



Business

Banks now switch pitches after exit fee ban

Jason Bryce | Herald Sun | July 09, 2011 12:00am

A+ A- Share

Recommend Be the first of your friends to recommend this.

retweet

Share



ON THE MOVE
Fee changes since June 24

Institution	Product	New value (Difference +/-)
ANZ	Standard Variable Loan	\$0 (-\$600)
Aussie	Aussie Optimiser	\$600 (+\$600)
Grt Build Soc	Getaways Home Loan	\$500 (+\$500)
ME Bank	SMHL Standard	\$150 (+\$150)
Mortgage House	Vantage Simple Loan	\$395 (+\$395)

Source: Herald Sun

THE Federal Government's ban on mortgage exit fees is one week old and lenders are changing their deals to adjust to the new regulations.

The Reserve Bank again decided to leave the official cash rate unchanged at 4.75 per cent this week, with some economists speculating that rates will not rise again for some time.

As a result, the time may be right to consider refinancing, analysts say, and borrowers seem to be heeding the message.

Almost 40 per cent of new mortgages sold in June by the nation's biggest mortgage broker, Australian Finance Group, were to people refinancing their home loans.

"We have never seen the major lenders as hungry for business as they are right now," said AFG general manager of sales and operations Mark Hewitt.

"They have some very competitive offers on rates, fees and switching incentives, and people who already have mortgages are seeing the benefits of reviewing their arrangements."

Last week ANZ joined the mortgage discounting war with its offer last week to pay \$1000 of costs to borrowers who switch before the end of the September.

Among the market-leading variable rates on offer is Loans.com.au's dream loan express rate of 6.69 per cent, but like many non-bank lenders, Loans.com.au have had to rein in some of their most outstanding discounts and offers.

Westpac has cut some fixed-rate mortgages.

Lenders were competing harder with their fixed-rate deals, said Damian Smith, chief executive officer of financial comparison site RateCity.

"Lenders are offering attractive fixed rate home loan deals to help kick-start lending but also to retain current customers with longer-term deals as exit fees on variable rate loans are banned," he said.

"The ban on excessive early fees does not include break costs for fixed rate home loans so it's a better deal for lenders to increase their customer base for fixed loans while borrowers could save on interest."

The current average standard variable rate is 7.30 per cent so if variable rates rise by 50 basis points in six months' time, you could potentially save \$2500 on a \$300,000 mortgage in three years," said Mr Smith.

Banks may be rolling out some irresistible mortgage deals, but non-bank lenders are still trying to work out how they will compete.

In June, the big four banks increased their market share at the expense of the smaller lenders, according to AFG.

That could continue as the non-bank lenders change their fee and rate deals in response to the ban on exit fees that came into effect on July 1.

There have since been 51 notified mortgage fee changes in the Infochoice database of financial products. Among them, Aussie Home Loans has increased mortgage application fees and ME Bank has introduced two new \$150 service fees.

Pepper Home Loans has increased some fees and ended its rate discount.

Loans.com.au has shortened its five-year rate link to the RBA's cash rate to three years.

Kevin Sherman, managing director of MyRate.com.au, is taking a wait and see approach to the ban on exit fees.

"Our competitive proposition has been simple and effective: A low rate and no fees except early exit fees," Mr Sherman said.

"We had a perfect fee regime -- we penalised the people who should be penalised and provided great value to loyal customers."

MyRate operates online directly to the consumer.

"We want to keep our low-rate, no-fee philosophy but the ban on exit fees has caused complications with that," Mr Sherman said.

David Holmes, chief executive officer of non-conforming mortgage lender Pepper Home Loans has also changed strategy because of the exit fee ban.

"We gave borrowers a one (percentage point) rate discount off the standard variable rate for 12 months if they stayed with us for three years," Mr Holmes said. "We just can't offer that now and it is disappointing because that was a genuine benefit to borrowers that has disappeared from the market."

Pepper is now developing some mainstream mortgage products to compete directly with the banks.

Tony Carn, the chief executive of Homeloans is also optimistic about his ability to lure borrowers from the big banks.

"The removal of deferred establishment fees eliminates consumer uncertainty, places Homeloans on an equal footing with the banks and means we are a true alternative," Mr Carn said.

Possibly the best news for borrowers wanting the best deal for the least effort and cost, comes from Kevin Sherman.

"It is a slow market for new home loans and most lenders will compete now on price for refinancers," he said. "Most consumers these days know what they want. They usually want a fully featured loan product with the lowest costs. And lenders . . . will definitely discount rates in order to retain a customer."