CRUNCH TIME!

He made his fortune and became a household name putting average Australians into their own homes and despite burgeoning household debt, a worldwide liquidity squeeze and interest rate rises, Aussie Home Loans' John Symond confidently says Australia won't go into recession. Josephine Brouard reports.

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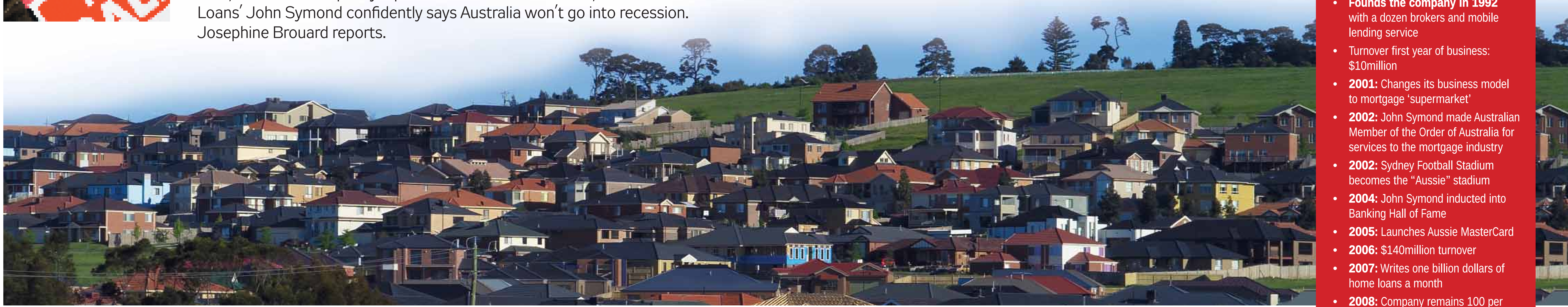

The impact of the global fallout is starting to be felt locally, but Australia will get through it better than most economies around the world.

Nevertheless, the credit crisis is seriously squeezing both banks and non-bank institutions in the US and Europe and even here.

"Anyone in the finance industry who says they're not being knocked around, is not being truthful," says Aussie Home Loans' CEO and figurehead, John Symond. "The difference is that while others are being punched in the gut, we at Aussie are just copping a few black eyes."

Symond is scathing about the US sub-prime fiasco, but is quick to point out that something similar wouldn't happen here. "We're in better shape here," he stresses. "Yes, we're suffering a liquidity problem – right now, there's very little liquidity anywhere in the world – but we're well positioned to experience minimal impact. The banks here learned from their mistakes in the early 80s.

Today, as a result, we've got one of the most transparent, rigorously regulated banking systems in the world."

Symond points out that Australia's finance sector did not imitate the American penchant for sub-prime. "There was this tremendous greed in the U.S. to place funds – billions of dollars – anywhere and everywhere – for unrealistic low margins, and to lend to people with no income, job or assets. And that's just crazy! Australia hasn't experienced any of this – and that's insulating us from a whole rash of people being thrown out of their homes.

"But that doesn't mean we're not feeling some pain. The oil crisis; the drought; the explosion of national household debt; and the credit squeeze; all these factors are contributing to a scenario that the world has never seen before – or at least not seen by me in the 35-odd years I've been in the business. So, naturally I'm concerned – and pretty much everyone in the sector is too. Most of us have been affected. Look at RAMS; they got into strife because they had their own securitisation business. Aussie doesn't do its own funding – I believe that's to our advantage – and now Wizards is also reputedly struggling while smaller mortgage operators are doing it tough and might not survive. Plus, there's always that minority 'spiv' element.

"We're going to take advantage of the rationalisation of the industry. In 12 to 24 months' time, I believe what once was a very cluttered space is going to become a very uncluttered space." Symond barely pauses to take breath as he sits comfortably wedged on a red leather sofa chair in his office suite high above the Sydney CBD. His eyes are half-closed as he focuses intently on the interview; only a brief mobile chat with his 20-year-old daughter, Deb, breaks the flow.

"I don't believe Australia will go into a recession," he says, resuming his train of thought. "In the end, I remain cautiously optimistic. That's because I believe Australia is fortunate; we have a resources boom that underpins our economy. We are also extremely well placed with neighbours (like China and India) who need all the resources we can get out of the ground. That will carry us through."

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"In 12 to 24 months' time, I believe what once was a very cluttered [mortgage lending] space is going to become a very uncluttered space."

ECONOMY TO SLOW

The businessman continues apace: "The economy will slow, but it won't stop, and we'll have a soft landing. I also believe interest rates have reached a plateau. By early next year, we will start seeing lower interest rates... in 12 to 18 months, interest rates will be significantly lower than they are today." So what does all this bode for real estate? Says Symond: "The property market is healthy – primarily because there is a shortage of supply. This puts huge pressure on existing housing, which is not sufficient for the population – and that's driving up rentals. Investors like that because they get bigger yields." While he expresses cautious optimism about the financial landscape overall and the property market in particular, Symond admits it's not all rosy. Housing affordability, for one, bothers him. His company has researched the property landscape pretty thoroughly in the past couple of years and two findings stand out: firstly, that the Aussie dream of owning a home still burns brightly; and secondly, that housing affordability is slipping further out of the reach of young Australians. "I presented a paper (in collaboration with BIS Shrapnel) to the Government in August last year suggesting that tax rates be made deductible for first home buyers buying new housing under $500,000. We hoped to encourage more people to buy their first homes; free existing homes for our burgeoning population; and to provide property developers with incentive to build 20,000 new dwellings a year. Our view was that this would be great for the economy."

A BUYER'S MARKET

His proposal, he says candidly, barely got any airtime in the run-up to the election. But... he hasn't given up yet. Since he founded Aussie Home Loans 16 years ago, Aussie's sole owner/operator admits he has experienced a rollercoaster of highs and lows – nevertheless, the "We'll save you" brand still attracts customers in droves. Currently, the company is signing on one billion dollars of new home loans a month; the loan book currently stands at $23 billion. He enjoys collaborating with the real estate industry, he says, and sees a lot of synergy in the two businesses working together closely.

"Most Australians are fascinated with the idea of property, and I'm no different," Symond says. "Property still remains a very viable investment – but it's definitely turned from a seller's to a buyer's market. If you do your homework and get good advice, there are opportunities. Thanks to the oil crisis, properties close to the CBD are going to become increasingly sought after. Today, property values may increase three or four per cent; but for the most part, they'll be small or flat. All of this is healthy, in my view."

16 Years in the Making: AUSSIE HOME LOANS

- **Founds the company in 1992** with a dozen brokers and mobile lending service
- Turnover first year of business: $10million
- **2001:** Changes its business model to mortgage 'supermarket'
- **2002:** John Symond made Australian Member of the Order of Australia for services to the mortgage industry
- **2002:** Sydney Football Stadium becomes the "Aussie" stadium
- **2004:** John Symond inducted into Banking Hall of Fame
- **2005:** Launches Aussie MasterCard
- **2006:** $140million turnover
- **2007:** Writes one billion dollars of home loans a month
- **2008:** Company remains 100 per cent owned by John Symond. "We may list in the next two or three years, but I will never sell out totally"