Westpac responses to questions on notice
Inquiry into the financial regulatory framework and home ownership

Responses to questions on notice received on 11 October 2024:

1. What proportion of total home loans do loans to first home buyers (FHBs) constitute for your organisation, in terms of their total value?

Total stock and proportion of flow by value (balances) and by volume (total accounts):

	Balance	Accounts
FY23 flow[1]	9.2%	8.7%
FY24 flow[2]	13.5%	13.7%
Sep-24 Total Stock[3]	11.9%	11.1%

2. What proportion of home loans to first home buyers go to those in the regional metro centres, as compared to capital cities?

	FHB		non-FHB	
% Regional	**Balance**	**Accounts**	**Balance**	**Accounts**
FY23 flow	39.4%	42.7%	34.7%	40.1%
FY24 flow	40.5%	43.2%	33.6%	40.4%
Sep-24 Total Stock	39.9%	41.1%	33.0%	38.0%

Note: Data is based on loan's security postcode. The remaining population would be in CBD or Metro areas.

3. What is the average size of home loans to first home buyers your organisation issues?

Avg loan size ($m)	FHB	non-FHB
FY23 flow	$466.5	$438.9
FY24 flow	$492.2	$500.6
Sep-24 Total Stock	$343.0	$316.5

4. What is the average interest rate your organisation grants for a first home buyer's home loan, both in fixed and variable terms?

Westpac's lowest advertised fixed rate product available to FHBs is a two-year fixed rate of 5.89%, available for new Owner-Occupied packaged home loans paying Principal & Interest with an LVR of up to 70%. Full criteria and detail is available here.

Westpac's lowest advertised variable rate available to FHBs is 6.44% for new Owner-Occupied loans paying Principal & Interest with an LVR of up to 70%. This includes a 2-year introductory 1.64% discount. Full criteria and detail is available here.

[1] FY23 flow: All accounts originated from Oct-22 to Sep-23. Data as at flow month.
[2] FY24 flow: All accounts originated from Oct-23 to Sep-24. Dat as at flow month.
[3] Total portfolio as at Sep-24.

5. **What is the average age of first home buyer your organisation grants a home loan to?**

By age distribution:

	FHB				non-FHB			
% Balance	**<35YRS**	**35-45YRS**	**45-55YRS**	**>55YRS**	**<35YRS**	**35-45YRS**	**45-55YRS**	**>55YRS**
FY23 flow	62%	29%	8%	2%	25%	39%	25%	12%
FY24 flow	63%	27%	7%	2%	23%	39%	26%	13%
Total Stock (Sep-24)	49%	35%	13%	4%	14%	34%	30%	22%

By average age (weighted by balance):

Avg Age	FHB	non-FHB
FY23 flow	34yrs	43yrs
FY24 flow	34yrs	43yrs
Sep-24 Total Stock	37yrs	47yrs

6. **What proportion of home loans to first home buyers go to singles and how many go to couples?**

Noting that the data cannot determine where a joint applicant might be a 'couple'.

	FHB		non-FHB	
% Balance	**>= 2 applicants**	**Single Applicant**	**>= 2 applicants**	**Single Applicant**
FY23 flow	65%	35%	77%	23%
FY24 flow	66%	34%	79%	21%
Sep-24 Total Stock	62%	38%	77%	23%

7. **What proportion of home loans to first home buyers go to those who receive a guarantee or security from a family member who is not a spouse?**

Most guarantor types fall into the 'Parental' category. The remaining would come under 'Spousal', 'Trust' or 'Other'.

	FHB		non-FHB	
%Guarantor	**Balance**	**Accounts**	**Balance**	**Accounts**
FY23 flow	9%	8%	2%	2%
FY24 flow	9%	8%	2%	2%
Sep-24 Total Stock	10%	9%	4%	3%

	FHB		non-FHB	
%Parental Guarantor	**Balance**	**Accounts**	**Balance**	**Accounts**
FY23 flow	9%	8%	1.3%	1%
FY24 flow	7%	6%	2%	1.4%
Sep-24 Total Stock	10%	9%	2%	2%

8. **Of the first home buyers granted a home loan by your organisation, how many of these customers:**

   a. **Used a government scheme to assist with paying their deposit?**

Home Guarantee Scheme participation:

%HGS	Balance	Accounts
FY24 flow	27%	29%
Sep-24 Total Stock	8%	5%

b. Made use of another government scheme or incentive to assist in the purchase of their property, such as the First Home Buyers Guarantee?

Due to differences and limitations with how this data is captured and aggregated, an accurate figure is indeterminable.

Response to the additional question on notice received via email on 24 October:

1) If the capital risk weight changes on a particular class of mortgages, what impact does that have, if any, on consumer pricing?

The holding cost of capital derived from risk weights is one of many important factors contributing to the return on a mortgage, a class of mortgage and for the total portfolio. Westpac seeks to meet certain return thresholds for return on risk adjusted capital and shareholder returns, while also ensuring appropriate risk appetite settings and regulatory prudential obligations are met.

As an example, some of those thresholds may take a longer-term approach to smooth out short-term impacts. Returns and associated capital efficiency are monitored and shifts are factored into pricing decisions used in either customer acquisition, retention offers and general pricing of existing mortgages.

Response to the question on notice taken at the hearing on 24 October:

***Senator BARBARA POCOCK*: I want to go to Westpac's own position and policy. We were told this morning that we've got terrific banks, and we've got—of course we know—extremely profitable banks. I understand you made $7.2 billion last year. Considering that level of profit and your desire to see people out of stress, particularly first home buyers, do you think you should be considering—or have you considered—waiving mortgage insurance for first home buyers and absorbing the risk yourself, given that insurance actually buys you out of risk; it doesn't make any difference to the risk that a first home buyer is in?**

***Mr Deall*: That's a policy rule that we could absolutely consider and it's an option available to us. I don't think I can answer now. There's a governance process around building out policy, but it's absolutely one we can take on notice and discuss further.**

Lender's Mortgage Insurance (LMI) is one of many risk management tools used to ensure lending risk remains within appetite for the bank. It is particularly important for customer segments where the loan to value ratio (LVR) is higher – for example, many first home buyer loans. It allows the bank to accept the higher LVR risk, thereby giving the bank flexibility to offer more loans to more customers.

We regularly review our processes and policies to help more Australians achieve home ownership and continue to consider how we can help more first home buyers. Westpac is a participating lender in the Federal Government's Home Guarantee Scheme, under which LMI is waived for all loans[4]. Westpac has also introduced LMI waivers for certain professions, including registered nurses, hospital registrars and midwives[5], to help avoid the additional upfront expense. Through these initiatives, we have helped more than 20,000 customers buy a home since 2023.

[4] The HGS enables eligible first home buyers to purchase a home with as little as 5% deposit without paying LMI.

[5] Available for eligible registered nurses and midwives who earn over $90,000 per annum gross salary. Where both applicants are eligible healthcare professionals, the $90,000 income threshold can be met jointly by the two applicants. Under the waiver, these applicants can buy a home with a smaller deposit (from 10%) with the cost of LMI waived.