



Outlook 2022-23:

Change and Opportunities for Mortgage Brokers

Key economic conditions shaping the mortgage market

RBA, ABS & Core Logic data, 2022

- ↑ Interest rates
- ↑ Indebtedness

- ↓ Household savings
- ↓ Volume of properties for sale
- ↓ Auction clearance rates
- ↓ Median house prices
- ↓ New loans



A positive note amid the downturn:

Unemployment in June 22 was at the lowest it has been in 48 years.



An update on Consumer Credit Demand: credit cards, personal loans, BNPL, auto loans and mortgages

↑ **+17%** growth in consumer credit applications, Sept 2022 vs Sept 21 quarter. Primarily driven by unsecured debt:



↑ **+31.5%** increase in credit card applications

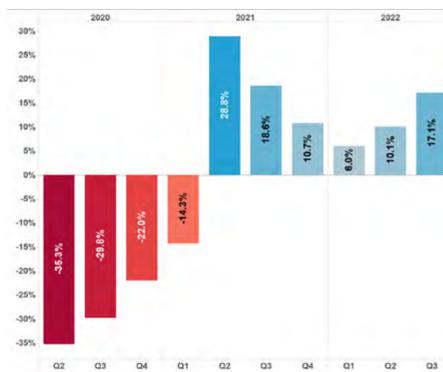
↑ **+22%** increase in personal loan applications

↑ BNPL continues to grow, but demand has slowed to **+9.9%** vs September quarter 2021 (compared to +42.2% growth in the June quarter 2022 vs 2021). Young adults, particularly Gen Z, fueled growth.

↓ **-3.8%** drop in auto loan demand. Strong used car market performance did not offset a decline in new vehicle sales.



Consumer Credit Demand by Qrt vs the Previous Year.



The Equifax Consumer Credit Demand Index, Sept 2022 vs Sept 21 quarter (Source: Equifax)

Mortgage demand, Sept 2022 vs Sept 2021 Qrt:

↓ **-6.1%** across Australia. Declines in all states except for WA and SA

↓ sharpest fall in NSW

↓ **-8.2%** new loans

Mortgage demand has dropped, but refinancing has hit record highs

New loans have fallen for four consecutive months, but the value of total loan commitments remains well above pre-pandemic levels (ABS, Sept 22)

Not all loan types are affected equally

2021: New loans were the **No.1** loan

2022: Refinanced loans are now **No.1**

Steady increase in refinancing since April as interest rates began increasing.



Competition likely to heat up between lenders to retain mortgage customers.



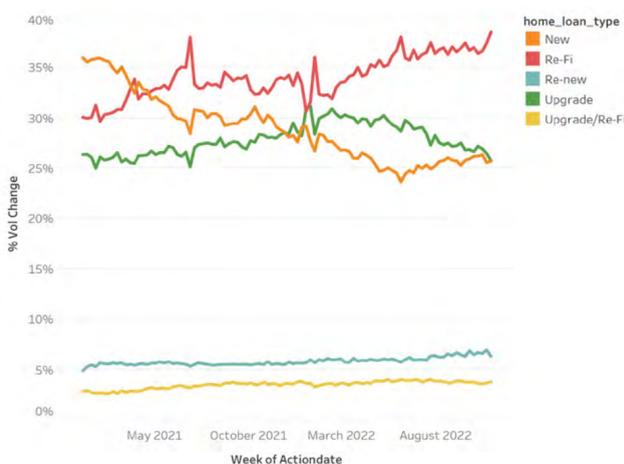
Refinancing as a percentage of all mortgages - **38%** (Aug 22, ABS)

High refinancing volumes likely into 2023 as:

- Borrowers hunt for better deals
- Borrowers come off fixed rate loans locked in during record-low interest rates.

Improved margins from interest rate increases will allow lenders to offer discounted rates to keep good customers.

Mortgage Demand by Home Loan Type

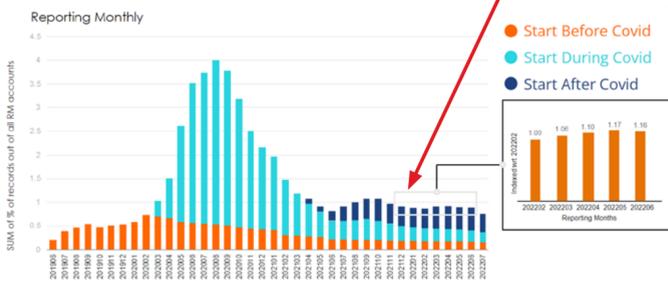


The Equifax Consumer Credit Demand Index, Sept 2022 vs Sept 21 quarter (Source: Equifax)

Financial hardship: a rocky road ahead for homeowners

Australians who have never previously had financial difficulty are now showing signs of mortgage stress - see dark blue column below

Financial assistance through the pandemic



Sum of % of records out of all reporting monthly accounts, July 2022 (Source: Equifax)

↑ **+16%** gradual increase in the number of accounts requiring assistance.

Interest rate increases since April are yet to impact mortgage arrears. In Sept 2022:

0.6% of mortgages < 90 days past due 0.3% of mortgages > 90 days past due

Arrears: Mortgages Q3 2020-22, Equifax



Characteristics of this group:

- Mortgage started during/after Covid
- Bought property when interest rates were low
- Have good credit scores: 700-1000
- Are young <45 years old
- High loan limits
- Up-to-date repayments previously
- No Covid hardship recorded

These homeowners have high levels of indebtedness and haven't yet built equity. Their mortgage stress has not yet become mortgage arrears, so time will tell whether they recover or start down the slippery slope to financial hardship.

Hardship flags recorded on consumer credit reports from July 22:

The repayment history information on the credit report reflects what was agreed upon under the financial hardship arrangement.

Hardship flags help brokers understand a customer's vulnerabilities, to make informed decisions about loan suitability.



“ Back-to-back mortgage payment rises and increased pressures on household budgets drove 27,667 Australian homeowners to swap lenders in the month of August, a 16% increase on the previous year's period. This search for a better home loan will likely continue for an extended period as borrowers come off fixed-rate terms locked in during the record low-interest rate period. Given that mortgage brokers are writing an increasing share of home loans, this wave of residential refinancing will keep mortgage brokers busy for months to come and see intense competition emerge to prevent churn.”

James Forbes, General Manager of the Consumer Division at Equifax

Learn more about our mortgage broker tools and solutions and see how Equifax can help mortgage brokers use data, analytics and technology to achieve better customer outcomes.

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