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MORTGAGE ADVISERS SURVEY

December 2024

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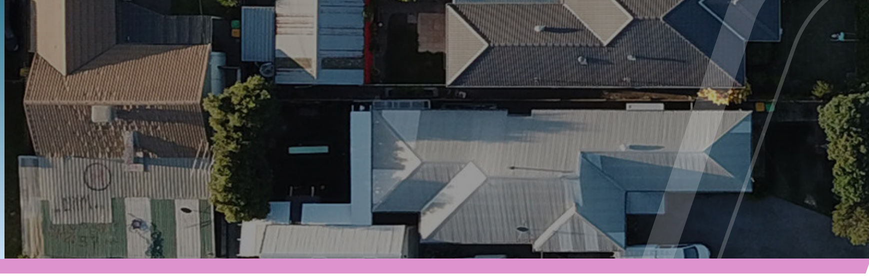


High frustration at bank delays

Each month we invite mortgage advisors around the country to give insights into developments in the residential real estate market from their unique perspective. Our latest survey has attracted 58 responses.

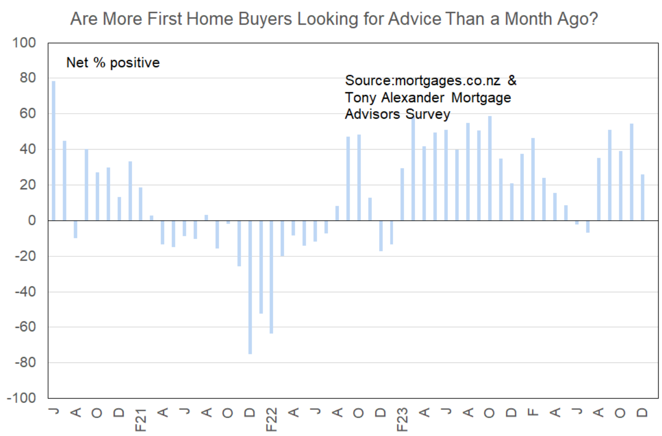
The main themes to come through from the statistical and anecdotal responses include these.

- Brokers are more and more frustrated by slow bank processing times for applications whereas customers going directly into bank branches are getting served quickly.
- High expectations of additional falls in interest rates are keeping borrowers strongly focussed on fixing for only short periods of time.
- Investor activity has picked up but there are no indications of any unusual strength.

COMPARED WITH A MONTH AGO, ARE YOU SEEING MORE OR FEWER FIRST HOME BUYERS LOOKING FOR MORTGAGE ADVICE?

The net proportion of mortgage advisors in our survey who report that they are seeing more first home buyers has edged down slightly to 26% from 55% in November. This is the weakest result since July when a net 7% were seeing fewer young people but is not that far out of line with the strong results seen since the upturn in August.

Brokers report that at the same time as some borrowing requirements are being eased others are being tightened and there is not high consistency between lenders. Slow processing times are causing problems for many buyers.

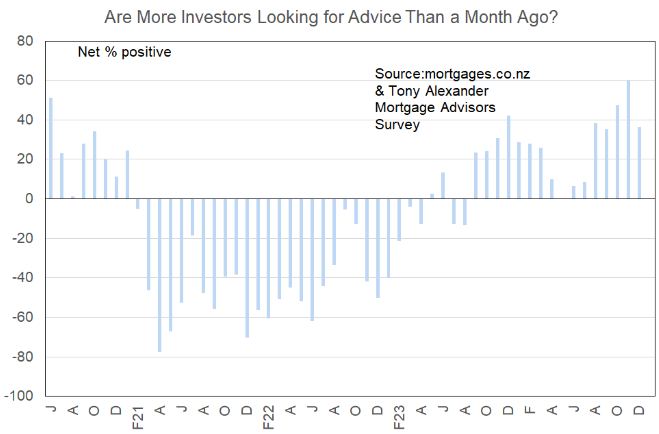


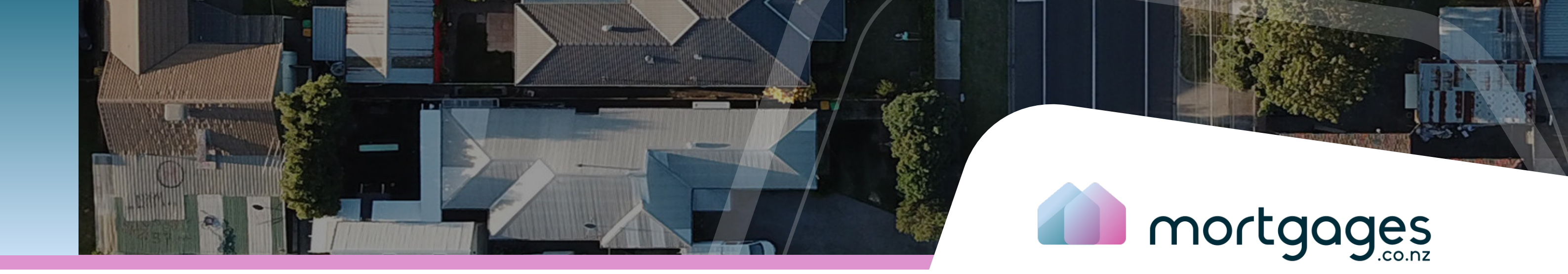
Comments on bank lending to first home buyers submitted by advisors include the following.

- Bank turnaround times are holding up first home buyers.
- FHBs are active, some more stock has helped and this group in particular is assisted by the lower servicing rates.
- No noticeable change to criteria, although test rates dropped quickly with reduced interest rates. Competition appears more intense with some Banks offering cash-backs.
- Little change apart from the lending test rates reducing. DTI's having no impact yet, will most likely have an impact next year for certain borrowers i.e. single or couple with no dependants.

COMPARED WITH A MONTH AGO, ARE YOU SEEING MORE OR FEWER INVESTORS LOOKING FOR MORTGAGE ADVICE?

This month's survey has shown a decrease in the net proportion of advisors seeing more investor clients to 36% from a record 60% last month. Investors are active in the market though do not dominate it and as yet the new Debt to Income rules are not having much impact.





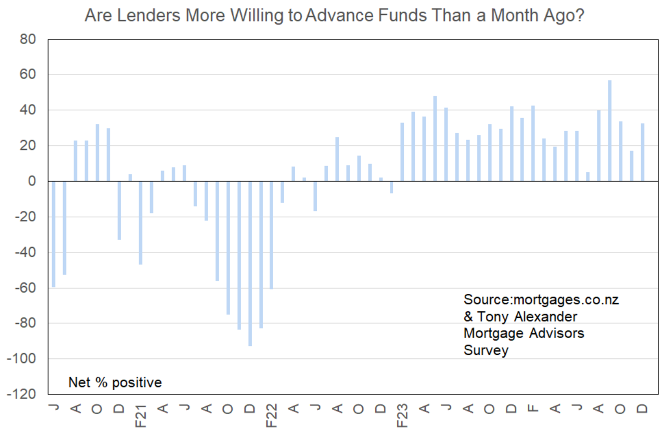
Comments made by advisors regarding bank lending to investors include the following.

- Some banks include rates and insurance as an expense, others don't.
- No noticeable change to criteria, although test rates dropped quickly with reduced interest rates.
- Investors are definitely back in average numbers (over last couple of months) bank appetite is largely unchanged.
- A bit more common sense being applied to shading. DTIs will become an issue in main centres.

COMPARED WITH A MONTH AGO, ARE YOU FINDING LENDERS MORE OR LESS WILLING TO ADVANCE FUNDS?

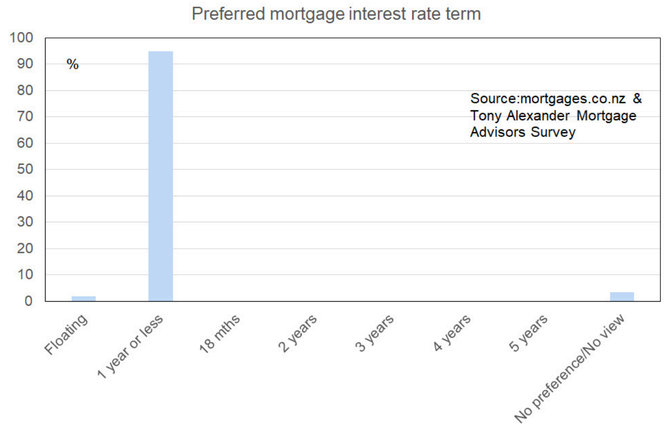
Bank willingness to advance funds was perceived as improving by mortgage brokers early in 2023 and that situation has continued. We are now three years down the track from the credit crunch of late-2021 when rules were radically tightened through the Credit Contracts and Consumer Finance Act and much tougher LVR regulations.

This month a net 33% of brokers have reported that banks are more willing to lend, up from 17% last month but below the high of a net 57% in September when the effects of easier monetary policy began truly running through the population.

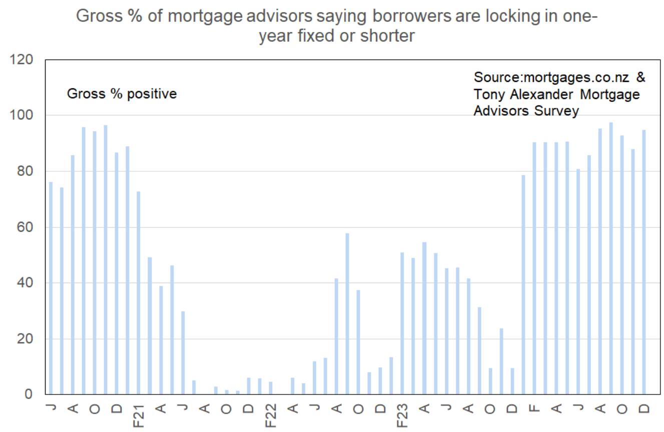


WHAT TIME PERIOD ARE MOST PEOPLE LOOKING AT FIXING THEIR INTEREST RATE?

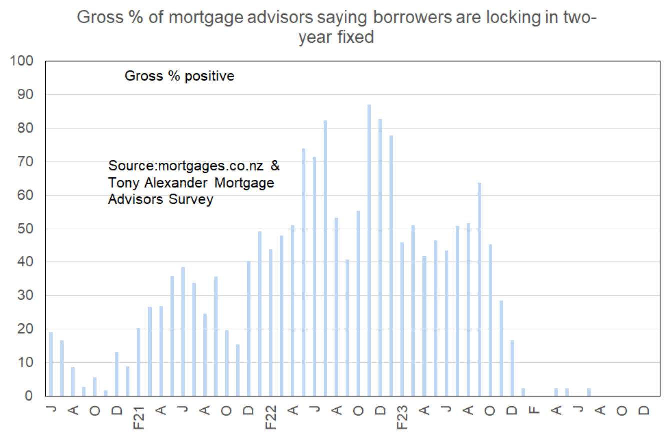
With high expectations that additional cuts to the official cash rate will be made through 2025 to follow the 1.25% worth to date, borrowers overwhelmingly favour fixing for only short time periods. Six months is the most preferred term.

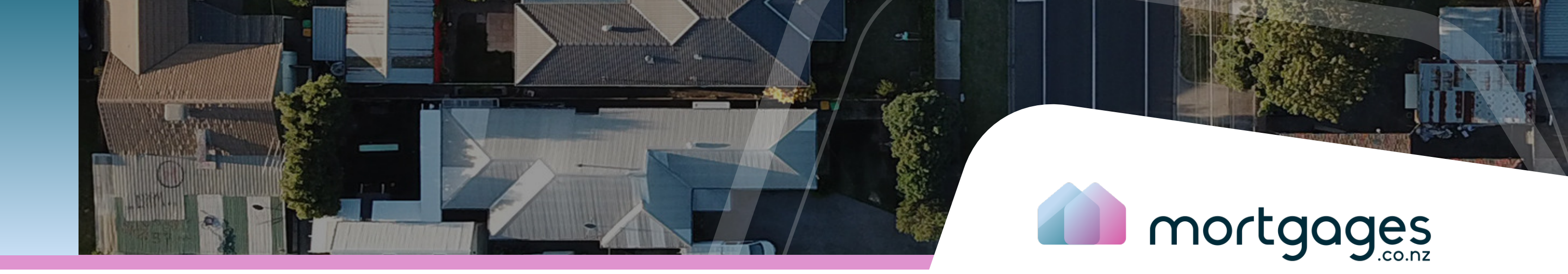


Short fixing has dominated since the start of the year.



Fixing longer than two years is favoured by almost no-one.





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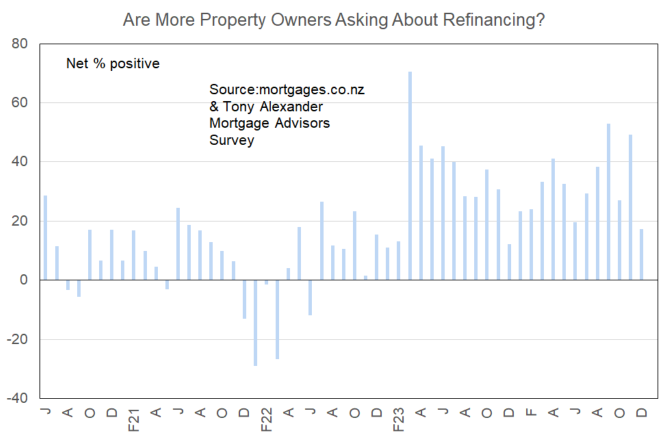
ARE MORE PROPERTY OWNERS ASKING ABOUT REFINANCING?

A net 17% of advisors have this month reported that more people are looking for refinancing of their existing mortgages. As with our other measures this is down from a month ago with November's result being a high net 49%.

Interest in refinancing is likely to remain strong as long as expectations remain for additional declines in interest rates through 2025.



Mortgage Advisor's Comments

Following are some of the general comments which mortgage advisors volunteered in this month's survey. Many comments complaining about very slow bank processing times have been trimmed or cut as there are so many of them. Enjoy.

- Existing buyers more active in making decisions and locking down purchases. New buyers starting mortgage process largely unchanged despite a lot more positive chatter in the wider market - points to any pickup in sales volumes being a little slower than some may be expecting.
- Buyers seem to be making initial enquiries with a view towards starting to look at properties and applying for finance in early 2025 once they feel more confident in themselves and their financial position
- I have seen a substantial increase in activity but on the other side, I have had 4 clients made redundant in the last 6 weeks. Times are still very tough out there. The banks' turnaround times are unacceptable.
- Bank turnaround times are getting crazy. Neutrality of channel is not a thing.
- Some 1st Home buyers, who stopped 6 months ago returning back for approvals to start looking again. Auction numbers looking ok in good areas, still wanting good homes with space outside. Second time buyers looking to buy again and hold existing home for rent, with plans to sell the 1st home in 2-3 years if market rises.
- Banks turn arounds are horrendous! Lots of mistakes coming through from banks asking for information they already have which is pushing the client's application approval further out. Finding pre-approved clients more hesitant or not finding the property they are looking for, meaning that their pre-approvals are being rolled over for an extension.
- Plenty of activity in the refinance and purchasing market. Prices seem stable and rising below $800K.
- Test rates coming down and starting to see DTI limits being hit for some investors. This will become more of an issue as test rates fall further.
- Slow turn around times by banks, especially for preapprovals (even under 80% LVR) is a nightmare.
- Just manically busy
- Lower servicing rates making a difference. Inability to obtain Pre-approval for sub 20% Deposit FHB's a real challenge. Turnaround is crazy and feels like banks are trying to stem flow/ close door three weeks before Xmas.
- Turnaround times remain as slow as they were during peak market activity, despite the current lower volumes. Some major banks are prioritising direct applications over adviser-submitted one's processing the former within days while the latter often takes weeks and are declining "new-to-bank" clients. This is negatively impacting client outcomes and access to the best available products. Consumers who would benefit from a specific bank's product are often unable to secure pre-approval simply because they are not existing customers. While banks may consider "live" applications, the inability to obtain pre-approval severely limits clients' ability to fully explore their options. Furthermore, delays in processing adviser-submitted applications often push

consumers to apply directly, preventing them from evaluating all available options in the market. This lack of access undermines competition among lenders and severely restricts consumer choice.

- There is more focus on ensuring insurance can be obtained on properties without conditions or exclusions prior to unconditional approval - possibly due to properties affected by natural disasters but also given occasional defective titles and unconsented building works
- Test rate reductions are welcome. Turnaround times still crap.
- Buyer enquiry is high but lack of motivation from buyers to push through and make deals happen, there is a lot of choice in property, so they feel they don't need to rush anything. There has been a good Christmas push common for this time of year when established serious buyers are keen to get deals done (second homes & sections).
- Clients that are re-fixing feel the bank margins are too high. Still uncertainty in Wellington re their jobs, in turn means less activity for new lending.
- Refixing loans for no longer than 1 year with more than half opting for 6 months, similar trend with first home buyers, cash contributions between 0.90% to 1%. Main banks still turning around applications for walk in applicants within 24 hours and applying different set of eligibility criteria for walk in applicants.
- Wellington market still sluggish.
- A bit of last-minute enquiry from clients. Often happens just before Christmas. Banks still really slow. Even interest rate negotiations are very slow now too.
- Overall market is getting a spark but the slower turnaround of the banks for approvals are very frustrating at present
- Wide difference in fixed rate decisions. Some still fixing for 6 months and some scared of the US and opting for the slightly longer rates - 18-36 months. -OCR changes have added significant workloads to banks and advisers now trying to secure rates for clients that floated for a couple of weeks. Turnaround times no better and shocking service from some.
- Bank turnaround times for everything, including approving and documenting loans has blown out. Many over 10 days. One bank not even offering pre-approvals for existing clients due to capacity issues.
- Starting to see preapprovals starting to move finally as they see the rates coming down. Total frustrations in the turn around times from the banks so we are sending to more than 1 bank to try to get the best outcomes for the clients within the time frames that are required.

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