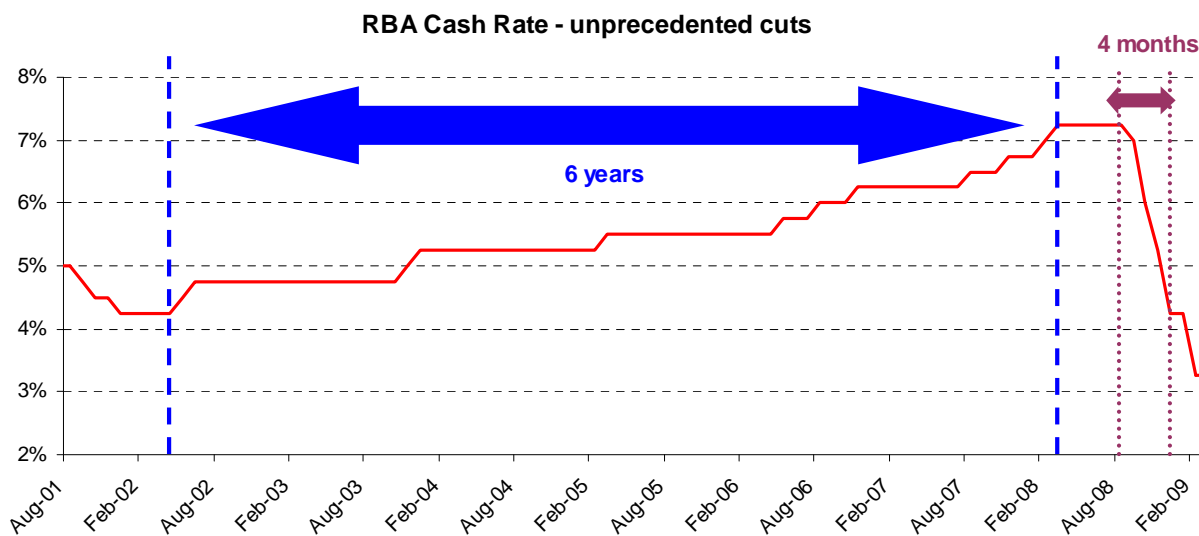
Roller coaster ride for rates

CANSTAR CANNEX releases *mortgage star ratings* report today.

It's taken over six years for interest rates to climb 4.25% to their peak of 7.25% and only four months to crash back down to 4.25%.

After hitting the heights in mid-2008, rates are now in freefall. Many analysts predict further rate cuts to the current 4.25% before the Reserve Bank tugs at the bungy rope. It's unlikely, however, that we will see the same heady lows as the United States whose official cash rate is currently approaching zero or the United Kingdom at 0.50%.

"There's no doubt home owners would still welcome any further rate cuts the Reserve Bank could serve up before the turnaround when the economy stabilises and rates head north again," CANSTAR CANNEX financial analyst Frank Lopez said.



Source: CANSTAR CANNEX, March 2009

The plummeting cash rate environment has sparked renewed interest in the real estate market.

First home buyers, in particular, have flocked to the market, egged on by the government's generous boost to the First Home Owners Scheme (FHOS). Cash grants have now doubled to \$14,000 for the purchase of an existing property and tripled to \$21,000 for a new property.

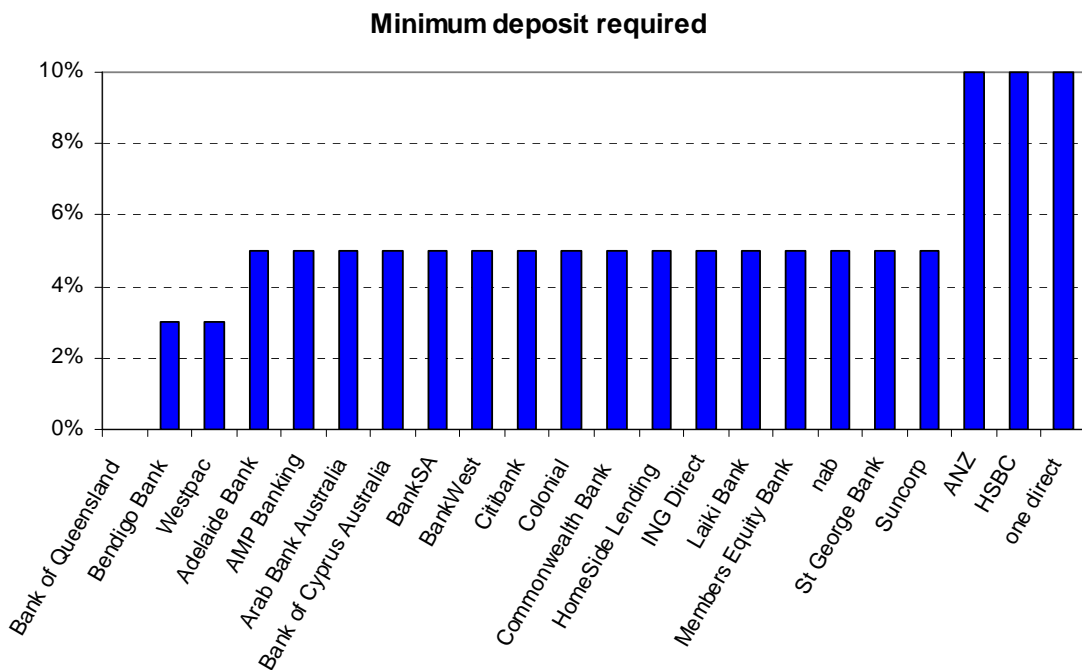
According to ABC Housing Finance data, real estate bought by first-time buyers increased by almost two-thirds to 26.5% of all purchases in the ten months to January.

“It’s not surprising that first home buyers are currently driving the momentum in home lending,” Mr Lopez said.

“It pays to remember, however, that lenders are cracking down on deposits. The days of borrowing the total value of a new home are all but gone for now.”

According to the *mortgage star ratings* report, just released by financial research ratings firm CANSTAR CANNEX, one of the most obvious casualties of the credit crunch is the demise of the 100% loan-to-valuation ratio home loan.

Of the major banks, Westpac now requires a minimum deposit of 3% before it will consider you for a mortgage. Commonwealth Bank and nab both require a 5% deposit, while ANZ has erred on the side of caution, requiring a deposit of at least 10%, as has its subsidiary OneDirect.



Source: CANSTAR CANNEX, March 2009

“The boosted First Home Owners Scheme will usually carry first home buyers over the deposit line when applying for a home loan,” Mr Lopez said.

“A \$14,000 grant, for example, corresponds to a 5% deposit on a \$280,000 property. Of course, this leaves the borrower having to find other ways to fund various start-up costs such as legal, stamp duty and removal costs.”

The other way around saving up a deposit, according to CANSTAR CANNEX, is to use the parental guarantee option many lenders provide. This allows a borrower to take out a 100% loan (more in some cases) without even the need for Lenders Mortgage Insurance (LMI).

“The way it works is by the lender setting up an 80% loan-to-value ratio (LVR) loan, and then a separate 20% LVR loan to cover the remainder of the property price. The second and smaller loan is secured against a parent’s (or other relative’s) property. Both loans, however, are serviced by the borrower,” Mr Lopez said.

If you are really stretched for a deposit, one further form of assistance many lenders allow concerns lenders mortgage insurance (LMI) which is a standard requirement for deposits under 20%.

“You may be able to add, or “capitalise”, LMI to the loan so that this cost is no longer an additional savings burden when buying a home.”

CANSTAR CANNEX today released its *mortgage star ratings* report, awarding five stars to superior products.

Over 1600 home loans from 125 financial institutions were researched and rated across residential and investment profiles that included variable and fixed rate loans, plus revolving line of credit loans.

Consumers can download this report on www.canstarcannex.com.au

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About CANSTAR CANNEX:

Founded in 1992, CANSTAR CANNEX Pty Limited is Australia and New Zealand'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.

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

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CANSTAR CANNEX researches, compares and rates the suite of banking and insurance products listed below. Results are freely available to consumers who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANSTAR CANNEX website at www.canstarcannex.com.au if you would like to view the latest star ratings reports of interest.

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