PRESS RELEASE

MORTGAGE BROKING

MISC Global

Market Intelligence Strategy Centre

Low-doc New business is finally measured now $8.8 billion in annual Low-doc lending stems from 26% growth on previous year

FINAL RELEASE

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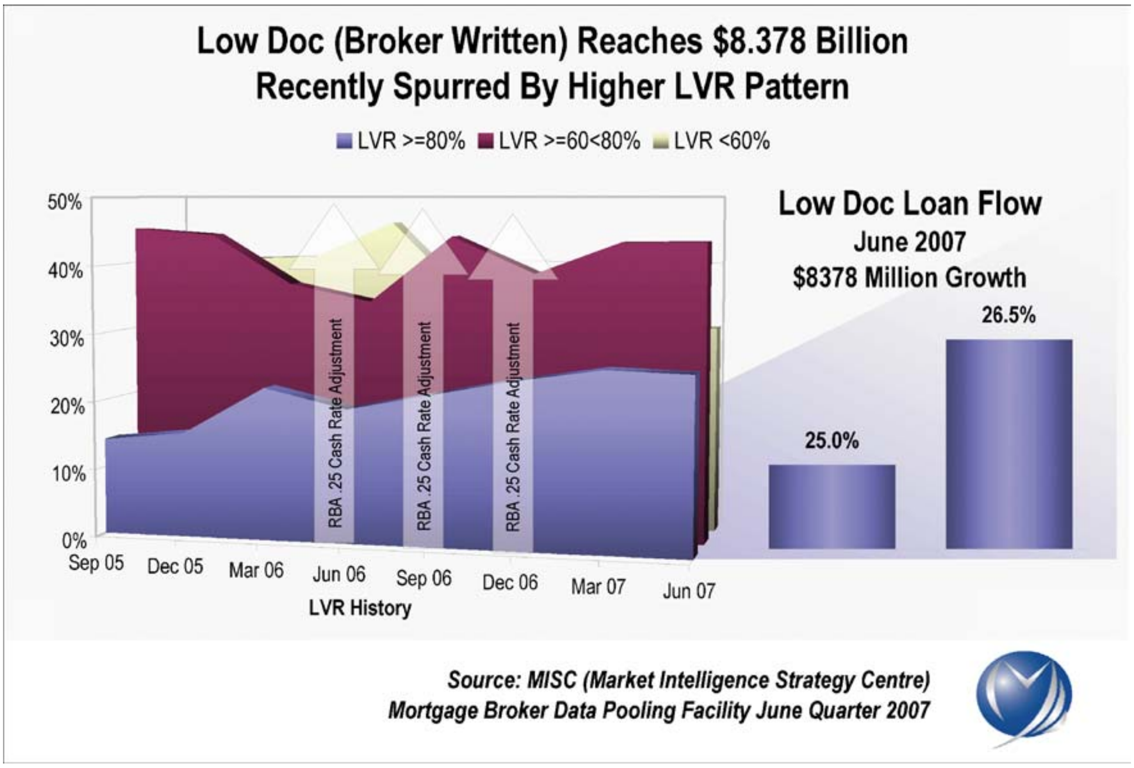
MISC (Market Intelligence Strategy Centre Pty. Ltd.) ACN 125 646 095

Level 4, 14 Collins Street | Melbourne Vic 3000 | Tel: 03 9654 4266 | Fax: 03 9650 7730 | miscinfo@marketintelligence.com.au | www.marketintelligence.com.au

Low-doc New business is finally measured now $8.8billion in annual Low-doc lending stems from 26% growth on previous year

Newly written Low-doc loans reach $8.8 billion for the year ended June 2007 with 26% growth from the previous year says MISC (Market Intelligence Strategy Centre) on behalf of its Bank and Broker pool members in results released today from the June Quarter Mortgage Broker Pool. This growth coincided with three successive quarters of interest rate adjustments each of 25 basis points with a further additional adjustment immediately after the June 2007 quarter, in August this year (*Refer to table on next page for full details*). The year of this increased low-doc activity was a year in which the accumulated 75 basis points in rate adjustments impacted on all mortgages. The median low-doc rate (variable) rose from 7.35% at the beginning of the year immediately following the May 2006 adjustment to 8.04% by July 2007, just before the latest Reserve Bank adjustment.



The figures are significant in that they represent the first definitive measurement of low-doc new business activity through the primary channel in which low-doc is currently marketed i.e. the Broker Channel. No measures have been available of new businesses and prior to their release other researchers including the Reserve bank have attempted to calculate low-doc loan stock i.e. the accumulated low-doc business that has been lent since their early introduction by GE in 1999. Even these accumulated stock figures vary widely from $7.2 billion to $10 billion and even to $38 billion as often quoted. On behalf of its Bank and Broker Pool member the MISC broker pool began separating low-doc loans from all new business collections in each quarter as early as December 2004. The MISC Broker Pool data therefore, is the only regular collection of low-doc new business. Its Broker Pool members believe that brokers transact most low-doc lending and these figures will make up most, if not all of low-doc business.

The MISC measures also represent the first new business figures in which a consistent definitional framework is set. Previous inconsistency in the scope of low-doc estimates have added to the volatility

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in the estimate fluctuations with variations from $7billion to $38 billion in stock and incorrectly intensified belief that looser lending patterns were growing. Fuelling that speculation is the practice of grouping non-conforming or credit impaired lending inferences in the same category as low-doc. The reason can be traced back to the only other regular primary data source of measurement, which measures only low-doc and non-conforming and is securitised as one group.

The Broker and Banks Pool collection assembled by MISC provides illuminating insight into speculation that had abounded in recent months, not only about the extent of the new lending, but also the risk of it. The Broker Pool clearly shows that over time much of the low-doc/no doc lending has been at conservative LVRs (Loan-to-Value Ratio - the amount of valuation that can be borrowed). On a full year basis just 28% of all low-doc/no doc lending is 80% LVR and over. The banks typically do not lend in this space preferring to limit the levels of borrowing below 80% LVR.

Accordingly the small 80% + LVR share is primarily derived from Specialist lenders ie Credit Unions and Building Societies as well as Originators. As the graphic above shows this has lately peaked at 26% but still is dwarfed by low-do/no doc lends of 60% to 80%. In the charted history of low-doc business written by brokers in the LVR band clearly shows that increased demand for higher LVR low-doc loans have accelerated with recent rate pressure and MISC on behalf of its pool members anticipates with greater rate stability that 80% LVR level will fall back to 16%.

Reserve Bank Adjustments to Cash Rate
3 May 2006: RBA announced a 25 basis points increase to the Cash Rate to 5.75 per cent following a growing world economy at an above-average pace for the four successive year, adding inflationary pressures sufficient to warrant an increase in the cash rate.
2 August 2006: An increase by a further 25 basis points to 6.00 per cent reflecting an assessment that economic activity remains strong and that inflation pressures have increased. These pressures were also evident in underlying consumer price inflation and an increase in cash rate would contain inflation in the medium term.
8 November 2006: Cash Rate increased to 6.25 per cent. This decision was taken in light of continued expansion in the global economy and further evidence that inflationary pressures had increased.
8 August 2007: Cash Rate increased to 6.5 per cent. The Board had rectified that stronger economic conditions were likely to put upward pressure on inflation and further tightening of the monetary policy could be required to keep inflation on target not exceeding 2-3 per cent.

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History of Low-docs

Date	Event
2000	ANZ launches a policy for approving loans for applicants who could not verify their income.
Apr 2001	Adelaide Bank launches Low-doc Express Term Loan & Low-doc Express Mortgage Tamer and Low Doc Express Home Buyer Power.
Mid 2001	BMC Launches its low-doc product BMC Low-doc.
Mid 2001	Collins Securities launches low-doc product Collins Complete Line of Credit.
2002	Suncorp Metway launches Low-doc Select Ready Access (Variable) and Asset Line (Equity) loans.
Dec 2002	CBA launches Low-doc Viridian Standard Variable Home Loan & Low-doc Viridian Line of Credit.
Dec 2002	HSBC launch a low-doc investment.
Feb 2003	St.George Bank low-doc product launch.
Mar 2003	Macquarie Bank offers low-doc "Express".
Apr 2003	Westpac releases its low-doc product in branches.
Jun 2003	Aussie Home Loans launch "Aussie Lo Doc".
Jun 2003	Mortgage Loan Company Launch a new Low Doc Loan product Lite and Easy.
Mid 2003	ING launch low-doc
Jul 2003	Professional Lending Corporation launches Premium Low-doc facility.
Aug 2003	Loancorp launch fully optioned Low-doc or No Doc Home Loan (six months free mortgage insurance).
Sep 2003	RAMS Homeloans enters low-doc market RAMS Low-doc and RAMS Smartway Low-doc.
Oct 2003	Mortgage Ezy launch Low/No doc.
Dec 2003	Mortgage House launch broker originated Lite & Easy Low-doc.
Jan 2004	Professional Lending Corporation launches a broker originated Prime Low-doc.
Feb 2004	Home Loan Services launch a Low-doc loan - "Banksia Self Certified Loan".
May 2004	RESI Mortgage Corporation and AIMS discount low-doc offerings.
Apr 2004	BankWest launch Easy Doc targeted at owner-occupiers, personal investors and construction.
Sep 2004	APRA's proposal on additional capital provisioning for low-doc loans is enacted.
Dec 2004	NAB and Homeside introduce new low-doc product.
Apr 2005	NAB and Homeside launch Business Low-doc package.
Aug 2005	ANZ introduce self-verification "ANZ Lo Doc".
Jun 2006	Citibank launches its "no doc".
Jun 2006	Bluestone announced "BlueWay" Mortgage account offered for low-doc and featuring ATM access.
Sep 2006	Resi Mortgage low-doc loans have reduced from 7.44% to 7.23% for new borrowers and Resi's line of credit product was cut from 7.44% to 7.09%
Dec 2006	Pepper Homeloans launch the Business Direct No Doc Loan

Source: Market Intelligence Strategy Centre (MISC)

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Latest MISC Pool Market Coverage

This result emanates from the September Quarter 2006 to June Quarter 2007 collections of the Mortgage Broking industry co-operative statistical pool, derived from leading Bank and Broker Pool members. It consists of the major and regional banks, along with national and state concentrated broker groups (Refer below to Current Pool Membership for more information). Following the June 2007 Quarter collection, the facility's results now represent 83% of all broker generated home loan business and as such sets a world precedent for the level of co-operation in an industry previously known for its privacy. Despite the relative infancy of the industry sector with its dynamic nature, this collective research initiative demonstrates a high level of sophistication among the Pool members, as they collaborate to ensure effective measurement of their industry. Leading industry researcher MISC (Market Intelligence Strategy Centre) understands that no other co-operative, non-regulated, independent, statistical data pooling system developed overseas has managed to win this level of industry support via its extensive market coverage, the facility fulfils a long awaited need for reliable statistical measurement of an increasingly influential channel for the housing loan market distribution. *Please note: specific individual Pool member loan business share confidentiality is fully protected by the pool charter and member contracts.*

Current Pool Membership

Members include a who's who of the Mortgage Broking industry and their Lenders. The leading brokers and banks who are inaugural members of the pool have driven the initiative including a wide cross section of lenders including key banks. From a non-bank perspective, members include leading national and regionally focused broker groups e.g. franchises, aggregators and real estate agents.

Background to the Development of the Facility

This independent (MISC regulated) statistical collection, now in it's 21st Quarter, is the result of a unique industry initiative of key brokers and lenders to 'pool' together their quarterly records of all broker derived home loan settlements on a regular basis though the MISC (Market Intelligence Strategy Centre) industry specialist research group. The MISC Data Pooling Facilities use of final settlements and only statistics ensures that pool members gain a true reflection of broker loan business market activity. This contrasts favourably with the use of approvals/submissions data, which is misleading when used for appraisal of market performance due to the volume of loan cancellations.

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