Group Corporate Affairs

As a result of the financial crisis, all major banks tightened their lending criteria to

- Fee-charging home loan credit products and lending to higher loan to value ratios (LVs).
- Requiring higher loan to value ratios (LVs).
- Of certifying higher discount rates or the SR, before the financial crisis, the
- Setting lower discount rates.
- Providing higher home loan packages for customers who switch their mortgage, credit card, and transaction accounts from another major bank to another. One major bank is offering up to $1,400 for
- Weaning fees on exit fees and switching costs or cash incentives for customers

Due to increased saving and reduced home loan lending, lenders are now charging market

demand for home loans.

Over the last two years, Australian consumers have saved more, borrowed less. The
demand for household income today. At the same time, we have seen a decline in the
national household savings rate from around 9% in 2006 to about 10 per
100 basis points (bps) above the official cash rate in 2007 to be around
offered by ANZ. In contrast, the official cash rate in 2007 to be around
around 5%. This saw the 90-day term deposit rate decline by 2007, as a result of the financial crisis, banks were

In December, we reported that, over the last year, competition in the deposit

Dear Mr. Hawkins,

16 March 2011

Canberra ACT 2600
Parliament House
Senate Economics Committee
Secretary
Mr. John Hawkins

When full-mouthed, it lends report.

Loan market I consider it important that this is taken into account by the Committee
competition in the home
market. Since ANZ announced its new rate, the home
competition within the Australian banking sector. Since ANZ appears to be the
I am writing to provide an update to the Senate Economics Committee's inquiry into

ZNV
contacted on (03) 8654 3459 or michael.johnston@anz.com.

ANZ would be pleased to provide any further information to the Committee. I can be

regulation.

competitive environment can benefit consumers without the need for significant new
choice in the market. The current state of the mortgage market highlights how a
indicated we support sensible measures which will support competition and consumer
In our submission to the Inquiry on Competition within the Australian banking sector, we
choice and competitive offers available in the market.
consumers who are refinancing or taking out a new home loan are benefiting from the
are offering a higher Southeast region to retain customers through other service offerings.
some banks are choosing to grow mortgage share by offering the lowest rate while others
amongst Australian banks and the difference in the propositions offered to consumers.
These recent developments are an indication of the high-competitive environment.
free home loan with an interest rate 57bps below their standard variable rate
We are also seeing product innovation with one major home loan lender introducing a
maximum LVR for new to bank customers to 95 per cent.

conditions. However, recently, a number of major banks have increased the
bank customers. This was prudent in light of the difficult and uncertain economic
lead only up to a maximum of 90 per cent of the value of the property for new to

Yours sincerely,

Michael Johnston
Head of Government & Regulatory Affairs

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