

## News & Views

### Consumers prefer eftpos to credit

Consumers are continuing to pay off their credit cards and use their debit cards for spending. The value of purchases and cash advances on credit and charge cards fell 1.57 per cent in August according to figures released by the Reserve Bank of Australia (RBA). EFTPOS purchases, including cash withdrawals, rose 2.15 per cent in the month. Purchases on debit cards rose by 13.8 per cent in August. The average credit card balance was \$3,131 in August, up by just 0.1 per cent compared to August 2008. Credit card repayments are almost five per cent higher than they were in August last year. Cash advances on credit and charge cards was down 9.2 per cent on 12 months before.

### St George launch savings account for Gen Y

St.George Bank has launched a new savings product, St.George SENSE, designed to help people master their personal finances and save more through tools such as a categorized spending chart, savings target graph and a unique 'round-up' feature to transfer spare change to their savings account. The account is specifically designed with the needs of Gen Y in mind and others who may need assistance with budgeting and saving. St.George SENSE combines two separate but complementary accounts - SENSE Everyday (transactions account), and a SENSE Savings account. The product is rich in tools to help people manage their everyday money, including an easy-to-read statement that charts spending and savings, a feature that sets and tracks savings targets, and a unique 'round-up' feature that rounds up purchases made from the SENSE Everyday account to the nearest dollar, and transfers this 'electronic change' to the SENSE Savings account.

### Voiceprint coming to NAB online bank

NAB is planning to add a third layer of security authentication to its internet banking platform, giving it the ability to claim it is the safest online bank in Australia. Australian banks now use two factor authentication, combining a password with another security device, often a one time code sent via SMS. NAB is considering adding voice print authentication, similar to the system now used by NAB telephone banking.

### Demand outstrips housing supply in NSW

New home starts in NSW in 2008-09 fell to the lowest level in 56 years. The total number of new homes begun in the year was 43 per cent lower than the average for the decade. However demand for housing continues to grow in NSW because population growth is strong and CommSec reports that sellers are getting good prices for homes. NSW suffered more than other states from the effects of the global financial crisis on jobs and wealth and is not expected to recover early. CommSec yesterday reported that Tasmania was the best-performing state when assessed on investment, retail sales and employment.

## National Market Ranges

### Home Loans

Standard Variable	4.79 - 6.45%
Basic Variable	4.78 - 5.83%
1 Yr Intro	3.67 - 6.24%
3 Yr Fixed	6.59 - 7.89%
Investment Variable	4.79 - 6.45%

### 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 - 4.95%

### Investment Accounts

Interest paid at maturity or per annum

\$10,000, 90 Days	1.00 - 4.80%
\$10,000, 1 Year	2.00 - 5.60%
\$10,000, 3 Years	2.08 - 6.60%

## 20 per cent struggling with repayments

The Reserve Bank's aggressive interest rate cutting has helped keep loan arrears and defaults to a minimum over the past year but almost one in five Australians are still struggling with their financial commitments. According to the latest Veda Advantage debt study, released yesterday, 16 per cent of people are having difficulty repaying debts and 21 per cent of those are likely to apply for credit over the next six months, saying they are having difficulty paying debts. The survey, conducted by Galaxy Research for Veda, revealed that 12 per cent of people have missed a required minimum payment in the past three months. Among people with a mortgage, 13 per cent were late paying a household bill in the past three months. One in three said they were concerned that rising interest rates would have an impact on their ability to repay debts.

## Sydney auctions bouncing back

Sydney auction results bounced back this week after a sluggish NRL Grand Final weekend last week. 63.0 per cent of 342 properties were sold at auction on Saturday, up from 49 per cent of 344 properties on the same weekend last year in Sydney. Melbourne auctions put on another bumper weekend with 74 per cent of 697 residential properties listed for auction selling on the day. On the same weekend last year, 53 per cent of 591 properties sold at auction. In Adelaide, 71 per cent of 42 properties sold at auction, an improvement on last week and the same weekend last year. Only 42 per cent of 56 properties sold at auction in Brisbane on Saturday.

## Pay with a wave at IGA supermarkets

From October onwards, MasterCard PayPass and Visa payWave cardholders paying for goods less than \$100 need only tap their debit or credit card on a Commonwealth Bank contactless reader to transact at selected IGA and Red Rooster stores, and Etihad Stadium in Melbourne. Contactless transactions take place in seconds – customers need only tap their PayPass or payWave card on a contactless reader – with no PIN or signature required. “For high volume retail environments, such as coffee shops, grocery stores and newsagents, where transaction values are low and speed of service is essential, the contactless solution is ideal for merchants. The entire process takes just a few seconds, so it is actually faster than cash,” Commonwealth Bank Executive General Manager Business Products and Development, Kelly Bayer Rosmarin, said. Payment details are securely exchanged using short-range wireless technology between a point-of-sale device and contactless card, with cardholders protected from fraudulent transactions just as they are with any normal payment, making the contactless payment option a convenient alternative to cash.

## NAB customers hit by computer problem

National Australia Bank customers have experienced problems when viewing their account transactions or conducting transfers. The bank says its computer system is to blame. “Due to an error with one of NAB’s systems some customers have experienced delays in payments being processed overnight,” said a spokeswoman for the bank. NAB said the issue primarily relates to payments coming from other banks to business banking customers and some online transactions made on Monday night. “NAB is actively working with customers to resolve any issues that may have resulted from this processing delay,” the bank said. It pledged to reimburse any fees or charges customers face stemming from the incident.

## St George on go slow

St George online banking customers have experienced a problem that is slowing down the bank’s services. A spokesperson for the bank said its computer system was “partially degraded” yesterday morning but “is in the process of being restored to normal.” The bank is investigating the cause of the problem which is do far unknown and has not affected the number of people accessing St George services online.

## Next Week’s Announcements

Mon	19 Oct	-
Tue	20 Oct	RBA Board minutes for October
Wed	21 Oct	Aust New Motor Vehicle Sales (September) Aust WBC Leading Index (August)
Thu	22 Oct	Aust CBA / HIA House Affordability (3rd Quarter)
Fri	23 Oct	Aust Int’l Trade Price Indexes (3rd Quarter)

## Feature Article

### Government plans big changes to credit reporting

The Australian government this week foreshadowed big changes to the way financial institutions assess applications for credit. The government announced that it will introduce five new pieces of data into consumer credit reports, adopting all the recommendations of the Australian Law Reform Commission for a more comprehensive

credit reporting system.

Cabinet Secretary and Special Minister of State Joe Ludwig released the government’s response to last year’s ALRC review of the Privacy Act, which includes credit reporting.

The timetable is for the new credit reporting rules to be in force by January 2011 to coincide with the implementation of the responsible lending provisions of the National Consumer Credit Protection Bill.

The ALRC recommended that four new pieces of information be added to credit files: the type of each current credit account (mortgage, credit card, personal loan and so on); the date on which each current credit card account was opened; the credit limit of each account; and the date on which each account was closed.

It also recommended that the government allow credit reports to include a fifth piece of data - payment records - only if it was satisfied “there is an adequate framework imposing responsible lending obligations in Commonwealth, state and territory legislation.”

The government said this week: “To address privacy and consumer concerns around comprehensive credit reporting, repayment history will not be available until new responsible lending obligations are in place. These new obligations are proposed under the National Consumer Credit Protection Bill 2009.”

Under the existing negative credit reporting model an individual’s credit file contains name, address, employer details and a record of credit applications made by the person over the past five years. The file also includes information about defaults (payments overdue by 60 days or more) and the date any defaults were paid.

The way credit is assessed will be radically revised. Lenders will still be asking the same questions, such as who the borrower is and whether they can repay the loan, but now they will be able to answer those questions through the automated exchange of data.

There will be a lot of IT work around this, changes to practices and new procedures.

The government outlined a number of other changes to the credit reporting system. The industry will be required to develop a credit reporting code with standards and a compliance regime. Participants will be required to join an external dispute resolution scheme.

New legislation will prohibit direct marketing using credit information but will permit pre-screening of direct marketing lists to remove adverse credit risks.

Debate about Australia’s credit reporting system has been going on for years and is likely to continue until the new law is passed.

While most people in the financial services industry are happy that more information will make for better credit decisions, there are some arguing that there will still be big gaps in the information flow. Credit files will not show how much of the available credit has been used on each account. Nor will files show whether a customer has asked a credit provider for financial hardship assistance.

Consumer groups will not be happy with the inclusion of rights to pre-screen direct marketing lists to remove adverse credit risks. Their view is that this allows credit providers to refine their marketing offers, which may in some cases lead to predatory practices.

Sources: InfoChoice, Australian Property Monitors, Brisbane Times, The Daily Telegraph, WA Today, ZDNet

## This Week's Rate Movements

### Home Loans - Standard Variable Rates

Institution	Product	Old Value	New Value	Date of Change	Change Value
AMP	Classic Variable Rate Loan	5.89	6.14	12/10/2009	0.25
ANZ	ANZ Standard Variable Loan	5.81	6.06	12/10/2009	0.25
Arab Bank	Standard Variable Rate Home Loan	6.20	6.45	13/10/2009	0.25
Aussie	Aussie Standard Variable	5.55	5.80	13/10/2009	0.25
B&E Ltd	FlexiChoice Variable Rate Loan	5.77	6.02	15/10/2009	0.25
Bananacoast Community Credit Union	Standard Variable	5.80	6.05	15/10/2009	0.25
Bank of Queensland	Standard Variable	5.89	6.14	12/10/2009	0.25
BankSA	Standard Variable Home Loan	5.79	6.04	12/10/2009	0.25
Bankwest	Mortgage Shredder	5.70	5.95	12/10/2009	0.25
Bendigo Bank	Residential Variable Loan	5.90	6.15	13/10/2009	0.25
Big Sky Credit Union	Standard Variable	5.63	5.94	13/10/2009	0.31
Cairns Penny Savings and Loans	Home Loan	5.60	5.85	15/10/2009	0.25
Collins Home Loans	Variable	5.17	5.42	13/10/2009	0.25
Commonwealth Bank	Complete Home Loan Standard	5.74	5.99	13/10/2009	0.25
Comtax Credit Union	Home Loan	5.20	5.45	13/10/2009	0.25
CUA	Standard Variable Loan	5.52	5.77	16/10/2009	0.25
FCCS Credit Union	Value Plus Home Loan	5.70	5.95	13/10/2009	0.25
Gateway Credit Union	Standard Variable Home Loan	5.49	5.74	15/10/2009	0.25
Greater Building Society	Getaways Home Loan	5.55	5.80	12/10/2009	0.25
Heritage Building Society	Standard Variable	5.45	5.70	15/10/2009	0.25
Homeloans Ltd	Homeloans Premium Saver	5.09	5.34	13/10/2009	0.25
HomeSide Lending	Homeside HomePlus	5.47	5.72	13/10/2009	0.25
Hunter United Credit Union	Standard Variable Home Loan	5.89	5.99	13/10/2009	0.10
Illawarra Credit Union	Standard Variable Loan	5.75	6.00	15/10/2009	0.25
IMB	IMB Standard Variable Home Loan	5.60	5.85	15/10/2009	0.25
ING DIRECT	Mortgage Simplifier	5.09	5.34	12/10/2009	0.25
Intech Credit Union Limited	Classic Home Loan	5.72	5.97	14/10/2009	0.25
ME Bank	SMHL Standard	5.39	5.64	13/10/2009	0.25
mecu	Premium Home Loan	5.45	5.70	12/10/2009	0.25
Morgan Brooks DIRECT	Variable (<\$250,000)	5.11	5.36	12/10/2009	0.25
Mortgage Ezy	Ezy Discounted Variable Fee Free	4.94	5.04	14/10/2009	0.10
Mortgage House	Freedom Home Loan	5.15	5.40	10/10/2009	0.25
MyState Financial	Standard Variable Home Loan	5.81	6.06	13/10/2009	0.25
NAB	NAB Tailored Home Loan - Variable Rate	5.74	5.99	12/10/2009	0.25
one direct	one direct variable loan	5.04	5.29	12/10/2009	0.25
Police and Nurses Credit Society	Lifestyle Home Loan - Variable Rate	5.59	5.84	14/10/2009	0.25
Police Credit	Housing Loan	5.59	5.69	12/10/2009	0.10
Police Department Employees Credit Union	Premium Variable Home Loan	5.75	5.97	14/10/2009	0.22
RAMS Home Loans	RAMS Standard Variable	5.59	5.94	13/10/2009	0.35
RESI Mortgage Corporation	Complete Home Loan	5.62	5.87	13/10/2009	0.25
St. George Bank	Variable Loan	5.79	6.04	12/10/2009	0.25
Suncorp	Standard Variable	5.80	6.05	12/10/2009	0.25
Sydney Credit Union	Standard Variable Loan	5.81	6.06	16/10/2009	0.25
Unicom Credit Union	Standard Variable Home Loan	5.75	6.00	15/10/2009	0.25
Westpac	Premium Option Home Loan	5.81	6.06	12/10/2009	0.25

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

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