News Release

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Genworth

Lenders and brokers struggle through 2012

Brokers optimistic about the future

Influence of online channels increases

(SYDNEY) 13 November 2012 – Genworth today launched its annual *Home Grown: Mortgage Industry Perspectives* report revealing the findings of a comprehensive survey of the Australian mortgage market.

The study consisted of five in-depth round table discussions with 60 participants from a range of lender segments held in Adelaide, Brisbane, Melbourne and Sydney, as well as a quantitative survey of 14 representatives from lending institutions and 24 mortgage brokers.

Lenders struggle as credit remains sluggish

The findings from the report point to sluggish credit growth over the past year due to low consumer confidence, tightened credit standards, low property valuations, changes to government incentives, and employment security.

Lenders expect consumers to continue deleveraging and saving in 2013, primarily due to employment insecurity.

Ellie Comerford, CEO of Genworth, said: “While a majority of lenders are experiencing sluggish growth, this is likely to lead to innovations of lending techniques, from implementing new on-line and off-line channels, to cost strategies to reduce the impact of decreased credit demand. If lender expectations that consumers will continue deleveraging in 2013 prove accurate then the urgency of implementing new lending techniques and channels cannot be underestimated.”

Brokers optimistic on the future

Despite negative sentiment of lenders, brokers are much more optimistic about credit growth in 2013 with two-thirds of those surveyed believing credit growth will pick up in the year ahead, compared with 12 out of 14 lenders believing it will continue to contract.

However, brokers were also quick to point out that they need competition between lenders to grow in order to grow their businesses in a low credit growth environment.

Brokers also emphasise the need for lenders to focus on the loan approval process to improve loan volumes.

“The survey highlighted the need for lenders and brokers to use more similar criteria and methods during the credit sign off process and to work more collaboratively to improve efficiencies, especially around the credit scoring policies. Doing so could result in quicker and more efficient borrowing processes, ultimately driving credit demand,” said Ms Comerford.

The continued rise of the online influence

Lenders and brokers have both acknowledged the increasing influence of online channels as another communication conduit for borrowers. Lenders are using social media to stay relevant to customers while brokers are using it for brand building, credibility among potential customers and lead generation.

While increasing online presence is consistent with changing consumer behaviour, many lenders argued that offline channels, specifically face to face are preferred by consumers when taking out a mortgage.

“Mortgages are complex products and one of the largest investment decisions made by most people. While online can provide vast amounts of information, consumers also look to more personalised communications channels to ensure they are basing their decision on all relevant information,” she concluded.