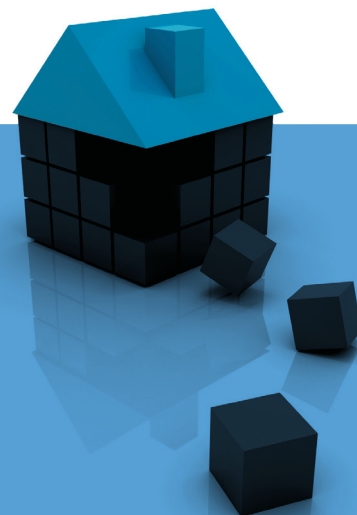


THE MORTGAGE BULLETIN



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NEWS FROM BRETT LUCAS

Welcome to the last Bulletin for 2010 and what a year it has been! On the financial side of things the Reserve Bank's cash rate rose 1% and then the banks took a little bit more. It seems those low interest rates were never going to last! On a personal note Tracey and I announced we are expecting our 3rd child due in April and we can not wait! On the business side, thanks go out to you for your business in 2010 and I look forward to assisting you again in the new year. I wish you and your family a very Merry Christmas and prosperous 2011.

TIME TO REVIEW

The latest interest rate rises has prompted detailed comparison between the major four banks and smaller independent lenders. Below is an interest rate table with the standard variable rate offered by a selection of lenders:

BIG FOUR BANKS

Commonwealth Bank	7.81%*
ANZ	7.80%*
Westpac	7.51%*
NAB	7.24%*

BEST INDEPENDENT OFFER

Pacific Mortgage Group	6.31%*
Match Home Loans	6.38%*
Rate Busters	6.43%*
Mortgage House	6.48%*

BASED ON STANDARD VARIABLE RATE
THESE RATES WERE CORRECT AT TIME OF PRINTING

REVIEW YOUR RATES



CURRENT MEDIA DEBATE seems to express that the jury is still out on exit fees and their impact on the banking sector.

The introduction of the exit fee crackdown was established as a trigger for consumers to make it easier to switch and increase competition.

However, it seems the crackdown could in fact hurt smaller lenders more with some independent institutions having higher exit fees (\$4,000 to \$7,000 in some cases) in comparison to the bigger banks (\$700 - \$900). This, in turn, dampening competition between the smaller powers and the big banks, rather than fostering it.

The Australian Securities and Investments Commission (ASIC) has declared it will focus efforts on the highest fees in the market although is yet to act on any exit fees charged since 1 July 2010.

Interest Impact

The bigger banks have also responded with interest rate rises above the official rate leading many to link the two issues together.

The Commonwealth Bank led the charge with an increase of 0.45 percentage points, well above that of the 0.25 points by the Reserve Bank.

ANZ followed lifting their rate by 0.39 points. This hike came days after they announced the elimination of their exit fees for home loans – making it easier for people to actually leave the ANZ.

Such appears to be the confidence of the bigger banks in customer loyalty that they can afford to reduce or eliminate exit fees, driven by a strong outlook of retaining significant market share regardless of the exit fee stance or conditions.

On the other hand, consumer sentiment is shifting as they look for ways to reduce their borrowing costs and go in search of a better deal.

What Can You Do?

So what does all this mean for homeowners?

With the new exit fee conditions, it is timely to revisit your current loan structure and conditions. If you are not happy with costs start searching for alternatives.

It may be that the best home loan option is your existing one but you should still check the choices available.

Contact our team today to help get you started and make smarter choices regarding your home loan.



SPEAK WITH YOUR FEET

GREATER CONSUMER CHOICE is only fully realised if people exercise that power.

So, the power then rests with Australian homeowners to increase competition and shop around.

Intensified banking sector debate has provoked almost every Australian homeowner to evaluate exactly how their loan is performing and how they may benefit from better returns.

In return, recent banking movements should give mortgagees more self-assurance to either re-negotiate their current lending conditions or refinance with another lender who may offer a better deal.

Alternative Lending

If it were as simple as looking at interest rate comparisons the shift between lenders would be a lot greater.

However with other costs factored into shifting loans it can sometimes be in the too hard basket for many investors.

If you are considering a switch, it is important to do your homework.

You need to factor in exit fees, government charges (can be up to \$200 in some states) and the impact on other benefits such as ATM access or free credit cards.

For example, with an exit fee of \$300 you may be able to recoup this amount in 6 months by saving at least \$60 on your interest repayments via a lower rate. For larger exit fees it may take up to 18 months to pay off but you may still save significant money in loan repayments over five years.

Canstar Cannex financial analyst Mitchell Watson said yesterday borrowers should

“do the sums” and change banks if the repayment savings exceeded the cost of exit and application fees.

But he warned consumers to check they were not switching to a temporarily low rate that would rise after a year or two.

“If you’re looking at switching to an introductory rate, you need to factor in that it won’t last forever,” he said.

...its cheaper for banks to keep you than attract another customer.

Mr Watson advised borrowers to try negotiating a better deal before leaving a lender.

Negotiate A Better Deal

“It’s cheaper for the banks to keep you than to attract another customer, so you’ve always got that in your back pocket,” Mr Watson said.

“It’s always an option to renegotiate with your bank because when you send them your discharge authority, they will try to save your business. Be prepared to stay at the institution if it is able to match or offer you a better deal.”

If you are considering a switch, our team can help evaluate your current loan, determine exact exit costs and help you find a better interest rate that matches your loan requirements.

To find out more contact our team today.

LOYALTY LENDING

Most Australians believe ‘switching banks’ is too much of a hassle due to paperwork according to a poll by consumer action group Choice.

Nearly 80 per cent of Australians have not thought about switching banks because of the considered effort involved and belief that it would not make that much of a difference to their current lending costs.

The poll revealed that only eight per cent of Australians have switched banks and only another 12 per cent are considering the option.

These results come as the big four banks continue to raise interest rates and competition in the banking sector intensifies with the spotlight well and truly on exit fees.

Australian lending conditions and the state of play of our banks is being hotly discussed along with decisions by consumers about whether to switch from their existing lenders.

The *Australian* newspaper also reported that consumers could save up to \$3,211 over five years when comparing a current \$350,000 loan with the Commonwealth Bank and refinancing this loan with Newcastle Permanent Building Society which offers one of the cheapest comparable mortgages on offer.

However loyalty by Australians to their bank is a lot higher than international consumer comparisons where there tends to be less loyalty in search of greater financial returns.

Nationally, the true cost to changing loan types and the legalities and paperwork for many appear to be the main deterrents.

