

# Weekly Banking Bulletin

A regular industry round-up from Australia's leading finance comparison site.

18 September 2009

## News & Views

### Credit Unions writing more mortgages

Media commentary this week suggesting the big banks are writing 100 per cent of all mortgages is not true. Credit unions and building societies are by far the most dominant alternative mortgage providers, writing around 7 out of every 10 new mortgages approved outside of the banks. That's 40 per cent more than this time last year. Credit unions and building societies across Australia are approving close to 5,000 new mortgages on average per month, getting back to the levels seen before the GFC took hold. Credit unions and building societies have helped almost 47,000 Australians own their own homes in the past year. Credit union and building society mortgage approvals for the three months ended June 09 are 26 per cent above the level of 12 months ago. The media commentaries appear to be based solely on APRA data released on Monday that relates only to bank lending, not any other lenders, and appears to be based on loan balance growth - not new mortgage approvals.

### Outstanding auction results continue in Melbourne

Sydney's auction results slipped back slightly this week compared to the week earlier. 66 per cent of 334 residential properties listed for auction were sold on Saturday in Sydney, down from 70 per cent of 326 properties last week. On the same weekend last year, 49 per cent of 230 properties sold at auction in Sydney. Melbourne recorded some outstanding auction results with 74 per cent of 737 properties listed for auction selling on the day. Last week 80 per cent of 609 properties sold and on the same weekend last year, 61 per cent of 559 properties sold at auction in Melbourne.

### Investors back as house prices climb

Property investors are coming back into the market after investment finance hit a low in January. BIS Shrapnel expects prices to keep going up. Sydney, Melbourne and Adelaide house prices will increase by a total of 19 per cent over the three years to June 2012. Canberra will grow by 17 per cent, Brisbane by 16 per cent, Gold Coast 14 per cent, Perth by 12 per cent and Darwin by 11 per cent.

### Aussies paying off the credit card

Australians continue to pay down their credit card debt with repayments in July 2009 at \$19.839 billion - up \$546 billion from June. This reduced total balances by \$283 million to \$44.569 billion. Total credit card transactions dropped in July. The total number of transactions fell by 112,000 to 127.2 million and the value of those transactions dropped by \$266 million to \$19.14 billion. Scheme debit remains the driving force behind card transactions. When we compare the value of scheme debit purchases in July 2009 (\$2.556 billion) to July 2008, we see an increase of 30.85 per cent. Similarly, the number of purchases increased from the month of July last year by over 7 million or 32.69 per cent to 28.875 million in July 2009.

## National Market Ranges

### Home Loans

Standard Variable	4.79 - 6.20%
Basic Variable	4.78 - 5.69%
1 Yr Intro	3.67 - 5.99%
3 Yr Fixed	6.49 - 7.69%
Investment Variable	4.79 - 6.20%

### Deposit Accounts

Cash Management \$10,000	0.01 - 4.00%
Cash Management \$50,000+	0.25 - 4.00%
Online Savings >\$5,000	0.10 - 5.21%
Savings >\$2,000	0.01 - 4.00%

### Investment Accounts

Interest paid at maturity or per annum

\$10,000, 90 Days	1.00 - 4.80%
\$10,000, 1 Year	2.00 - 5.05%
\$10,000, 3 Years	2.08 - 6.50%

## Deposits flowing into credit unions

Credit unions increased deposits by 14 per cent over the 2008/2009 financial year to \$40.4 billion, a faster rate of growth than that reported by the banking sector (at 10 per cent). Term deposits increased 20 per cent over the year while the level of at-call deposits fell slightly over the year. The number of credit unions fell to 117 as of June 2009, down by 16 from a year earlier. The number of credit unions is down by one third over a five-year period as smaller entities fold into larger organisations. The rate of growth in loans slowed to six per cent over the year. A decline in the level of personal loans and "other" loans, such as revolving credit, may reflect the use of stimulus payments to reduce consumer debt.

## CUA to expand customer services

CUA, Australia's largest credit union expects to enhance and expand its suite of products and services in 2010. The credit union also continued to prove its position in the marketplace, winning a number of key awards. "The past year has seen CUA win Credit Union of the Year at the 2009 Australian Banking & Finance Awards and an Australian Business Award for Community Contribution in the finance sector," said Chris Whitehead, Chief Executive Officer of CUA. "Despite challenging global economic conditions with pressure on interest margins and lower returns on retained capital, CUA has performed well with a 17.2 per cent increase in underlying net profit after tax over the previous year". Mr Whitehead said access and services for members had been enhanced by both the incorporation of Victoria's Latrobe Country Credit Co-operative into CUA operations and the recent expansion of the rediATM network into one of the largest in the nation with 3,100 machines.

## Broker sells mortgages on facebook

Mortgage brokers Serge Scekic and Jim Sharif, have sold their first mortgage via their Facebook page. Serge Scekic said the customer sent a "friend request" to him and then emailed asking about Aussie Dee Why's service. "He said he was a First Home Buyer and was interested in getting pre-approval for a loan," Serge said. "I sent him a questionnaire, which outlined his needs and preferences for a home loan and he completed it and sent it back straight away." Serge said he then submitted the application to the lender and the customer signed the papers for his first home loan. "Facebook wasn't something that we looked at before as a way of developing new business," Serge said. "We really just wanted to show off our stores to our friends and family back home. But now that we've seen how it can work, and how easy it is, we will definitely look at doing more of it in the future."

## No more bank mergers

There will be no more mergers of big banks in Australia if a parliamentary committee's recommendations are adopted by government. The senate economics references committee has recommended that the government retain its "four pillars" policy in relation to competition in banking. The committee expressed some concern about the powers of the regulators who are charged with ensuring competition in the retail banking market.

## Heritage offers investors 10 per cent for 5 years

Heritage Building Society today announced the launch of an ASX listed subordinated debt transaction, to raise approximately \$30 million, with the ability to raise more or less. Heritage Treasurer, Mr Paul Williams said that Heritage notes provide a strong investment opportunity for members and investors with the security scheduled to pay interest of 10 per cent p.a. fixed for five years, following which the interest rate will change to a floating rate until the maturity date in ten years (unless redeemed earlier). Mr Williams highlighted, "This transaction is not only a first for Heritage but the first ASX listed debt transaction by a mutual Authorised Deposit-taking Institution (ADI)." The Heritage Notes offer will open on Wednesday 23 September, 2009 with an expected closing date of Monday 19 October, 2009. The Joint Lead Managers for the transaction are UBS and Westpac, with FIIG Securities acting as Syndicate Broker.

## Next Week's Announcements

Mon	21 Sep	Aust New Motor Vehicle Sales (August)
Tue	22 Sep	-
Wed	23 Sep	Aust DEWR Skilled Vacancies (September)
Thu	24 Sep	Aust RBA Financial Stability Review Aust HIA New Home Sales (August)
Fri	25 Sep	Aust Financial Accounts (2nd Quarter)

## Feature Article

### Companion cards now the benchmark for rewards

Commonwealth Bank's announcement this week that it would launch a new range of credit cards, including American Express companion cards for rewards card holders, means that all of the big four banks have companion cards as part of their rewards offers.

Significantly, it is only the big four that have these "network partnership" arrangements with Amex. This poses a couple of interesting questions. Will smaller institutions be able to make similar arrangements with American Express? And will the big banks' companion card arrangements, which offer higher points earning capacity, dominate the credit card awards market?

From October 23 users of Commonwealth Bank's standard, gold and platinum Master and Visa rewards cards will be offered Amex and all new card customers will receive MasterCard and Amex (CBA has Visa and Master on issue but has a preferred relationship with MasterCard and all new cards will be MasterCard).

The interest rate on its reward cards is 18.99 per cent (highest among the big four), with 55 interest free days (matched only by ANZ on gold and platinum). The Infochoice data base shows that Westpac has the lowest card rate, at 17.74 per cent, and ANZ and National Australia Bank charge 17.99 per cent.

Rewards are one point for every dollar on Master and Visa, 1.5 points per dollar on standard Amex, two per dollar on gold Amex and three per dollar on platinum.

According to Infochoice data, Westpac is the only other issuer to offer three points for a dollar spent, on its Altitude Platinum Amex.

Amex and Diners maintain high merchant service fees

The rationale for American Express companion card issuance is that Amex can offer better rewards because it is able to pass on those costs in the form of higher merchant service fees.

American Express and Diners were left out of the Reserve Bank's interchange regulation, which cut Visa and MasterCard merchant service fees in half.

The latest Reserve Bank data on merchant fees for credit and charge cards, released yesterday, shows that Visa and MasterCard are charging merchants 0.82 per cent of the value of a transaction, while Amex is charging two per cent and Diners is charging 2.1 per cent.

American Express confirmed that it has four network partners in Australia but did not say what it plans were for further expansion of the service. It did say its partners in other countries were not exclusively banks.

The emphasis of the CBA program is on increasing share of wallet by recognising established customer relationships with fee discounts, rather than chasing market share.

Customers with another CBA product will pay \$30 less on annual fees than card-only customers and, in some cases, will have their annual fees waived.

The platinum annual fee comes down from \$280 to \$250 for established customers, gold from \$144 to \$114 and standard from \$89 to \$59.

Infochoice data shows that fees for other platinum companion cards, which offer the highest points earning capacity are \$295 for ANZ, \$290 for NAB, \$295 for Westpac Altitude platinum and \$250 for Westpac Earth platinum.

Unlike ANZ, which removed points caps for some customers when it launched its Amex companion card range in July, CBA will maintain caps but will increase them.

Sources: InfoChoice, Abacus, APM, Financial Standard, MasterCard, Sydney Morning Herald, The Australian

## This Week's Rate Movements

### Home Loans - Standard Variable Rates

Institution	Product	Old Value	New Value	Date of Change	Change Value
B&E Ltd	FlexiChoice Variable Rate Loan	5.67	5.77	14/09/2009	0.10

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

### Home Loans - 1 Year Fixed Rates

Institution	Product	Old Value	New Value	Date of Change	Change Value
Citibank	Fixed Rate Loan	5.99	6.49	14/09/2009	0.50
CUA	Fixed Loan	5.49	5.59	11/09/2009	0.10
RAMS Home Loans	RAMS Fixed Rate	5.29	5.99	17/09/2009	0.70
St. George Bank	Fixed Loan	5.54	6.14	15/09/2009	0.60
Westpac	Fixed Options Home Loan	5.59	6.19	15/09/2009	0.60

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

### Home Loans - 2 Year Fixed Rates

Institution	Product	Old Value	New Value	Date of Change	Change Value
Citibank	Fixed Rate Loan	6.65	7.15	14/09/2009	0.50
CUA	Fixed Loan	5.99	6.39	11/09/2009	0.40
RAMS Home Loans	RAMS Fixed Rate	6.04	6.49	17/09/2009	0.45
St. George Bank	Fixed Loan	6.34	6.64	15/09/2009	0.30
Westpac	Fixed Options Home Loan	6.39	6.99	15/09/2009	0.60

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

### Home Loans - 3 Year Fixed Rates

Institution	Product	Old Value	New Value	Date of Change	Change Value
CUA	Fixed Loan	6.79	6.99	11/09/2009	0.20
RAMS Home Loans	RAMS Fixed Rate	6.74	7.19	17/09/2009	0.45
St. George Bank	Fixed Loan	6.94	7.24	15/09/2009	0.30
Westpac	Fixed Options Home Loan	6.99	7.19	15/09/2009	0.20

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

### Home Loans - 4 Year Fixed Rates

Institution	Product	Old Value	New Value	Date of Change	Change Value
RAMS Home Loans	RAMS Fixed Rate	7.44	7.49	17/09/2009	0.05
St. George Bank	Fixed Loan	7.59	7.79	15/09/2009	0.20
Westpac	Fixed Options Home Loan	7.64	7.84	15/09/2009	0.20

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

### Home Loans - 5 Year Fixed Rates

Institution	Product	Old Value	New Value	Date of Change	Change Value
NAB	NAB Tailored Home Loan - Fixed Rate	7.19	7.49	14/09/2009	0.30
RAMS Home Loans	RAMS Fixed Rate	7.44	7.64	17/09/2009	0.20
St. George Bank	Fixed Loan	7.59	7.79	15/09/2009	0.20
Westpac	Fixed Options Home Loan	7.64	7.84	15/09/2009	0.20

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

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