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FOR IMMEDIATE RELEASE

## Rate gap narrows on business loans

CANSTAR CANNEX releases *business banking star ratings* report today.

The first signs that interest rates on residentially-secured business loans are back on track to equal those of ordinary standard variable mortgages are starting to appear, according to leading financial services research and ratings group CANSTAR CANNEX.

Two years ago, business loans secured against residential property were largely in line with the interest rates charged on standard variable mortgages.

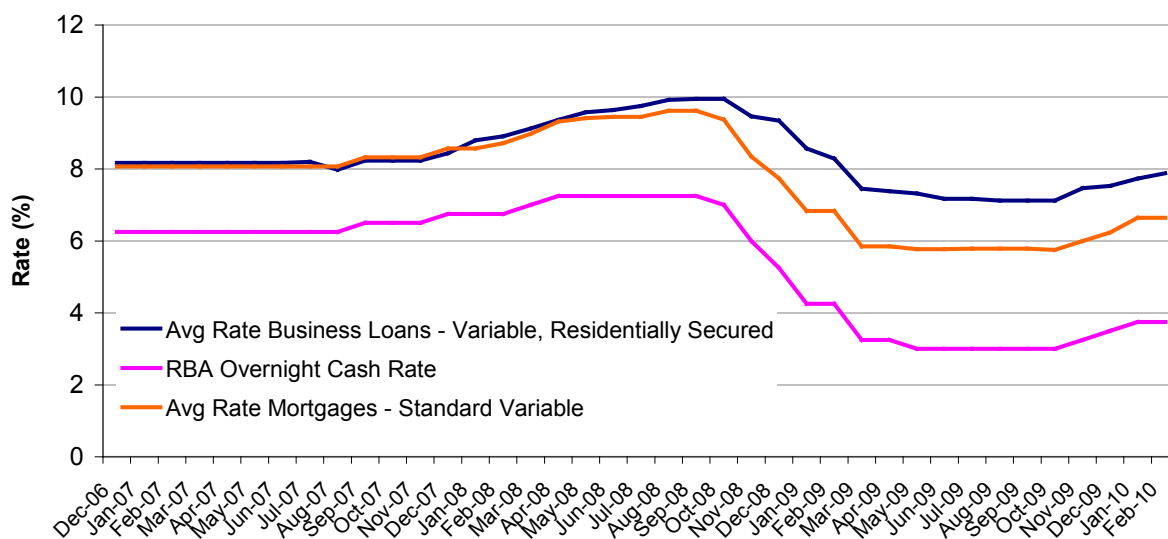
The GFC changed all that and margins started to widen in May 2008, peaking at a 1.73% difference in January last year. Since then, the margin has narrowed by 50 basis points.

“Business paid more as wholesale funding costs skyrocketed and lenders were wary of taking on new lending business in uncertain times,” CANSTAR CANNEX financial analyst Peter Arnold said.

“Now, the same business loans are only 1.23% above residential home loans and we are noticing signs that the gap is shrinking.”

“Unfortunately, it’s not that rates are decreasing on business loans but rather, they are increasing more on home loans and this is narrowing the gap,” Mr Arnold said.

### Interest Rate Movements



source: [www.canstarcannex.com.au](http://www.canstarcannex.com.au), 9 Feb 2010, business loan base rates used, risk margins may apply.  
Averages based on 4 major banks and 4 regional banks

CANSTAR CANNEX looked at four major banks and four regional banks to come up with an average snapshot of business rates.

Out of these eight banks, three raised rates above the Reserve Bank (RBA) rate, two kept their increases to the RBA figure and the remaining three were below the increased figure.

Analysis of rate movements over the past six months shows that the average rate increase for residentially-secured variable business loans was 0.614%, 13.6 basis points less than the RBA.

<b>Residentially Secured Variable Business Loans</b>			
<b>Product</b>	<b>Rate 1st Oct 2009</b>	<b>Rate 1st Feb 2010</b>	<b>Rate Increase</b>
Suncorp - Business Ln Variable Res	7.94%	8.34%	0.40%
Westpac - Business LoanVar res sec	7.44%	7.94%	0.50%
nab - Bus Opt Instl Ln Var Res	7.28%	7.93%	0.65%
St George - Business Loan Variable	6.97%	7.72%	0.75%
Bendigo Bank - Bus Solut Res Sec Var	7.64%	8.39%	0.75%
BankWest - Business Edge Loan	6.39%	7.24%	0.85%
Commonwealth Bank - Better Bus LnVar res sec	6.24%	7.11%	0.87%
ANZ - Bus Mortgage Loan Var	7.07%	8.37%	1.30%

source:www.canstarcannex.com.au, base rates used.

<b>Residentially Secured Variable Business Loans</b>	
<b>Rate changes since August 2009 analysis</b>	<b># of institutions</b>
rate cut	2
no change	2
rate increase less than RBA	10
rate increase equal to RBA (75bp)	12
rate increase higher than RBA	15
<b>average movement</b>	<b>0.614%</b>

source:www.canstarcannex.com.au

“It should also be noted that the banks posting the biggest rate increases since October last year were generally the ones that had kept rates lowest when the RBA bottomed during 2009,” Mr Arnold said.

“For example, despite passing on the second largest rate increase of 87 basis points to its Better Business Loan, the Commonwealth Bank still retains the lowest rate out of the eight under examination.”

According to Mr Arnold, Suncorp, Westpac and nab, who have all increased less than the RBA, have taken the first steps towards narrowing the margins that have developed between business loans and mortgages over the past 18 months.

“The best thing we can hope for is to see these rate margins close across the board,” Mr Arnold said.

“Unfortunately, for small businesses with loans to repay, there will be more pain before this happens, as it will be as a result of restricted rate rises – not rate cuts.”

CANSTAR CANNEX today released its *business banking star ratings* which compares are rates the suite of business products on offer.

The number of products available in the market place is sizeable. – 337 term loans, 69 overdrafts, 38 credit cards and 88 deposit accounts.

Rates and features are compared and CANSTAR CANNEX awards five stars to products that offer outstanding value. This assists a more informed choice of suitable banking products and is a reliable guide to see how competitive your own bank is.

Full results for business banking can be downloaded on [www.canstarcannex.com.au](http://www.canstarcannex.com.au)

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### About CANSTAR CANNEX:

Founded in 1992, CANSTAR CANNEX Pty Limited is Australia and New Zealand's premier researcher of retail finance information for over 350 institutions such as Banks, Building Societies, Credit Unions, Finance Companies, Brokers, Mortgage Originators, Life Companies and finance related Internet Portals.

CANSTAR CANNEX customers use the extensive database for competitor analysis as well as a means of disseminating their product range. This information is also distributed to print and electronic media for publication and to Agents, Accountants, Brokers and Internet Portals for use in advising their clients.

### What are the CANSTAR CANNEX star ratings?

CANSTAR CANNEX researches, compares and rates the suite of banking and insurance products listed below. Results are freely available to consumers who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANSTAR CANNEX website at [www.canstarcannex.com.au](http://www.canstarcannex.com.au) if you would like to view the latest star ratings reports of interest.



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- Car insurance
- CFD trading
- Credit cards
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- Direct life insurance
- Health insurance
- Home & Contents
- Home loans
- Life Insurance
- Low-doc home loans
- Margin lending
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