

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

Westpac Banking Corporation

WBC1QW: Regarding principal and interest mortgages:

- (a) How many do you currently provide, and what is their total dollar value?
- (b) What is their percentage of your total mortgage products provided?
- (c) When the board decides to cut interest rates is the reduction automatically passed through to mortgage holders through lower repayments, or when the board decides to cut interest rates is the reduction in repayments only passed through on request of the holder with the gap paying off additional principal?
- (d) If the latter, how many mortgage holders have requested a reduction in repayments as a percentage of principal and interest mortgage holders?
- (e) For the last two rate cuts, what was the aggregate dollar value reduction in interest repayments compared to each previous month?

Answer:

- (a) On 30 September 2019, the Westpac Group held 1,116,856 principal and interest mortgage accounts (including both variable and fixed rate) with a total gross balance of \$312.6 billion.
- (b) On 30 September 2019, principal and interest mortgages represented 71% of total mortgage accounts (70% of total balances).
- (c) Decisions on changes to Westpac's Standard Variable Rate (SVR) for mortgages are made by Westpac's CEO and the Group Executive of our Consumer Division. Non-SVR rate decisions are made by pricing committee and the Group Executive of our Consumer Division.

Following an interest rate reduction on variable rate home loans, our variable index rates are updated and changes to the interest rate are passed on automatically to customers in the relevant products from the effective date.

In relation to customer repayments following a rate change, our current approach is that:

- for St.George, BankSA and Bank of Melbourne customers:

- If a customer has set their repayment at the minimum repayment, then it will automatically reset to the new minimum repayment;
- If a customer has set their repayment at the minimum repayment plus a buffer, then it will automatically reset to the new minimum with the same buffer; and
- If a customer has set their repayment at a specific dollar amount, then it will only adjust if the new minimum repayment is above the dollar payment (in which case it will adjust to the new minimum repayment).
- for RAMS customers:
 - If a customer has set their repayment at the minimum repayment, then it will automatically reset to the new minimum repayment
 - If a customer has set their repayment at a specific dollar amount, then it will only adjust if the new minimum repayment is above the dollar payment (in which case it will adjust to the new minimum payment).
- for Westpac customers, repayments are currently reviewed on an annual basis in February. Customers can ask for repayments to be reduced during the year and are advised to contact us if they require changes. After our next annual review, we will be changing the process for Westpac customers so that repayments are adjusted after each rate change (in line with the approach for our other brands).

(d) For the 3 months to May 2019, a total of 0.4% of the total principal and interest mortgage accounts requested a repayment recalculation. For the 3 months to Aug 2019, a total of 0.9% of the total principal and interest mortgage accounts requested a repayment recalculation.

(e) The following table shows the aggregate change (\$m) in interest repayments on variable rate principal and interest mortgages compared to the preceding month due to the rate cuts in June and July 2019.

Apr	May	Jun	Jul	Aug	Sep
n/a	n/a	-16.44	-36.92	-16.63	n/a