Genworth Financial

NEWS RELEASE

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New Zealand Borrowers Confident about Home Repayments

29th January, 2008 – Most New Zealanders with a mortgage are confident of meeting their repayments over the next year, but there could be clouds on the horizon for those whose fixed interest rate is about to expire, according to a report released today by lenders mortgage insurer, Genworth Financial.

The Genworth Financial NZ Mortgage Trends Report is based on the results of a survey of over 1,000 adults at the end of 2007. It provides key insights and identifies emerging trends in the dynamics of the New Zealand mortgage and property markets.

Peter Hall, Country Executive & Director, Genworth Financial, Australia & New Zealand, said respondents were slightly more positive about their abilities to meet mortgage repayments in 2008 than they were in 2007, with 77% (+2%) saying they expected to easily meet their repayments in all or at least some months during the year.

The survey found that fixed rate mortgages are very popular in New Zealand, with 78% of respondents saying they had this type of mortgage. Of those, 28% had a fixed rate period set to expire in the next 12 months.

Mr Hall said the Cash Rate had climbed from 5.25% to 8.25% in the last three years, and mortgagors with fixed interest rates during that period had enjoyed lower rates than if they had opted for variable rate mortgages.

“With most home lenders currently offering standard variable rates of between10% and10.55%, these borrowers face a large jump in repayments. The survey found one third of those whose fixed rate will expire in the next 12 months were paying less than 7%.

“A jump of 3 percentage points in a mortgage rate can be more than enough to tip a borrower into arrears and possibly default, and this should be a serious consideration for the New Zealand home lending market going forward.”

The report also confirms there is a disconnect between people’s desire to get into the housing market and their ability to do so, with First Home Buyers forced to wait and save more for a deposit before entering the property market.

According to the Real Estate Institute of New Zealand, house prices have increased rapidly in the last 10 years with the median house price doubling between July 1998 and July 2007 from NZ$165,000 to NZ$345,000.

When aspiring property owners were asked by Genworth when they expected to be able to afford to purchase their first home, 12% said they expected to achieve this in the next 12 months, and an additional 20% expected to be able to do so within three years.

Respondents were then asked to set aside financial considerations, and state when they really would like to purchase their first home. Revealing the extent of the mismatch between desire and financial reality, 45% said they would ideally like to purchase their first property in the next 12 months.

“This highlights the growing need and value of products like Lenders Mortgage Insurance which have been designed to assist borrowers to get into a home sooner by insuring the risk to the lender making it easier for many borrowers caught in a rental trap.”

Mr Hall suggested the New Zealand market could respond to the issue of affordability by introducing innovative mortgage products already available in other countries, including:

- Amortization: Reducing monthly repayments and extending the loan period, typically up to 40 years. This type of product is available in Canada, the UK and since 2006 in Australia;

- Shared equity mortgage: Allows an individual to buy a property with a smaller deposit and reduced monthly repayments, provided the buyer shares any increase in the value of the property with the shared equity provider;

- A loan with a higher loan-to-value ratio: Enables borrowers who cannot save a large deposit to still take out a mortgage. (A high LVR is considered to be when the loan is for more than 80% of the value of the property.) While these loans attract higher interest, they allow borrowers to escape the rental trap and to refinance when they are in a position to make higher payments.

Key findings in the in the 2007 Genworth Financial NZ Mortgage Trends Report:

1. 70% of investment property owners saw the property as a long term investment to provide income in retirement;

2. 69% of respondents who owned residential property were still repaying a mortgage;

3. The reason considered most likely to cause difficulty in making mortgage repayments was a change in personal circumstances such as divorce, pregnancy or a job change.

4. 80% of property owners obtained their most recent mortgage from a bank with 25% of borrowers having used a mortgage broker;

5. 78% of respondents with a mortgage had a fixed rate while 22% had a variable rate.

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.

About Lenders Mortgage Insurance (LMI)

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 61 2 8248 2227, or visit www.genworth.co.nz.