



Fight: Mark Bouris returns to battle the big bankers, such as Westpac's Gail Kelly (below right), to the delight of Treasurer Wayne Swan (below left)

Home loan whiz takes on banks

Exclusive

By NICK GARDNER

HOME-BUYERS will have access to cheaper loans from tomorrow, with a new lender offering cut-price mortgages in competition with the banks for the first time since the financial crisis.

Unhappy property owners, fed up with high-charging banks, are also about to gain relief as Treasurer Wayne Swan reveals plans to effectively outlaw exit fees when customers change banks.

In a move the Federal Government hopes will help break the dominance of the big banks and force downward pressure on interest rates, mortgage guru Mark Bouris will begin undercutting the banks with the cheapest fixed and variable-rate home loans.

The Wizard Home Loans founder's new firm, Yellow Brick Road, will offer a standard variable rate of 6.34 per cent — a deal that will save borrowers with a \$300,000 mortgage \$80 a month, or \$960 a year — compared with Westpac's rate of 6.76 per cent.

Mr Swan told *The Sunday Telegraph* the Government would clamp down on exit fees within months with new consumer laws to put pressure on lenders to reduce or abolish exit fees on home loans.



"Tough consumer protection laws due to come into force next year will be able to target excessive exit fees for the first time ever," he said.

"These will be the strongest laws governing consumer credit Australia has had, with wide-ranging powers to overrule unfair terms in credit contracts, including mortgages."

Prime Minister Kevin Rudd said last week Westpac customers, unhappy at the bank's hiking interest rates by 0.45 per cent, should be "looking at where else they can do their banking".

But Westpac borrowers could face exit fees of \$1150 on top of those they have already paid, such as establishment fees — often \$600 — and annual fees of \$96. That means that a Westpac borrower



could have to pay more than \$2000 in fees alone if they leave within four years.

Similar fees apply at other banks, but they can be higher at smaller lenders, especially non-bank lenders.

A Treasury source said that under the new laws, an exit fee could be deemed "excessive" if the size of the fee was disproportionate to the cost incurred by the bank in closing the loan.

In such cases, the new laws could be used to force the bank to either waive or reduce its fees.

One senior bank source said the industry was "very worried" because banks would be forced to justify all fees.

He told *The Sunday Telegraph* that if banks charged establishment fees, exit fees should not apply at all.

Although the Government's move to help homeowners won't come until next year, the return of the small lender is likely to have an immediate impact on the mortgage market.

Mr Bouris said he had spent two years planning the venture and six months negotiating funding for his loans with Gateway Credit Union.

"Almost every product we have is the best in the market. Where we are better is only by a fraction. Our aim is always to undercut the banks," he said.

Mr Bouris's return could not be better timed. Westpac's 0.45 per cent hike hit borrowers with one of the biggest rises in history.

All banks, except NAB, raised rates more than the Reserve Bank's 0.25 per cent hike this month.

Mr Bouris's mortgage launch was warmly welcomed by Mr Swan: "It's always good to see new options in the mortgage market, giving Australians more choice and putting pressure on the big banks."

Mr Bouris's return to home loans comes four years after he sold Wizard Home Loans to GE Money.

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