

5QW: From Mr Adam Bandt MP

Topic: Banks not offering mortgages that track the RBA cash rate

Question:

Why do you think banks do not currently offer such a product?

Answer:

We are unable to comment directly on the reasons for each individual bank's decision whether or not to offer this product.

We are aware of at least one new product (offered by Auswide Bank) which tracks the RBA cash rate, however the pricing of this (3.99%) is 30 basis points above their cheapest variable rate package.

Mr Shane Elliott of the ANZ Bank made some comments to the Standing Committee of Economics by in March this year on the challenges of funding these types of loans. In his opening statement, Mr Elliott said "We also looked hard at the launching of tracker mortgages, but our research showed that only 10 per cent of variable-rate customers today would think about switching to a tracker. In part, that reflects price. We cannot fund the bank with tracker deposits, and this risk needs to be priced for. Launching trackers would therefore be commercially unattractive in our view and make us even more complex. That said, we will continue to assess demand."¹

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<http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=COMMITTEES;id=committees%2Fcommrep%2F25c45154-53de-4c1b-956a-8142c25709b4%2F0002;query=Id%3A%22committees%2Fcommrep%2F25c45154-53de-4c1b-956a-8142c25709b4%2F0001%22>