

PEXA Refinancer Sentiment Research

SEPTEMBER 2022



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Research approach

What?

15-minute online survey exploring homeowners' attitudes & behaviors towards refinancing.

Who?

Homeowners aged 18+ who had a mortgage, and

- had refinanced in the past year ("Recent Refinancers"), or
- intended to refinance in the next 2 years ("Refinance Intenders")

How?

Sample of n=2,889 reached representative of age, gender & state*, of which n=519 qualified for the research.

When?

May 18th – June 3rd 2022

Note: official interest rates were at 0.35% prior to the fieldwork commencing and rose to 0.85% after the fieldwork concluded.



* Representative of ABS statistics in the 5 mainland states of NSW, VIC, QLD, WA & SA.

NOTE: Refinancers referred to in this report includes both Recent Refinancers and Refinance Intenders, unless otherwise specified.

Introduction

Welcome to the first PEXA Refinancer Sentiment Report. This research undertaken by Nature Research, aims to provide new insight into Australian property owners' attitudes and behaviours regarding refinancing their home loan.

In addition to enabling settlements arising from the sale of a property, the PEXA Exchange also facilitates property refinances. Over 99% of property refinances nationally in Australia are completed via the Exchange*. As such PEXA Insights is uniquely positioned to report timely trends in the refinance market.

In the current environment of rising interest rates, record numbers of home owners are choosing to refinance their home loan, with many opting to switch lenders. As of the week ending 22-August 2022, the PEXA Refinance Index hit a record high with the national seasonally adjusted volume index reaching 178.0. With refinancing at an all time high, we aim to shed light into why owners are refinancing, what influences their decision and the outcomes they hope to achieve. We believe providing a consumer's perspective into refinancing will help the industry better understand the needs of borrowers and support continual improvement in mortgage solutions.

We trust you'll find the insights in this report valuable. We always welcome your feedback – if you have any comments or ideas to contribute, please connect with us at research@pexa.com.au.



* As of June 2022, PEXA captured 99% of external refinances nationally. External refinancing is where the borrower refinances their home loan with a new lender.

Key Insights



A total of **1.04M** Australians had refinanced their home loan in the past 12 months.

Additionally, **2.28M** Australians were considering refinancing in the next 2-years¹.



The top reasons for refinancing were:

1. wanting a more competitive interest rate,
2. needing to save money, and
3. broker recommendations.

The decision to refinance was highly rational.

Interest rates, the ability to negotiate the rate and loan fees were the most important features.



Homeowners who refinanced on average **saved \$1,524 per year²**.

Refinancers who switched lenders achieved on average an annual saving of \$1,908, and it took 4.2 weeks to finalise the refinance.

Refinancers who remained with their existing lender achieved an annual average saving of \$384, completing the refinance faster in 3.0 weeks.

¹Base: Total n=2,889. Refinancers estimated using survey data and ABS data on mortgage holders.

²Based on average loan size of \$610K as reported by ABS in Jun-22. Assumes owner occupier with variable interest rate paying monthly principal & interest repayments over 30 yrs. Analysis only considers the interest rate and does not consider any other applicable fees. Savings relate to the interest rate only, they exclude any upfront or ongoing offers such as cashback incentives or rewards.

Fast Facts



Home owners refinanced their home loan on average 5.6 years after purchasing the property.



55% of Recent Refinancers stayed with their existing lender, with the remaining 45% switching lenders.



On average, Refinancers used 2.7 information sources to research home loans, the most common sources were:

1. mortgage brokers,
2. home loan provider websites, and
3. general internet searches.



The top-3 barriers to refinancing were:

- > interest rate instability,
- > the onerous application process, and
- > current lender providing a competitive rate.



48% of Refinancers used or were intending to use a mortgage broker, however 83% of them also undertook their own research.



On average refinancers spent 9.4 weeks on their refinance journey. 6.0 weeks was spent researching, with an additional 3.4 weeks from initial application to refinance completion.



Home owners who had refinanced in the past 12 mths were highly likely to refinance again, with 81% stating they were intending to refinance in the next 2 years.

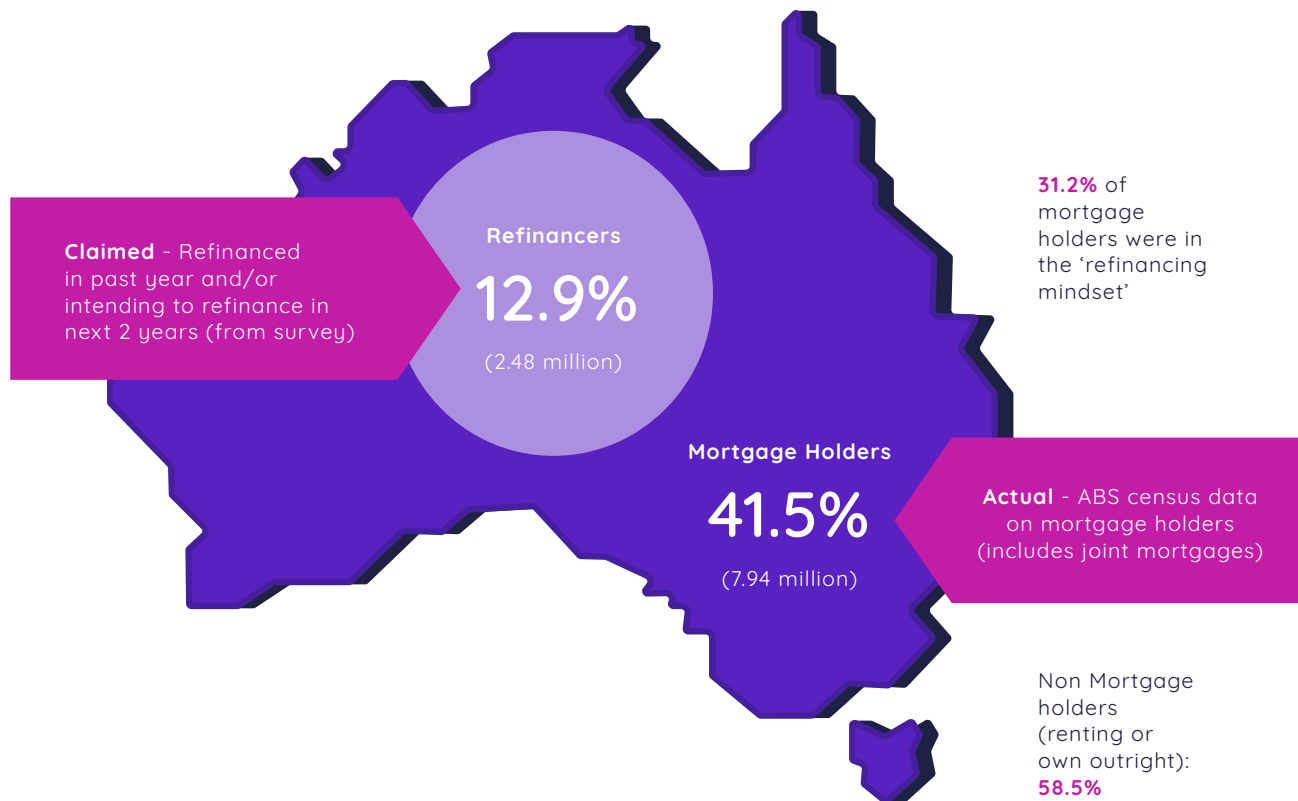
Detailed findings



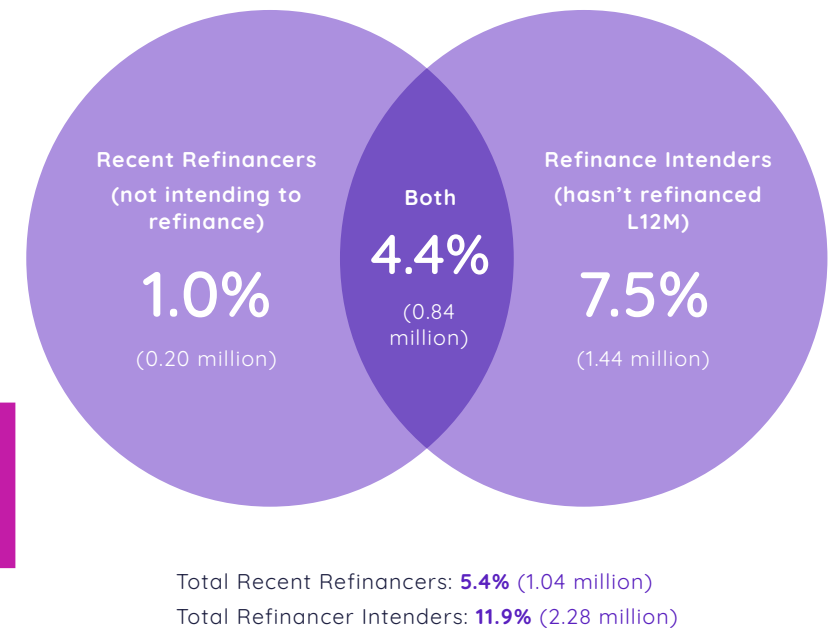
Of the nearly 8M Australian mortgage holders, an estimated 2.48M had refinanced in the past year or intended to in the next 2 years

The vast majority of Recent Refinancers (81%) expected to refinance again in the next 2 years

Australian Mortgage Holders (individuals)



Australian Refinancers (individuals)



A4. Which of the following best describes your current living circumstances? A6. Which of the following best describes your decision-making role for your home loan(s)? A7. When did you last refinance your home loan(s)? A8. Do you intend to refinance your home loan(s) at any point in the future? Base: Total Relevant States - screen out n=2,370+ Sample n=519 = Total n=2,889. Mortgage holder figures taken from most recent available ABS data (July 22). Individuals aged 18+ in the states of NSW, VIC, QLD, WA, SA.

Refinancers were anxious about the prospect of rising interest rates and were always looking for a better deal on their mortgage

71%

Were anxious about the prospect of rising interest rates

49%

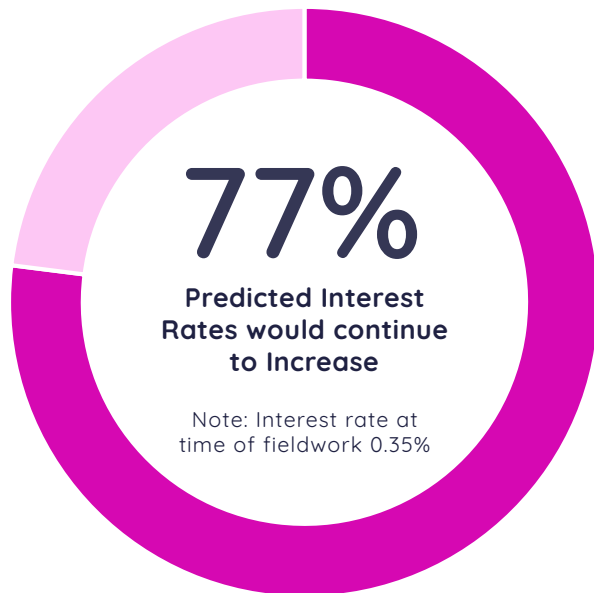
Were worried about their job / financial security

81%

Agreed there were always better deals to be found on their home loan

73%

Regularly reviewed their interest rate against market trends

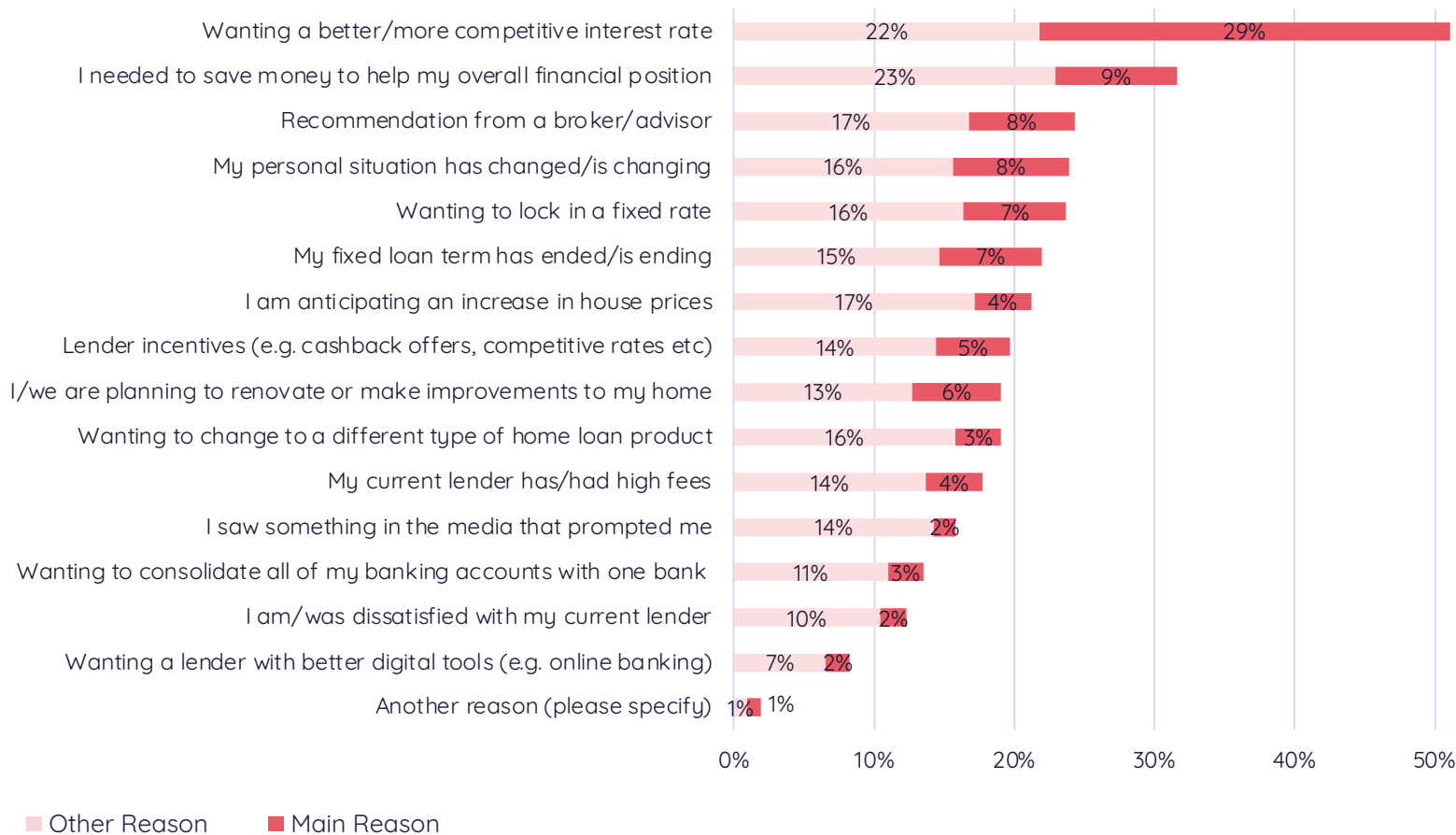


On average, refinancers predicted official interest rates would reach **2.5% by Dec-22**

B1. How strongly do you agree or disagree with the statements below about the economy and your financial situation currently? Base: Total Recent Refinancers and Intenders n=519. B2. The Reserve Bank of Australia recently raised the official interest rate to 0.35%, what do you predict will happen to interest rates for the remainder of 2022? B3. By the end of 2022 what do you think the interest rate will be? Base: Total Recent Refinancers and Intenders n=519, Those who predicted increase n=276

Refinancers were mainly motivated by a more competitive interest rate

Motivations To Refinance



3.3
Average Number of Motivations To Refinance

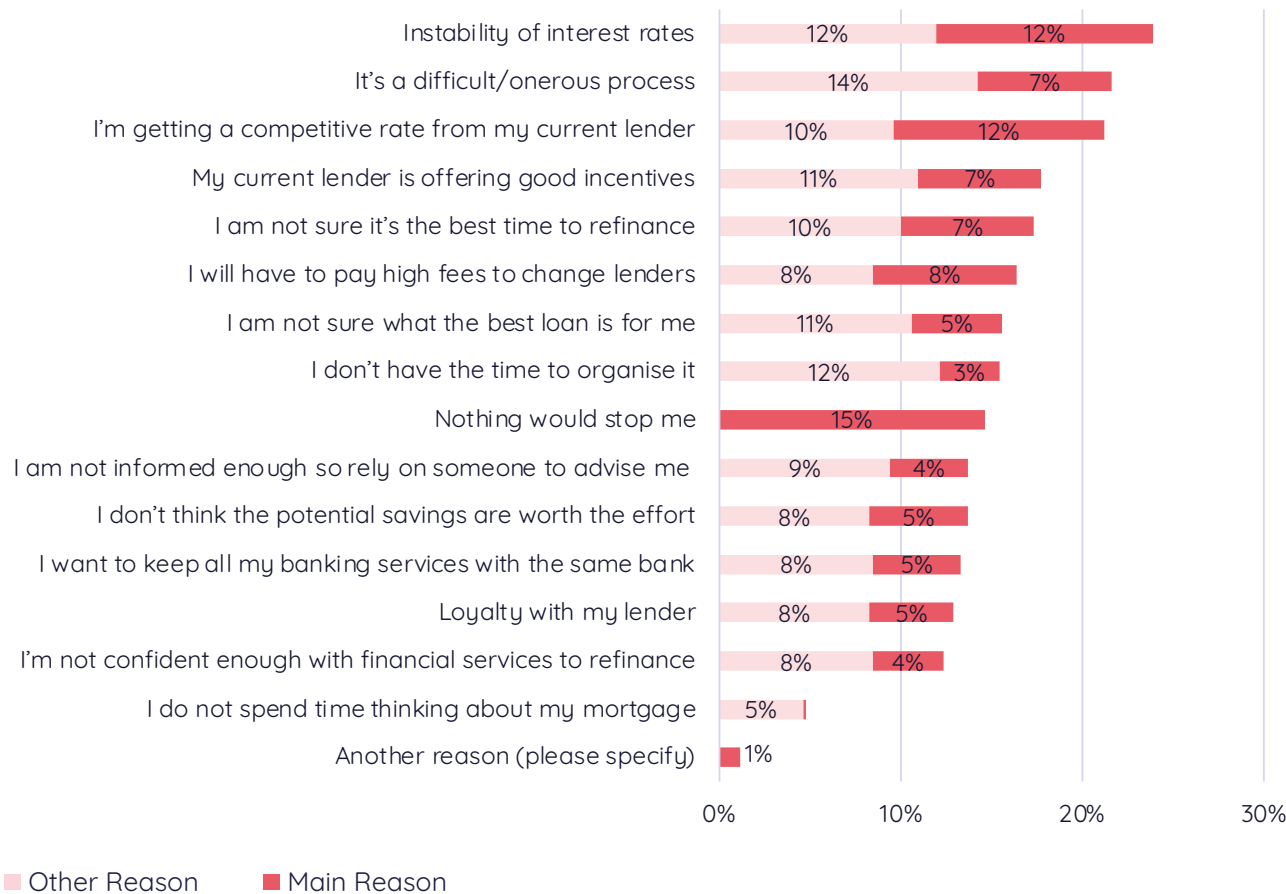
Recent Refinancers more likely to have been motivated by a broker recommendation

Refinance Intenders were more likely to be motivated by wanting a more competitive rate

C1. You mentioned you recently refinanced / were intending to refinance your home loan, what was your main reason for doing this?
 C3. Including any of the reasons you just mentioned, which of the following motivated you to refinance your home loan? Base: Total Recent Refinancers and Intenders n=519

Interest rate instability, difficulties in the process and contentment with current rate from lender were cited as the main barriers to refinancing

Barriers To Refinancing



2.4
Average Number of Barriers To Refinancing

'Current lender offering good incentives' was cited more by Recent Refinancers

'It's a difficult/onerous process' was cited more by Refinance Intenders

C4. And which of the following are potential reasons you may choose not to refinance your home in the future? Base: Total Recent Refinancers and Intenders n=519

Refinancers mainly sourced information from brokers, home loan provider websites and general internet searches

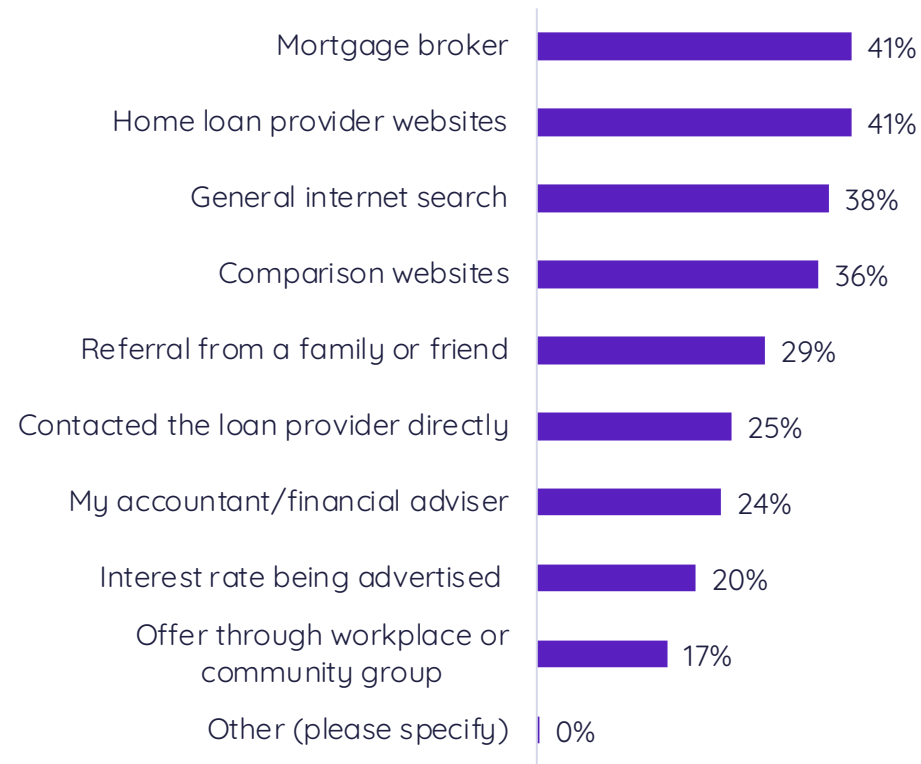
6 weeks

Average time spent researching

2.7

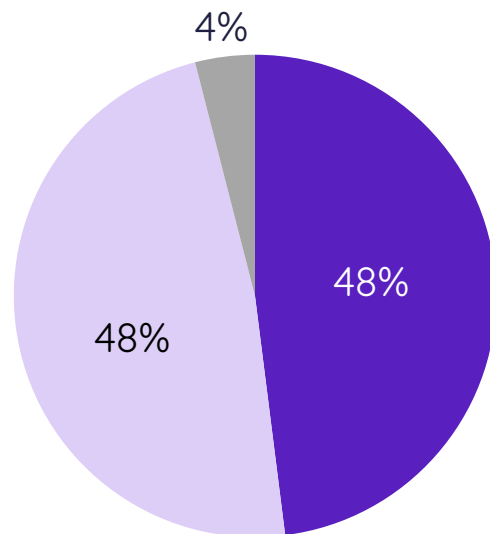
Average number of sources used to research loans / lenders

Information Sources - on Loans/Lenders

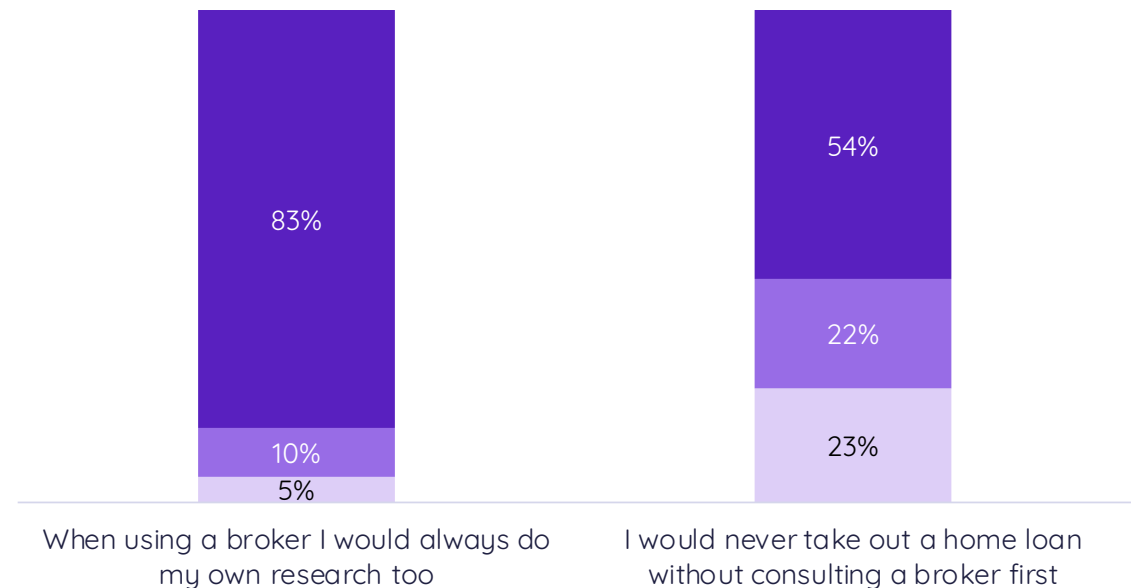


The Broker's role was integral for approximately half of Refinancers, but doing one's own due diligence is also considered important

Refinance Channel



Broker Perceptions



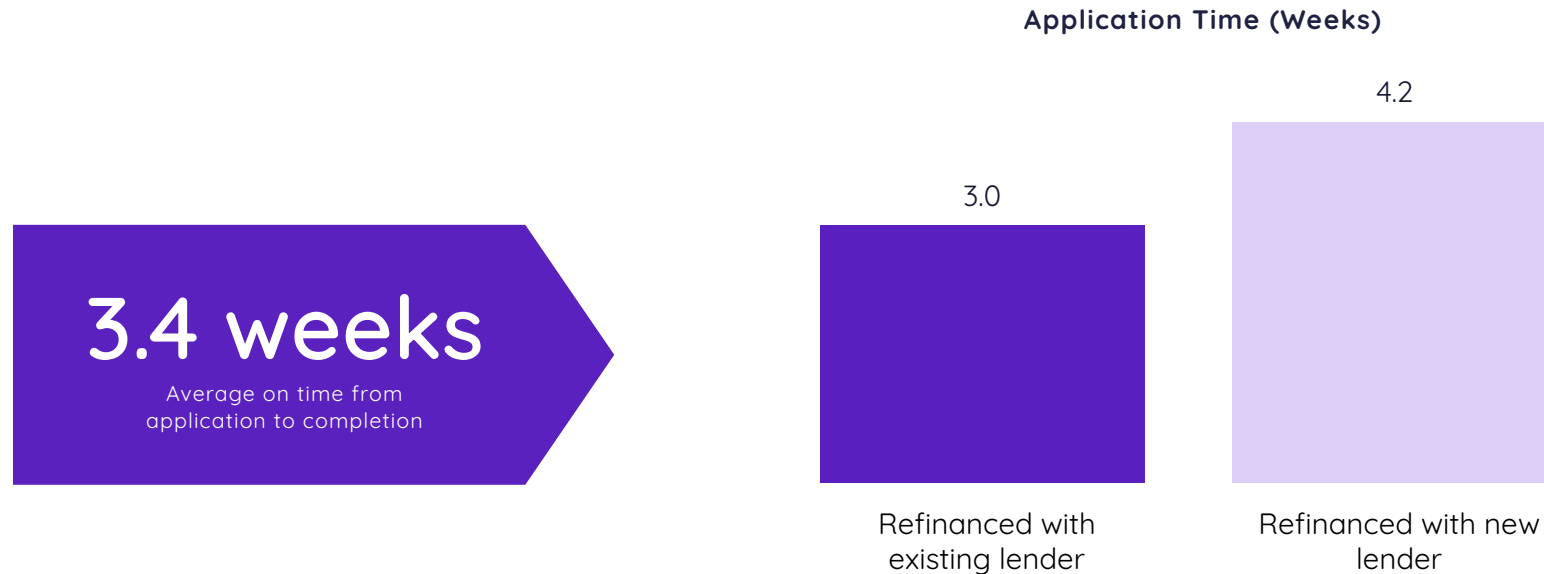
■ Direct with lender ■ Through a mortgage broker ■ Not sure

■ Disagree ■ Neither ■ Agree

D5. IF RECENT REFINANCER And when you recently refinanced this property, how did you acquire your new loan? IF REFINANCE INTENDER And when you eventually refinance this property, how do you intend to acquire a new loan? C5. How strongly do you agree or disagree with the following statements regarding mortgage brokers? ('Don't know' removed)
 Base: Total Recent Refinancers and Intenders n=519

The process of refinancing took on average less than 1-month

Refinancers who remained with their existing bank, benefitted from a faster refinance

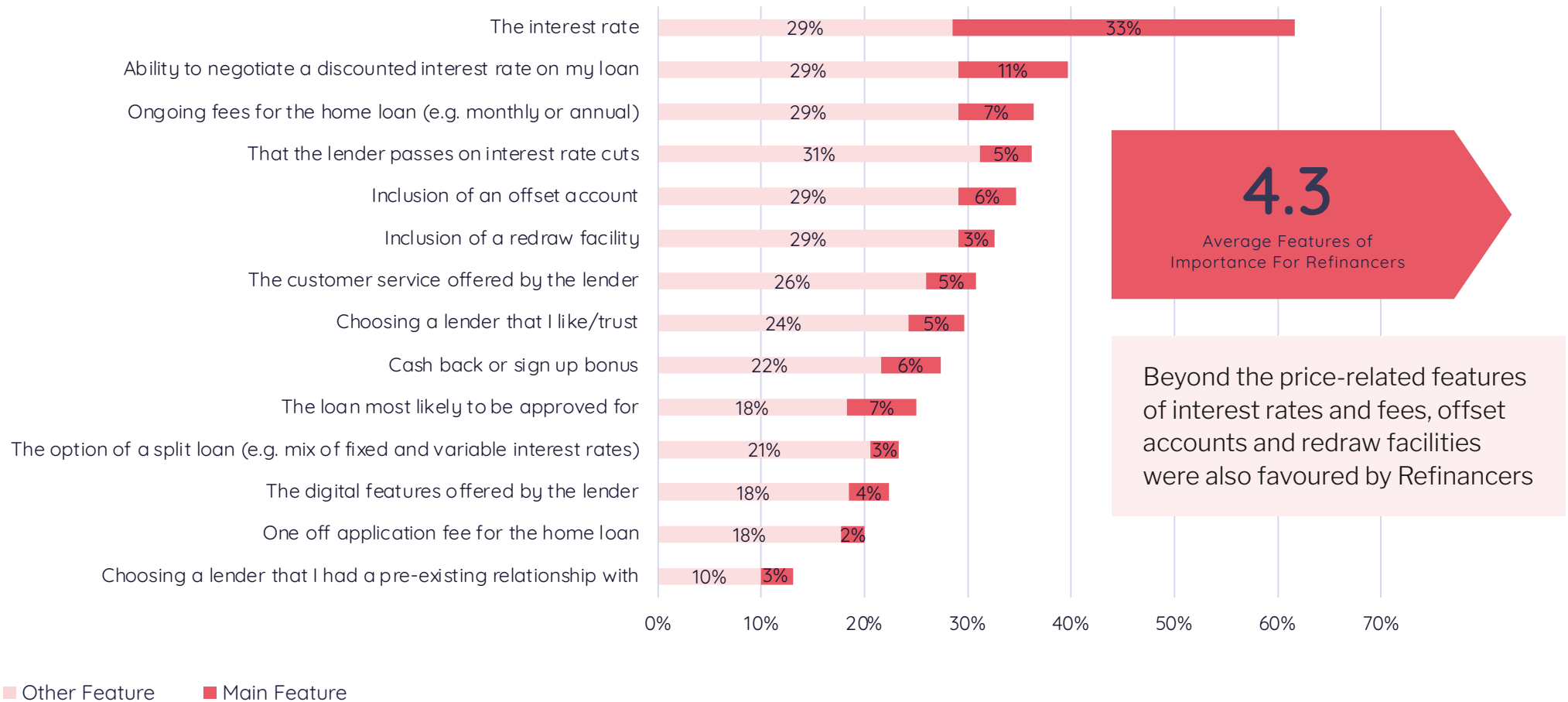


Refinancers who had experience refinancing a property before completed the process in 3.7 weeks on average, faster than first-time refinancers who took 4.0 weeks on average.

The process of refinancing was more expedient than expected, with *Refinance Intenders* expecting the process to take 4.4 weeks on average, versus the actual 3.4 weeks cited by *Recent Refinancers*.

The interest rate was the most important loan feature for Refinancers

Loan Feature Importance

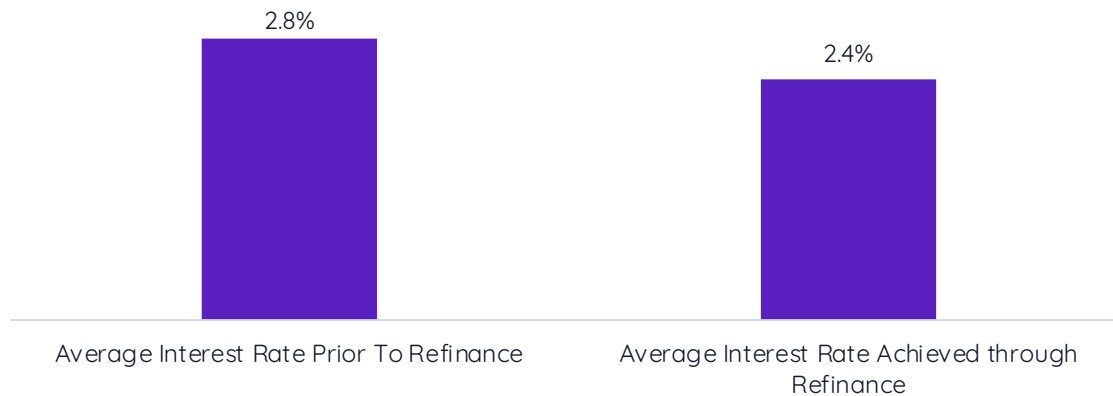


B4. Which of the following [IF RECENT REFINANCER “were” / IF REFINANCE INTENDER “are”] important to you when selecting [IF RECENT REFINANCER “your current” / IF REFINANCE INTENDER “a”] home loan? Base: Total Recent Refinancers and Intenders n=519

Refinancers on average secured a 0.4% saving off their interest rate

Refinancers who switched lenders experienced greater savings

Interest Rate Pre/Post Refinance



Refinance Savings¹

	All Refinancers	Stayed with existing lender	Switched to another lender
Average interest rate reduction	-0.4%	-0.1%	-0.5%
Average annual savings	\$1,524	\$384	\$1,908

Refinancers who stayed with their existing lender on average achieved a 0.1% interest rate reduction, versus those who switched to another lender achieving a 0.5% reduction.

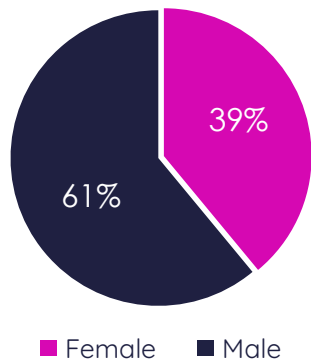
D7. IF RECENT REFINANCER Do you know what your previous home loan interest rate was? If you had a mixed loan, please tell us what the interest rate was for the largest part of your loan. e.g. 2.95 is an interest rate of 2.95%. If you're unsure, your best estimate is fine. D8A. IF RECENT REFINANCER What interest rate did you end up securing? Base: Total Recent Refinancers n=303

¹ Based on average loan size of \$610K as reported by ABS in Jun-22. Assumes owner occupier with variable interest rate paying monthly principal & interest repayments over 30 yrs. Official interest rates were 0.35% at the time of the research. Analysis only considers the interest rate and does not consider any other applicable fees. Savings relate to the interest rate only, they exclude any upfront or ongoing offers such as cashback incentives or rewards.

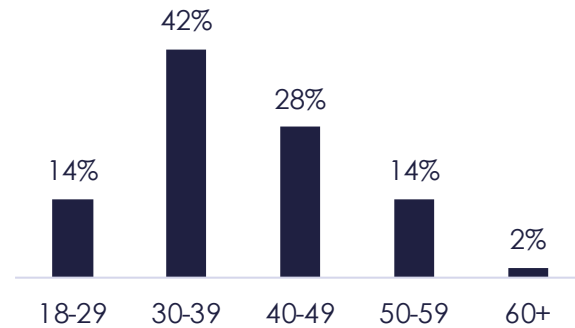
Refinancers were more likely to be males, in their 30-40s, who had children living at home and were working full time

Profile of Refinancer

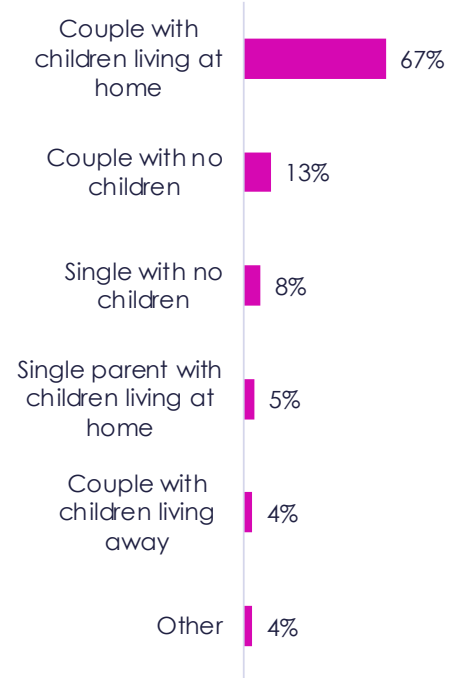
GENDER



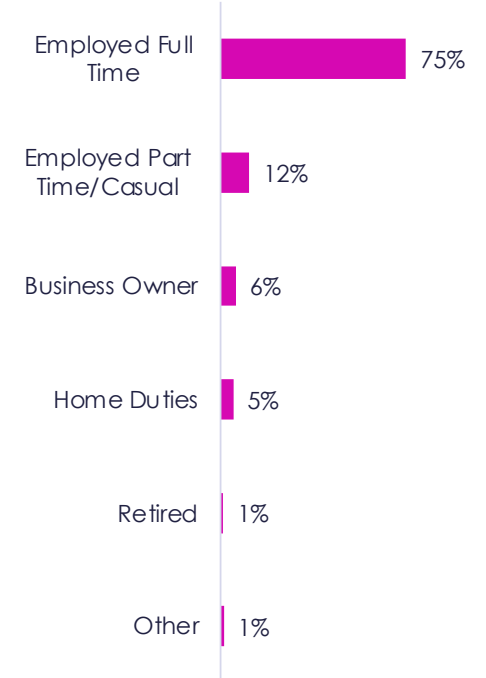
AGE



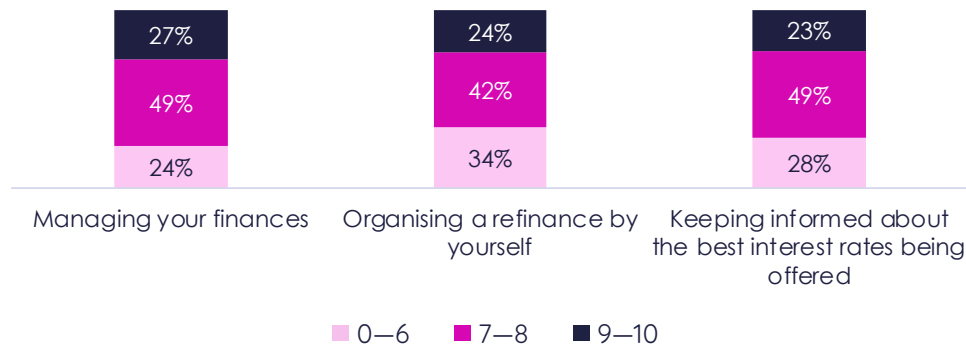
HOUSEHOLD



EMPLOYMENT



FINANCIAL LITERACY



A1. Firstly, are you..., A2. How old are you?, HHSTATUS. Which of these best describes your current household living situation?, EMPLOYMENT. Which of these best describes your current employment status? F3. Overall, how confident do you feel in. Base: Total Recent Refinancers and Intenders n=519

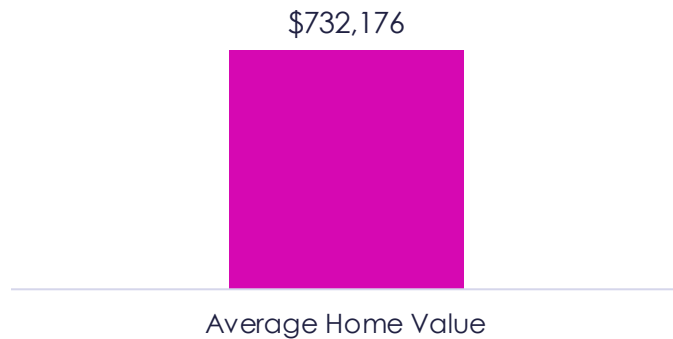
The average value of properties being refinanced was 732k and in most cases it was the Refinancer's primary residence

The property being refinanced was on average purchased 5.6 years prior

Profile of Refinancer's property

PROPERTY VALUE

Median: 590k

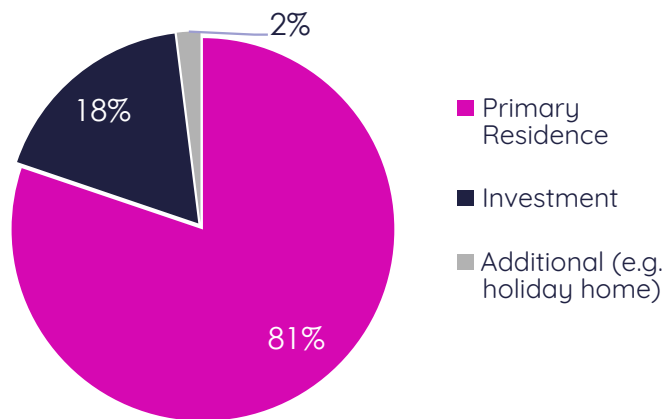


YEARS OF OWNERSHIP

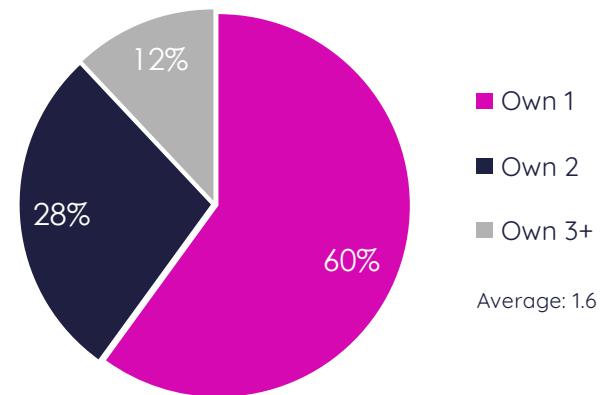
Property being refinanced was purchased on average

5.6
years ago

PROPERTY TYPE



PROPERTIES



D12. What is the approximate value of the property [IF RECENT REFINANCER you recently refinanced your loan for / IF REFINANCE INTENDER you intend to refinance your loan for? D3. How long ago did you buy this property? D1. IF RECENT REFINANCER Was the property you recently refinanced your loan for a... IF REFINANCE INTENDER Is the property you intend to refinance your loan for a... D3a. How many properties, including this one do you own (either outright or with a mortgage)? Base: Total Recent Refinancers and Intenders n=519

Australian Refinancers had on average \$491K remaining on their home loan

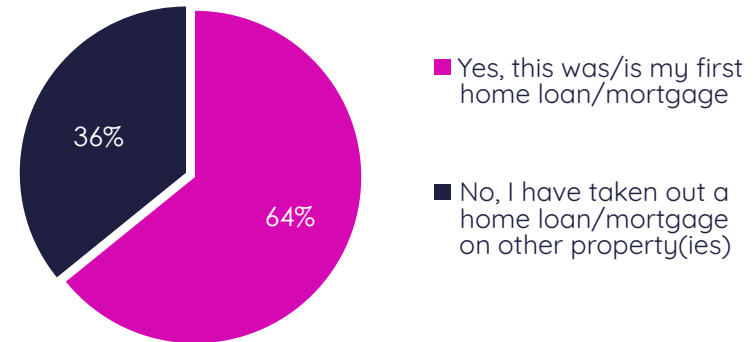
Profile of Refinancer's home loans

LOAN VALUE

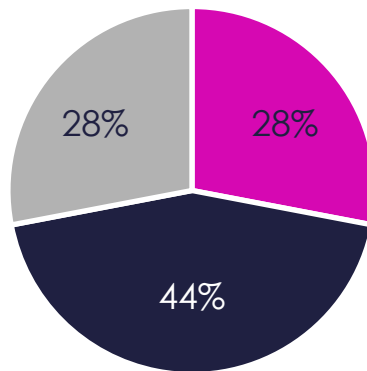
Median: 380k



FIRST MORTGAGE

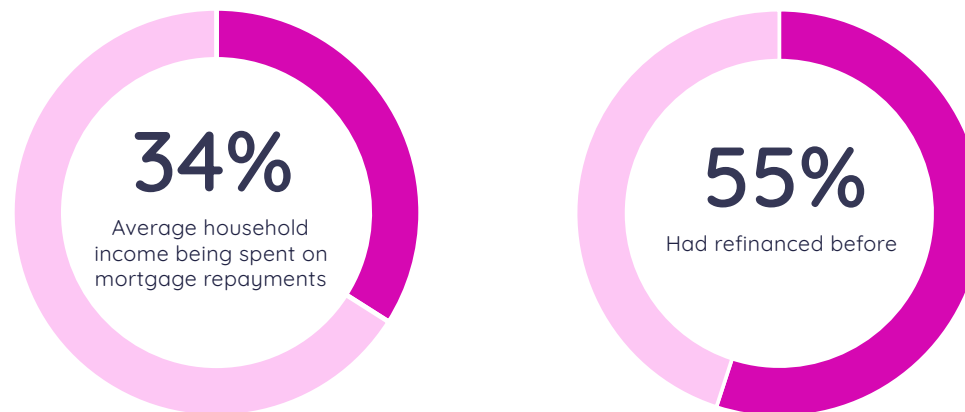


REPAYMENTS



■ 0 to 20 ■ 20 to 40 ■ 40 to 60

PRIOR EXPERIENCE



D13. What is the approximate value of the loan for this property? D2. Was/is this the first property you had taken out a home loan/mortgage for? D14. Approximately what proportion of your household income is going into your mortgage repayments for this property? E2. IF RECENT REFINANCER Which bank/lender did you recently refinance your loan with? IF REFINANCE INTENDER Which bank/lender do you have your home loan/mortgage with (i.e. for the property that you intend to refinance your loan)? D4. How many times have you refinanced your loan for this particular property? Base: Total Recent Refinancers and Intenders n=519

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