

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

Bank of Queensland

BAQ1QW: Regarding principal and interest mortgages:

- (a) How many do you currently provide, and what is their total dollar value?

Answer: As at 31 August 2019, BOQ had 109,000 principal and interest mortgages, with a total value of \$23.8 billion.

- (b) What is their percentage of your total mortgage products provided?

Answer: As at 31 August 2019, principal and interest mortgages represented 78 per cent of all mortgages by value.

- (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?

Answer: When BOQ changes an Index rate, this would automatically update the required minimum monthly repayment (MMR) for the account.

Where a customer is repaying their loan via a linked transfer order, the customer has three options (these are usually selected by the customer at loan origination and remain unchanged):

- a. The customer's monthly repayment is adjusted to match the new MMR;
- b. The customer's monthly repayment is adjusted to match the new MMR plus some previously agreed set amount; or
- c. The existing transfer amount remains unchanged, unless this set value falls below the MME, in which case it adjusts to that.

Customers who do not use a linked transfer order to manage their monthly repayment are responsible for updating the amount they pay in whatever manner they choose, subject to continuing to make at least the MMR.

- (d) If the latter, how many mortgage holders have requested a reduction in repayments as a percentage of principal and interest mortgage holders?

Answer: Not applicable – see answer to question (c) above.

- (e) For the last two rate cuts, what was the aggregate dollar value reduction in interest repayments compared to each previous month?

Answer: Net monthly interest repayments (after adjusting for offset accounts) fell by \$5.4 million between May (the last full month before the first cut) and August (the first full month after the second cut).