

## MEDIA RELEASE

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### **CHALLENGER LAUNCHES NON-CONFORMING MORTGAGE BUSINESS**

10 February 2004, Sydney - Diversified financial services company Challenger Financial Services Group Limited (Challenger - ASX:CGF), today announced it has entered the sub prime or non-conforming mortgage market through the launch of a new non-conforming mortgage wholesale financing business, The Mortgage Alternative (TMA).

Challenger has established TMA to further enhance its financing offerings which include commercial financing through the Howard Mortgage Trust, prime residential financing through Interstar Securities, and now non-conforming residential financing, through TMA.

TMA will distribute non-conforming loans under a wholesale finance model utilising Interstar Securities distribution base of over 490 originators. Similar to Interstar Securities prime loan products, originators will have the capacity to white label the TMA products, a first in the Australian market place.

Challenger's CEO, Chris Cuffe, said the establishment of the TMA business provides significant synergies with Challenger's existing residential mortgage financing business, Interstar Securities, acquired by Challenger in September 2003.

"The Australian non-conforming mortgage market is around \$A6 billion. TMA provides Challenger a unique opportunity to leverage an existing distribution base via Interstar and maximise our exposure to projected growth in the non-conforming market."

Mr Cuffe said Challenger's entry into this market has been structured to minimise credit risk. "TMA loans will not be mortgage insured but Challenger's risk is mitigated via the on-sale of loans on a regular basis", Mr Cuffe said.

The Mortgage Alternative will cater to self-employed or full time borrowers who fall outside the traditional lenders criteria and initially will offer four types of loans including lite documentation for self employed and full documentation loans.

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