

**J.D. Power Asia Pacific Reports:
Anticipating Lower Interest Rates, Fewer Homeowners in Japan
Are Refinancing or Considering Refinancing Their Mortgage**

Ogaki Kyoritsu Bank and Sony Bank Rank Highest in Customer Satisfaction
With Mortgage Servicers in Their Respective Segment

TOKYO: 17 February 2015 — Not motivated by current interest rates and anticipating lower rates in the future, mortgage customers are refraining from refinancing or considering refinancing their mortgage, according to the J.D. Power Asia Pacific 2015 Japan Mortgage Satisfaction StudySM released today.

The study, now in its second year, measures customer satisfaction with their mortgage origination or servicing experiences at full-service, self-directed, trust and community banks.¹ Overall customer satisfaction with mortgage servicers is based on three factors (in order of importance): billing and payment process (68%); contact (21%); and facility (11%). Overall satisfaction scores are based on a 1,000-point scale.

The study finds that 49 percent of customers of mortgage servicers expect mortgage interest rates to remain stable or decline in the future, up from 31 percent in 2014. As a result, 31 percent of customers have refinanced their mortgage, down from 35 percent in 2014, and 32 percent are considering refinancing in 2015, down from 34 percent in 2014.

“Customers are more likely to refinance when they expect interest rates to rise,” said **Ryutaro Nakao, manager at J.D. Power Asia Pacific, Tokyo**. “In 2014, new-home sales lagged, the consumption tax increased and customers were anticipating interest rates to fall, all of which have led to slow refinancing activity.”

Mortgage interest rates in Japan have dropped markedly. Among customers who obtained a new mortgage during the past year, interest rates average 0.80 percent for adjustable-rate mortgages; 1.20 percent for hybrid adjustable-rate mortgages; and 1.85 percent for fixed-rate mortgages.

With adjustable-rate mortgages, borrowers benefit when interest rates decline, but face the risk of their mortgage increasing if interest rates rise. Despite the uncertainty of an adjustable-rate mortgage, only 34 percent of mortgage customers consider more than one payment schedule, down from 43 percent in 2014.

“Consideration of a single payment schedule suggests that customers are choosing adjustable-rate mortgages based on an anticipation of falling interest rates,” said Nakao “However, lenders and customers must choose a payment schedule carefully, taking into account how both falling and rising interest rates may impact the mortgage payment.”

When mortgage interest rates are competitive, customers tend to select their mortgage provider based on the firm’s reputation or processes rather than price. Among the most frequently cited reasons for selecting a mortgage servicer in 2015 are purchase of “products and procedures for transactions are easy” and the

¹ Full-service banks include money center banks and regional banks; self-directed banks include pure-play Internet banks and other banks; trust banks include all trust banks; and community banks include labor banks, shinkin banks, credit unions and JA banks.

firm is “high-profile or creditworthy.”

Key Findings

- Mortgage customers most often obtain information about their lender at their lender’s branch and through word of mouth on the Internet.
- Among customers who have secured a new mortgage during the past year, 49 percent acquired adjustable-rate mortgages, a 3 percentage point increase from the 2014 study. Adjustable-rate mortgages tend to be acquired by mortgage customers living in Tokyo or Osaka and by those working for a major company.
- Mortgage customers who live in the Chukyo region and those who work for a small to midsize company are more likely to choose a fixed-rate mortgage.
- Internet banks have been providing mortgages in Japan since 2002 and now account for 8 percent of all mortgage contracts. Internet banks, which rely on low interest rates and fees, have shortened the examination period before authorizing a mortgage to 14 days in 2015 from 16 days in 2014.

Study Rankings

Mortgage lenders are classified into one of two segments: full-service banks and self-directed banks. Although trust and community banks are included in the study, they are not ranked.

Ogaki Kyoritsu Bank ranks highest in the full-service bank segment (575), performing particularly well in the billing and payment process factor and also performing well in the facility factor. Aomori Bank ranks second (574) and Hachijuni Bank ranks third (573), with both banks performing particularly well in billing and payment process and contact.

Sony Bank ranks highest in the self-directed bank segment with a score of 727. Sony Bank performs particularly well in billing and payment process and contact.

The 2015 Japan Mortgage Satisfaction Study is based on responses from 16,914 mortgage customers age 20 and older, of which 5,137 respondents originated a new mortgage or refinanced during the past 12 months and 11,777 have had their mortgage for at least one year. The Internet study was fielded in November 2014.

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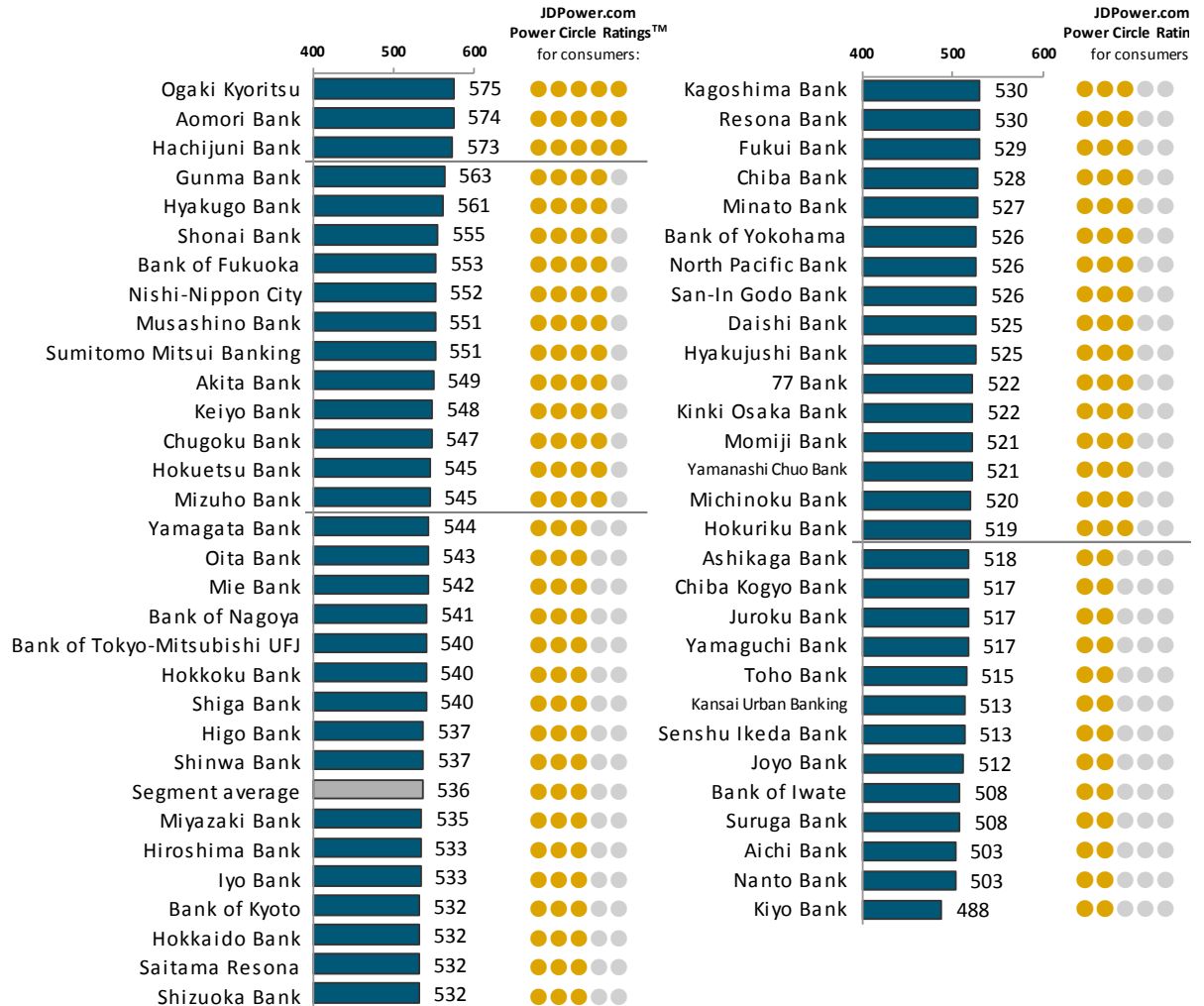
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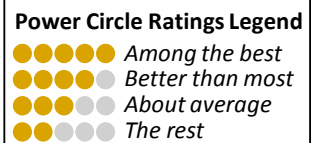
J.D. Power Asia Pacific 2015 Japan Mortgage Satisfaction StudySM (Servicer)

Full-Service Bank Customer Satisfaction Index Ranking

(Based on a 1,000-point scale)



Included in the study but not ranked due to small sample size are: Tochigi Bank; Tsukuba Bank; Chukyo Bank; Daisan Bank; Tajima Bank; Tomato Bank; Awa Bank; Ehime Bank; Shikoku Bank; Bank of Saga; Eighteenth Bank; Kumamoto Bank; Bank of The Ryukyus; Bank of Okinawa; and other regional banks



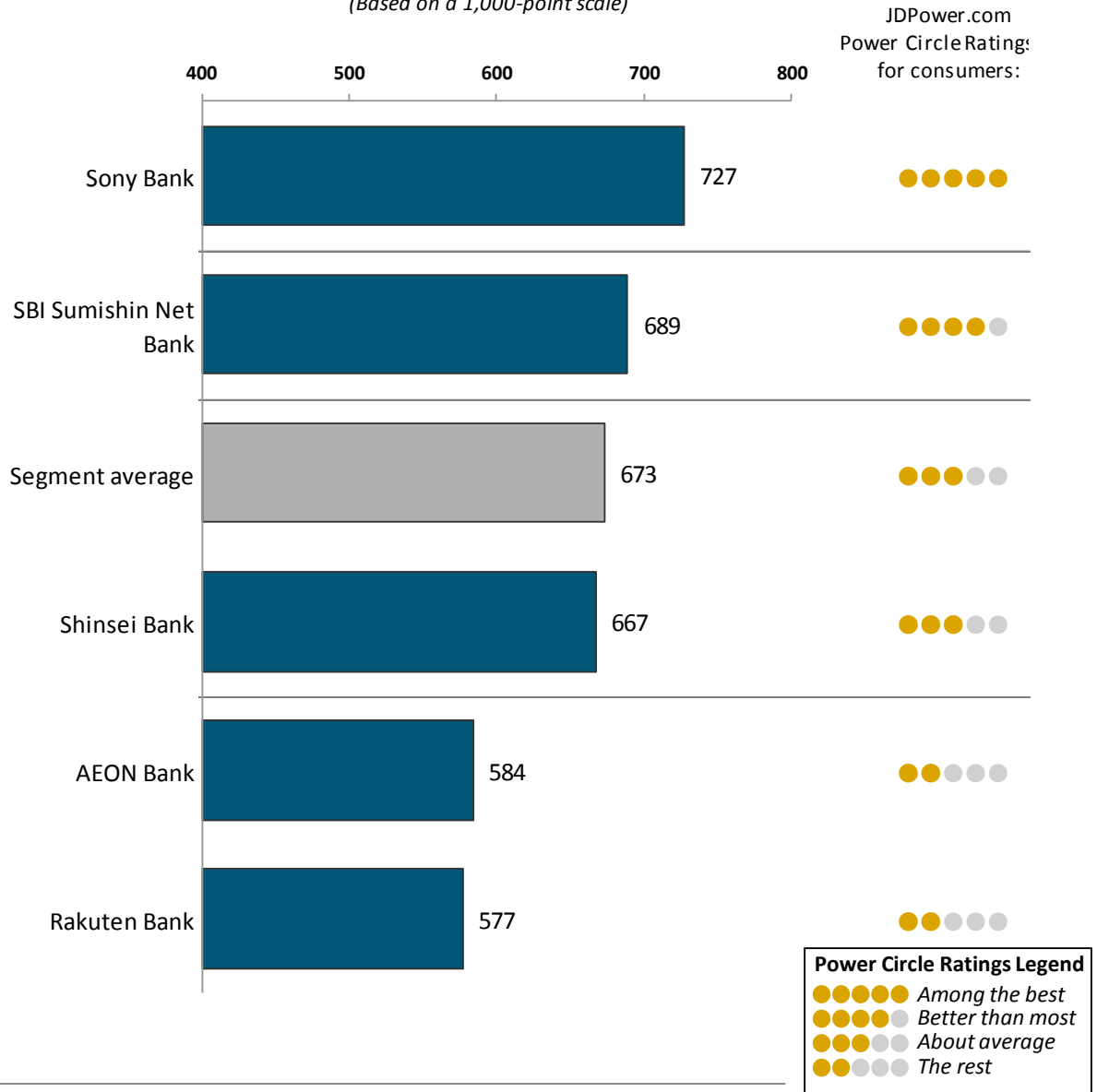
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Self-Directed Bank Customer Satisfaction Index Ranking

(Based on a 1,000-point scale)



Source: J.D. Power Asia Pacific 2015 Japan Mortgage Satisfaction StudySM (Servicer)

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