

# THE Daily Telegraph

## Mess with banks over rates

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By Peter Switzer

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**INSPIRED by the *Godfather* movies, I have a rule that helps when dealing with banks. And with the banks slugging us with higher interest rates to maintain or even build their profits, it's time to meet fire with fire.**

The rule runs something like this: "If you're going to mess with me, I'm going to mess with you."

But how do we get even with the banks? For starters, don't give them the loyalty they don't deserve.

Don't believe the cost of having all your business in a one bank is actually good for your bottom line, unless you have negotiated a great deal to do that.

A Mortgage & Finance Association of Australia report showed 80 per cent of borrowers who switched their home loan were better off.

When the big banks started their interest rate hikes I went to the interest rate monitoring websites to find the best rates in town. And while I came up with some great deals, a closer look at the figures reminded me of the shenanigans the good ol' banks can play.

Right now the typical standard variable home loan rate of interest is 8.67 per cent but this is the advertised rate, so you have to be careful.

Take the case of NAB. According to Infochoice its rate is 8.69 per cent but the comparison rate of interest is 8.84 per cent, 0.15 per cent more.

This comes about because lenders, and especially banks, add on extra costs such as valuation, application and legal fees. The comparison rate includes these costs and is the more accurate cost of a loan.

ANZ had the most expensive variable comparison rate of interest at 8.88 per cent for the big banks. The others were near 8.7 per cent but their advertised rates were lower.

Online you get 7.71 per cent at One Direct and 7.7 per cent at Myrate.

And if you want a big-name conventional lender, AMP has loans from 7.87 per cent to 8.07 per cent.

If you want fix your rates, two-year fixed rates at the banks were about 8.3 per cent but the comparison rates were closer to 8.7 per cent.

The best ones I could find were one direct at 7.77 per cent and Myrate at 7.71 per cent.

Note, small lenders could be forced to raise rates too and by more than the banks, but odds are many will use the recent rises to gain goodwill at the expense of the banks.

Given the good online deals, now is good to mess around with the internet or try a mortgage broker.

*Peter Switzer is founder of Switzer Financial Services - <http://www.switzer.com.au>.*

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