

## News & Views

### Auction results still depressing

The Auction clearance rate continued to slowly improve in Sydney, with almost 69 per cent of properties listed for auction selling on Saturday. There were 129 successful auctions on Saturday in Sydney, about the same as the previous weekend. In Melbourne there were 71 properties sold at auction for a clearance rate of 68 per cent, which was down on last week's results when 228 properties were sold. Just two properties were sold at auction in Adelaide on Saturday and nine in Brisbane.

### Repossessions boom

More than 2,100 households in Victoria faced repossession action in the six months to December, according to Supreme Court records. Fifty five repossession claims per week were made in the second half of 2008. In the first two and a half months of 2009, that number climbed to 68 per week as another 745 families faced repossession action. The south eastern suburbs of Melbourne have been described as the repossession hotspot with Cranbourne and Narre Warren recording the highest numbers of repossession actions in the six months to the end of December. Most households now facing repossession took out loans in 2007 with very few repossession actions taken against long term borrowers.

### Missing mortgage repayments no big deal

Almost a third of Australians with a mortgage said they would skip a home loan repayment in preference to doing without utilities and basic consumer items. In a sign that maintaining mortgage repayments is not as important as has always been assumed, when asked by Dun & Bradstreet what their payment priorities were 31 per cent said the mortgage was the payment they were least likely to make if they did not have enough money to pay all their bills. Twenty-nine per cent said they would skip their pay-TV account, 17 per cent said they would let the mobile phone bill slide, 15 per cent said they would ignore their electricity and internet bills and 14 per cent said they would ignore the credit card account.

### Customers choose convenience over ATM costs

Almost half of all ATM transactions in Australia are foreign ATM transactions incurring charges. Analysis of the latest Reserve Bank payment data by MWE Consulting shows that 47 percent of the 867 million transactions last year were foreign ATM sessions. MWE principal Mike Ebstein said consumers liked the convenience of being able to use the nearest machine. "Most people have always known they are paying a fee for that convenience. The move to direct charging will have an effect on behaviour but not to any great extent." The number of ATMs in Australia has increased from 21,266 in 2003 to 27,081 at the end of last year. People withdraw less at a foreign ATM – \$148 compared to an average transaction of \$198 at an own-bank ATM.

## National Market Ranges

### Home Loans

Standard Variable	4.92 - 6.45%
Basic Variable	4.88 - 6.09%
1 Yr Intro	3.99 - 5.79%
3 Yr Fixed	4.99 - 7.01%
Investment Variable	4.92 - 6.45%

### Deposit Accounts

Cash Mgmt \$10,000	0.05 - 4.35%
Cash Mgmt \$50,000+	0.25 - 4.35%
Online Savings >\$5,000	0.01 - 5.00%
Savings >\$2,000	0.01 - 4.35%

### Investment Accounts

Interest paid at maturity or per annum

\$10,000, 90 Days	1.00 - 4.65%
\$10,000, 1 Year	1.50 - 4.10%
\$10,000, 3 Years	2.00 - 4.85%

SEE PAGE 4 FOR THIS WEEK'S RATE MOVEMENTS

SEE PAGE 3 FOR A FEATURE ON CREDIT CARD FRAUD

### Debit better value than credit card

The value of payments made on debit cards is increasing at almost three times the rate for credit and charge cards, according to the latest Reserve Bank payment data. Payment by debit card has grown from 31.4 per cent of total non-cash payments in 2006 to 34.7 per cent, according to the latest figures. Payment by credit card has fallen from 56.5 to 52.8 per cent of total non-cash payments during the same period. Payment by charge card has remained stable, rising slightly from 12.1 per cent of non-cash payments in 2006 to 12.5 per cent now.

### Credit cards and gambling causing bankruptcy

The rate of people filing for personal insolvencies has increased by more than 200 per cent between 1990 and 2008, while the population has increased by 24 per cent. According to a study by the University of Melbourne, excessive use of credit is the major cause of non-business related bankruptcies with 55 per cent blaming this reason for their insolvency in 2008. Other common reasons were ill health (12 per cent of non-business related bankruptcies in 2008) and gambling (4.3 per cent of non-business related bankruptcies in 2008, triple the rate of 1997). Bankrupts are also far more likely now to be professionals and are more likely to be aged more than 45.

## NAB targets micro-businesses

National Australia Bank is constructing a team of bankers to focus on building lending share in the micro-business market. NAB is already enjoying lending growth in the small and medium enterprise sector 1.3 times system growth. The bank has 25 per cent of the SME market and 22 per cent of the micro-business market. NAB's share of all business loans has dropped to 19.4 per cent.

## New Products, Rates & Fees

### Smart eSaver account competing with term deposits

BankWest has launched a new account with a bonus for making no transactions. The Smart eSaver has a base rate of 3.25 per cent. The bank has said it will maintain the base rate at or above the official cash rate. Depositors will earn the "smart rate" of five per cent in any month they make no withdrawals. The account has no account maintenance or access fees. The customer must have a linked transaction account for transfers. The bank is hoping to pick up deposits from retail investors whose term deposits are maturing.

## Interest Rates & The Economy

### Upbeat housing outlook lessens rate cut expectation

This week Anthony Richards, the Reserve Bank's head of economic analysis, gave a relatively upbeat assessment of the state of Australia's housing market. In his speech on the conditions and prospects in the housing sector, he suggested that the RBA's aggressive approach to monetary policy to date was helping to protect home owners from the worst of the global financial crisis.

The RBA has cut interest rates by 400 basis points since September last year, bringing the official cash rate down to 3.25 per cent. Borrowing costs for home owners are now at 45 year lows and standard variable housing rates have fallen by about 375 basis points.

Richards said: "the recent significant falls in the cash rate are having positive effects on the economy and the household sector, and have contributed to a significant improvement in household cash flows and in measures of housing affordability for people paying mortgages or contemplating home ownership".

He noted that the fall in mortgage lending rates had significantly lowered the pressure on households, with the average debt servicing burden dropping by about five per cent.

The RBA clearly believes that the large rate cuts to date are still to work their magic through the Australian economy. They are expected to support greater home building activity later in 2009 and there are already signs that demand for housing finance is improving, particularly among first home buyers. According to the Treasury Department, Australian dwelling investment is expected to increase by 4 per cent in 2009-10.

This positive outlook for the remainder of the year has caused some market participants to lower their expectations for another cut when the Reserve Bank next meets on 7 April. Commentators are predicting the central bank will only make a small cut of 25 basis points, with rates settling at 2.5 per cent by July this year. The RBA left the official cash rate unchanged when it met earlier this month because it needed to assess how the economy is reacting to the series of cuts to date and the federal government's package of fiscal stimulus measures.

## Next Week's Announcements

Mon	30 Mar	Aust HIA New Home Sales (February)
Tue	31 Mar	Aust Private Sector Credit (February)
Wed	1 Apr	Aust DEWR Skilled Vacancies (March) Aust Building Approvals (February) Aust Retail Sales (February) Aust RBA Commodity Index SDR (March)
Thu	2 Apr	Aust Trade Balance (February) Aust AiG Performance of Service Index (March)

## Industry Analysis

### Foreign banks are still lending

The lending market share of the big four banks declined from 81 per cent to 79 per cent in the 12 months to September 2008. Despite expectations that foreign banks would retreat from the Australian market, they increased their share of the lending market to 14.9 per cent from 12.6 per cent in September 2007. Deposits banked with the majors went from \$861.5 billion to \$1.06 trillion over the same period, and deposits at the other domestic banks went from \$172.9 to \$213.3 billion.

### Bank deposits surge twenty per cent

Banks are likely to see an increase in the number of bad loans on their books and falling profits in 2009, but are in generally strong positions to withstand the global financial crisis says the Reserve Bank in its half yearly financial stability review. Bank deposits grew by 20 per cent in the six months to January, largely as a result of the federal government's bank deposit guarantee. The additional deposits and the guarantee had helped banks to raise an additional \$85 billion in long term funding on debt markets.

## Scam Watch

### Online card fraud up again

Fraud committed against credit card holders who shop online increased by fifty per cent last year said the assistant governor of the Reserve bank Phillip Lowe on Tuesday. RBA officials visited Visa's Australian headquarters yesterday to inspect new measures by the card schemes to protect consumers. Over the next two years, online shoppers will begin to be asked to enter their PIN number to authenticate a transaction. The RBA wants banks to ensure that customers can pay online using only their bank account.

### ANZ cancels two thousand cards

ANZ has been forced to cancel the credit and debit cards of more than 2,000 customers as a result of the ATM skimming racket that was uncovered in Melbourne this week. More than one million dollars is believed to have stolen by ATM skimmers in Melbourne alone. ANZ yesterday confirmed that \$670,000 had been confirmed as lost with that number expected to grow. Five men were remanded in custody over the skimming device discovered at a city ANZ ATM this week.

Sources: InfoChoice, The Sheet, Australian Property Monitors, Herald Sun, Smart Company, The Age, The Australian Financial Review

## What to do about credit card fraud

Last year Commonwealth Bank completed a three year project that brought together seven fraud detection systems into one bank-wide system. At a cost of almost \$7 million the project provided benefits in anti-money laundering compliance, freed up about \$2 million in annual licence fees from the old systems and helped cut fraud losses.

Commonwealth Bank head of financial crime management, Richard Moore, says the bank has had a reduction of 50 per cent or more in all types of fraud, except one. Card-not-present fraud has bucked the trend and gone up in the past year.

The Commonwealth is not the only bank being plagued by an increase in CNP fraud (CNP transactions take place online, over the phone or by fax). Speakers on a panel at this week's Cards & Payments Conference in Sydney agreed that it was the fastest growing area of financial fraud and the one that appeared immune to the protection provided by widely used security measures.

Panellists warned that credit card issuers faced fundamental change to the way credit cards operate if CNP fraud is to be defeated.

Stephen Wilson, the managing director of Lockstep Consulting, an authentication technology consultancy, says many security systems "nibble at the edges" while fraudsters are achieving "mass breaches" of data systems that yield millions of card account details.

### More data for verification is not the answer

Wilson says the industry has responded by asking customers to supply more and more information for verification. He says this ultimately results in more data being available to fraudsters.

Some of the numbers are indeed big. In 2007 the US retailer TJX Companies Inc reported that it had suffered a data breach that resulted in 45 million customer records being stolen. The company admitted that illegal access to its payment system had gone on for about seven months before it was detected.

The TJX breach is the biggest ever reported but may be overtaken by the data breach at Heartland Payment Systems this year. In January Heartland, which is a US provider of debit and credit card processing services, reported a breach that could end up compromising 100 million accounts. The company is yet to report the full extent of the fraud.

Wilson says: "We can no longer have a credit card system that is based on the consumer having a card with a single number that gets used over and over again. We have to use chip technology to make the number unique for each transaction and until we do that we will not stop stolen IDs being replayed."

The Australian Payments Clearing Authority reports that in the 2007-08 financial year cheque fraud declined from 1.4 cents to 0.8 of a cent in every \$1,000 of payments. Debits card fraud (involving Eftpos and ATM transactions) went up a little from 7.1 to 7.4 cents for every \$1,000 of payments.

Credit and charge card fraud (involving signature permitted and card-not-present transactions) jumped from 38.6 to 50.2 cents for every \$1,000. APCA says CNP fraud accounts for 48 per cent of card fraud by value.

### Tighter monitoring of merchants and providers needed

Another panellist at the Cards & Payments Conference, Citibank country fraud risk manager Murugan Manickam, says one criterion for any solution is that it does not impose too much of a burden on the consumer. He says there are examples of security systems, such as Visa's 3-D Secure, that have prompted customers to take their online or telephone business to another merchant.

The 3-D Secure system (MasterCard has a version called SecureCode) validates a transaction by providing a login or password that activates the card. Consumers have complained that the system causes delays and it involves connections to unfamiliar domain names that may or may not be bona fide (users have mistaken the Verified by Visa pop-up for a phishing attack).

Consultant Mark Carter, the general manager of The ai Corporation, says his clients report to him that when merchants mandate the use of 3-D Secure for card-not-present transactions significant numbers of consumers move to another merchant.

Wilson says it is not just a problem with one security system. He argues that they are all plagued by problems because they are trying to patch up a system that is fundamentally flawed and in need of complete change.

Commonwealth's Moore and Citi's Manickam both say their banks are using SMS alerts for some functions and are exploring greater use of mobile technology for secure payments. The advantages of SMS is that most consumers have mobile phones, they are comfortable with SMS technology and it is fast.

The senior business manager for merchant risk assessment at Westpac, David Miller, says his bank puts a lot of effort into vetting merchants. It tries to weed out merchants that process transactions without worrying about whether the card information is stolen, so that they can shift goods and assume that if it is fraudulent there will be a chargeback.

Miller says merchants can be careless, especially in situations where card-not-present transactions are not a common part of their business. His team tries to identify those merchants as a prevention strategy.

Carter says one thing card issuers will have to think more about in future is monitoring the payment gateways. "Acquirers do not control the payment gateways. Those parts of the system are covered by secondary fraud detection systems that are not being monitored."

## This Week's Rate Movements

### Home Loans - 1 Year Fixed Rates

Institution	Product	Avail	Old Value	New Value	Date of Change	Change Value
A M O	AMO Fixed Rate Home Loan	B	4.93	5.16	23/03/2009	0.23
Adelaide Bank	Fixed Loan	B	5.99	5.49	26/03/2009	-0.50
MyState Financial	Fixed Rate Loan	OO	6.19	5.99	23/03/2009	-0.20
RAMS Home Loans	RAMS Fixed Rate	B	5.79	5.29	23/03/2009	-0.50
Tasmania Finance	Fixed Rate Home Loan	B	5.81	5.65	23/03/2009	-0.16
Westpac Banking Corporation	Fixed Options Home Loan	OO	5.45	5.19	25/03/2009	-0.26
Yes Home Loans	Equity Access Fixed Rates	B	5.04	5.27	25/03/2009	0.23

Key: (OO) - Owner Occupied (I) - Investment (B) - Both

### Home Loans - 2 Year Fixed Rates

Institution	Product	Avail	Old Value	New Value	Date of Change	Change Value
A M O	AMO Fixed Rate Home Loan	B	5.22	5.45	23/03/2009	0.23
Adelaide Bank	Fixed Loan	B	5.89	5.39	26/03/2009	-0.50
MyState Financial	Fixed Rate Loan	OO	6.29	5.99	23/03/2009	-0.30
RAMS Home Loans	RAMS Fixed Rate	B	5.59	5.49	23/03/2009	-0.10
Sydney Credit Union	Fixed Interest Rate Loan	B	5.89	5.64	24/03/2009	-0.25
Tasmania Finance	Fixed Rate Home Loan	B	6.28	6.15	23/03/2009	-0.13
Westpac Banking Corporation	Fixed Options Home Loan	OO	5.45	5.19	25/03/2009	-0.26
Yes Home Loans	Equity Access Fixed Rates	B	5.33	5.56	25/03/2009	0.23

Key: (OO) - Owner Occupied (I) - Investment (B) - Both

### Home Loans - 3 Year Fixed Rates

Institution	Product	Avail	Old Value	New Value	Date of Change	Change Value
A M O	AMO Fixed Rate Home Loan	B	5.63	5.68	23/03/2009	0.05
Adelaide Bank	Fixed Loan	B	6.14	5.59	26/03/2009	-0.55
Encompass Credit Union	Fixed Interest Rate Home Loan	B	6.19	6.09	20/03/2009	-0.10
IMB	IMB Fixed Rate Home Loans	B	5.99	5.74	24/03/2009	-0.25
MyState Financial	Fixed Rate Loan	OO	6.69	6.14	23/03/2009	-0.55
RAMS Home Loans	RAMS Fixed Rate	B	5.99	5.59	23/03/2009	-0.40
Sydney Credit Union	Fixed Interest Rate Loan	B	6.19	5.99	24/03/2009	-0.20
Tasmania Finance	Fixed Rate Home Loan	B	6.67	6.55	23/03/2009	-0.12
Yes Home Loans	Equity Access Fixed Rates	B	5.74	5.79	25/03/2009	0.05

Key: (OO) - Owner Occupied (I) - Investment (B) - Both

### Home Loans - 5 Year Fixed Rates

Institution	Product	Avail	Old Value	New Value	Date of Change	Change Value
A M O	AMO Fixed Rate Home Loan	B	6.30	6.38	23/03/2009	0.08
Adelaide Bank	Fixed Loan	B	6.49	6.39	26/03/2009	-0.10
Laiki Bank	Laiki Bank Fixed Home Loan	B	5.85	6.05	24/03/2009	0.20
MyState Financial	Fixed Rate Loan	OO	6.99	6.64	23/03/2009	-0.35
RAMS Home Loans	RAMS Fixed Rate	B	6.29	5.99	23/03/2009	-0.30
Tasmania Finance	Fixed Rate Home Loan	B	7.07	6.95	23/03/2009	-0.12
Westpac Banking Corporation	Fixed Options Home Loan	OO	6.49	6.29	25/03/2009	-0.20
Yes Home Loans	Equity Access Fixed Rates	B	6.41	6.49	25/03/2009	0.08

Key: (OO) - Owner Occupied (I) - Investment (B) - Both

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