

# Weekly Banking Bulletin

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

25 September 2009

## News & Views

### Virgin/Citibank take on the big four

Virgin Money will team with Citibank to take on the big four banks and create new credit cards, retail deposit accounts and mortgages. Virgin captured 750,000 credit card customers over the last few years, but sold that business to Westpac one year ago. The new deal with Citibank will provide funding and bank infrastructure to Virgin in a renewed bid to build a serious financial competitor to the banks in Australia. Citibank are using the partnership with Virgin to help them overtake NAB in the credit market, by moving from 8.6 per cent of the market to over 14 per cent. The partnership will also produce a Virgin Blue credit card linked to the airline with reward points program that will compete with Qantas frequent flyer.

### NAB still least popular business bank

Business banking customers are generally more satisfied with their bank than they were a few years ago but in recent months satisfaction ratings have declined for the major banks says the latest TNS Business banking satisfaction report. In the six months to August, 73.4 per cent of business banking customers were satisfied with the relationship with their main financial institution (MFI). However, each of the big four banks has seen decreased satisfaction, and the combined big four is down by 2.8 per cent (to 71.0 per cent). Although ANZ has seen the biggest decrease in satisfaction by 4.5 per cent, its satisfaction levels remain the highest among the big four at 73.7 per cent. Westpac remains in second position (72.5 per cent), followed by CBA (70.6 per cent). NAB is trailing slightly at 67.8 per cent with satisfaction decreasing 3.4 per cent compared with 6 months ago.

### Aussies still hoarding cash at home

Many households withdrew cash from their bank accounts when the global financial crisis first struck in September and October last year and still have it. Four billion dollars in cash notes is being hoarded by Australians says the Reserve Bank which had to increase the printing of \$50 and \$100 notes to cope with demand. During the peak of the crisis, the total value of banknotes in circulation soared by 19 per cent to more than \$50 billion.

### Fixed rates back in fashion

The number of fixed rate mortgages being sold by banks has recovered from an all time low of 1.9 per cent of all loans sold back to about 8 per cent of all loans in June. The number of fixed rate loans may continue to grow despite the large differential between fixed rate loan rates and variable rate loans. "On top of speculation that the official cash rate already has bottomed, there's widespread concern that the banks themselves will continue to raise their variable rates independent of the Reserve", said JP Morgan economist, Helen Kevans. "With most economists, including us, expecting the next move in the official rate to be up, more and more borrowers will lock in their loans."

## 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 - 5.26% |
| \$10,000, 3 Years | 2.08 - 6.50% |

### Auctions delivering for vendors

Auction results in capital cities continued to show improved results for vendors last weekend. In Sydney, 72 per cent of 432 residential properties listed for auction were sold on the day, up from 68 per cent of 339 properties the previous week. On the same weekend last year, just 47 per cent of 306 properties were sold at auction. Melbourne auctions continued to deliver impressive results, with 76 per cent of 889 properties listed for auction selling on the day. Last week 77 per cent of 749 properties sold under the hammer and on the same weekend last year, 56 per cent of 665 properties sold at auction in Melbourne. In Adelaide, 47 per cent of 41 properties listed for auction sold, slightly down on the previous week, but well ahead of the results from the same weekend last year.

### Queensland banks are open for business

Queensland businesses are continuing to borrow and Queensland banks are continuing to lend in further evidence that the financial crisis has been short lived and has not really affected some parts of the country. Credit Union Australia acting chief executive officer Rob Nicholls said commercial loans were booming. "While there might have been a slight slowing of the market initially, things seem to have quickly got back on track," Mr Nicholls said. Sunshine Coast manager for Bendigo Bank, Garth Seymour, said there had been no decline in business loan inquiries, saying lending at the end of last month was up 278 per cent. Darrell Edwards, ANZ's district executive of business banking, said the main reasons for borrowing were asset finance, land and building acquisition, and development application.

## Feature Article

### Debit in the balance with new pricing rules

The Payment System Board of the Reserve Bank this week issued a proposal for the regulation of consumer debit payments that could have far-reaching consequences for the country's Eftpos and scheme debit systems.

The Board is proposing to standardise interchange (wholesale) fees for Eftpos and scheme debit. This could possibly stall the strong growth of scheme debit (Visa and MasterCard debit cards).

Under current arrangements Eftpos and scheme debit have very different interchange payment arrangements. In an Eftpos transaction a fee of around 5 cents is paid by the financial institution that issues the debit card (the issuer) to the merchant's financial institution (the acquirer). In a scheme debit transaction a fee of around 12 cents is paid by the acquirer to the issuer.

One of the reasons for the growth of scheme debit in recent years is that these payment arrangements provide an incentive for financial institutions to issue scheme debit rather than proprietary Eftpos cards: they get paid for each transaction rather than having to pay the acquirer.

The board's view is that the interchange differential puts the Eftpos system at a competitive disadvantage and it wants Eftpos to continue to be a competitive system.

Now the Payment System Board is proposing that in both Eftpos and scheme debit transactions the interchange payment would be from acquirer to issuer. And the amount of the payment would be the same – a weighted average of 12 cents.

The proposed change is an interim move and the Payment System Board would continue to review the system before imposing final regulation or removing regulation altogether.

The Reserve Bank is keen to see the Eftpos system developed and maintained as a viable competitor in the retail payment market. Its view is that the system has been managed badly.

Earlier this year RBA assistant governor Philip Lowe told delegates at the Cards & Payments Conference in Sydney that the industry should make changes to the governance of the Eftpos system to improve its ability to compete with international debit schemes.

In May the Australian Payments Clearing Association (APCA) announced the formation of EFTPOS Payments Australia, a company that would have commercial responsibility for the Eftpos system.

This week APCA chief executive Chris Hamilton said: "The Payment System Board decision leaves the long-term regulatory framework for consumer payments in Australia hanging.

"We are pleased that the PSB has recognised industry collaborative efforts such as the establishment of EFTPOS Payments Australia. We believe such initiatives will exert significant competitive pressure over time.

"Uncertainty about how and when the regulators will respond makes such collaborative effort that much harder."

Use of scheme debit now makes up more than a quarter of all debit payments and continues to grow. MasterCard vice president Albert Naffah does not agree that the PSB's proposed interchange regulation would slow that growth.

Naffah says: "Scheme debit can be used overseas, it can be used to

make purchases online and over the phone. The pricing should reflect that; it should not be the same as Eftpos.

"But price is just one factor. Convenience and additional functions outweigh cost when you analyse why use is growing."

### Next Week's Announcements

|     |        |   |
|-----|--------|---|
| Wed | 30 Sep | Aust Retail Sales (August)<br>Aust Building Approvals (August)<br>Aust Private Sector Credit (August) |
| Thu | 1 Oct  | Aust RBA Commodity Index SDR (September)  |
| Fri | 2 Oct  | Aust TD Securities Inflation (September)  |

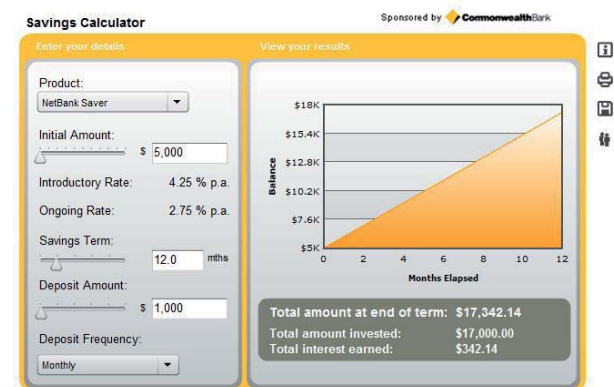
### Infochoice Online Calculator Updates

InfoChoice have been developing online financial calculators for over 10 years with a standard suite of home loan and savings online calculators. Our range of calculators are used on over 100 financial institutions websites.

In addition to our standard suite, InfoChoice works with financial institutions to develop customised calculators that can be developed based on their requirements. Examples of recent calculators include:

#### Commonwealth Bank sponsored savings calculator on Yahoo7

<http://au.pfinance.yahoo.com/calculators/savings-plan-simulator.html>



The Commonwealth Bank sponsored savings calculator on Yahoo7 allows consumers to project how much savings they can accumulate over time from an initial contribution and regular ongoing deposits with the NetBank Saver. The Calculator takes into consideration the current special offer of a bonus rate of 1.50%p.a. until 31 December 2009, increasing the current rate to 4.25%p.a.

Important information: The results from this calculator should be used as an indication only. For the NetBank Saver interest has been calculated at a rate of 4.25% p.a., which includes a fixed bonus interest margin of 1.50% p.a. available until 31 December 2009 on balances up to \$5,000,000. For balances exceeding \$5,000,000 and for time periods beyond 31 December 2009 the rate is 2.75% p.a. Interest has been calculated daily and added to the balance monthly. These rates are subject to change and the rates in this calculator will be updated within a reasonable period should the rates change. Terms and Conditions for NetBank Saver are available from [www.commbank.com.au/important-info](http://www.commbank.com.au/important-info) or from any branch of the Commonwealth Bank. As this information has been prepared without considering your objectives, financial situation or needs, you should, before acting on the information, consider its appropriateness to your circumstances. Calculator © InfoChoice 2009

**For more information on calculators, please contact Amanda March on 02 8507 7162 or [amanda.march@infochoice.com.au](mailto:amanda.march@infochoice.com.au)**

Sources: InfoChoice, APM, Sunshine Coast Daily, Sydney Morning Herald, The Australian, TNS

## This Week's Rate Movements

### Home Loans - Standard Variable Rates

| Institution | Product  | Old Value | New Value | Date of Change | Change Value |
|-------------|----------|-----------|-----------|----------------|--------------|
| QuickDirect | Variable | 5.10      | 5.00      | 23/09/2009     | -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 |
|------------------------------|---------------------------|-----------|-----------|----------------|--------------|
| Community First Credit Union | True Fixed Home Loan      | 5.39      | 5.69      | 23/09/2009     | 0.30         |
| IMB                          | IMB Fixed Rate Home Loans | 5.54      | 5.99      | 21/09/2009     | 0.45         |

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 |
|----------------------------------|---------------------------|-----------|-----------|----------------|--------------|
| Community First Credit Union     | True Fixed Home Loan      | 5.99      | 6.19      | 23/09/2009     | 0.20         |
| Easy Street Financial Services   | EasyHome Fixed            | 5.99      | 6.19      | 23/09/2009     | 0.20         |
| IMB                              | IMB Fixed Rate Home Loans | 6.29      | 6.69      | 21/09/2009     | 0.40         |
| Queensland Teachers Credit Union | Home Loan Fixed           | 6.34      | 6.39      | 21/09/2009     | 0.05         |

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 |
|----------------------------------|---------------------------|-----------|-----------|----------------|--------------|
| Community First Credit Union     | True Fixed Home Loan      | 6.69      | 6.94      | 24/09/2009     | 0.25         |
| Easy Street Financial Services   | EasyHome Fixed            | 6.69      | 6.94      | 23/09/2009     | 0.25         |
| IMB                              | IMB Fixed Rate Home Loans | 6.94      | 7.09      | 21/09/2009     | 0.15         |
| Queensland Teachers Credit Union | Home Loan Fixed           | 6.94      | 6.99      | 21/09/2009     | 0.05         |

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 |
|-------------|-------------------------------------|-----------|-----------|----------------|--------------|
| IMB         | IMB Fixed Rate Home Loans           | 7.49      | 7.79      | 21/09/2009     | 0.30         |
| NAB         | NAB Tailored Home Loan - Fixed Rate | 7.49      | 7.69      | 22/09/2009     | 0.20         |

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

### Term Deposits - 1 Year, \$25,000

| Institution                  | Product             | Old Value | New Value | Date of Change | Change Value |
|------------------------------|---------------------|-----------|-----------|----------------|--------------|
| Bank of Queensland           | Premier Investment  | 5.05      | 5.25      | 21/09/2009     | 0.20         |
| BankSA                       | Term Deposit        | 4.70      | 4.85      | 24/09/2009     | 0.15         |
| Community First Credit Union | Term Deposit        | 4.20      | 4.40      | 21/09/2009     | 0.20         |
| First Choice Credit Union    | Term Deposit        | 3.00      | 3.40      | 23/09/2009     | 0.40         |
| IMB                          | Term Deposit        | 4.60      | 4.75      | 21/09/2009     | 0.15         |
| NAB                          | Term Deposit        | 4.20      | 4.50      | 22/09/2009     | 0.30         |
| Railways Credit Union        | Term Deposit        | 4.20      | 5.00      | 24/09/2009     | 0.80         |
| St. George Bank              | Term Deposit        | 4.70      | 4.85      | 24/09/2009     | 0.15         |
| UBank                        | UBank Term Deposits | 5.11      | 5.26      | 23/09/2009     | 0.15         |

#### InfoChoice Ltd

Phone: 02 8507 7196

Fax: 02 8507 7197

PO Box R145 Royal Exchange NSW 1225

Marcus Gock - Research Manager

Email: [banking-team@infochoice.com.au](mailto:banking-team@infochoice.com.au)

[www.infochoice.com.au](http://www.infochoice.com.au)