

## Latest news

### Rate cuts boost second tier lenders

20 February 2009 6:59am

Banks and other lenders are said to be offering sub five per cent loans as part of package deals for big loans.

Some second tier lenders in Australia have used the February 2009 rate cut to boost margins slightly while, of the majors, only ANZ increased its margins in February.

Surprisingly, the second tier of lenders has increased its average margin on home lending only fractionally as rates have come down over the last four months. The second tier lenders have fattened their margins less than the big five banks over the last few months.

The average standard variable mortgage rate now being offered by the second tier of lenders and credit unions is 5.60 per cent, according to data compiled by Money Zone,

That is an average margin of 2.35 per cent over the Reserve Bank's cash rate of 3.25 per cent, a simple benchmark for measuring a lender's cost of funds, but one highly relevant in the home loan market.

In October, the RBA's cash rate was 6.0 per cent and the average of the second tier mortgage lenders was 2.14 per cent higher at 8.14 per cent, according to MoZo data.

The big five's variable rate home loan margins have increased from an average of 2.07 percentage points in November 2008 to 2.30 percentage points in February 2009.

Bank of Queensland was the most aggressive of the second tier banks and lenders in increasing margins as rates fell. BoQ has upped its take by 0.42 percentage points over the period.

ING Direct is the only second tier lender to have kept margins stable across its variable rate home loan portfolio over the period.

MoZo said that after increasing margins by 0.12 percentage points on average in November 2008, and 0.10 points in December, the five biggest lenders held margins relatively steady in February 2009.

A slight increase in average margins for February is due to ANZ increasing rates on its EquityManager loan products by 0.15 percentage points.

MyRate seemed to be leading the market yesterday with a headline rate of 4.99 per cent for a mortgage over \$600,000.

Some wealthier customers may be eligible for home loans at rates of less than five per cent if they package them up with other products from the same institution.

The InfoChoice benchmark rate is currently at 5.51 per cent. The InfoChoice benchmark is the weighted average of the rates offered on full featured variable loans of approximately 100 big and small lenders around Australia.

Article By: [Jason Bryce](#)

Print Article

Subscriber  
login

Email:

Password:

Reminder

Login

Quick  
search

Search