

MEDIA RELEASE

2 September 2008

Rate relief means even better deal from credit unions and building societies

Australia's credit unions and mutual building societies look set to deliver even better deals to borrowers after today's RBA rate reduction.

"Credit unions and building societies play a vital role in delivering competition and choice," said Louise Petschler, CEO of the industry association Abacus.

"Members of credit unions have been enjoying a 50 basis point advantage over borrowers at the big banks in recent months."

"A number of credit unions had already pledged to pass on any reduction in full. As member owned mutuals, our focus is member benefit, not profits for shareholders."

"We expect the customer-owned banking sector will continue to deliver competitive rates to borrowers following this welcome rate relief," said Ms Petschler.

Cannex data reviewed by Abacus just prior to the RBA's announcement shows that, on average, standard variable home loans with credit unions and building societies were already between 0.40% and 0.50% cheaper than the major banks.

This average difference is greater than the rate reduction announced today by the Reserve Bank. It reflects the efforts of mutuals to cushion members from rate rises, drawing on a strong and stable funding base and their mutual ethos.

While the banks gain publicity on lowering their rates, analysis by Abacus showed that over 100 credit unions and mutual building societies were *already* offering standard loan rates below 9.30% - lower than bank reduced rate now on offer.

Abacus also noted the importance of looking at fees and charges in selecting a loan. Research by the corporate regulator ASIC¹ earlier this year found that credit unions and building societies have the lowest total loan fees and lowest exit fees of any group of lenders in the market.

"Better interest rates, fairer fees – that's the mutual difference at work."

There are 138 credit unions and mutual building societies in Australia. Credit unions and mutual building societies are Authorised Deposit-taking Institutions (ADIs) licenced and regulated by the APRA to the same high standards as banks.

For more information:

Louise Petschler
CEO
Abacus – Australian Mutuals
(02) 8299 9034; (0408) 239 226

Mark Degotardi
Head of Public Affairs
Abacus – Australian Mutuals
(02) 8299 9053; 0419 998 201

For a full list of Abacus members around Australia go to www.abacus.org.au

¹http://www.treasurer.gov.au/Ministers/wms/Content/pressreleases/2008/attachments/018/018_attachment.pdf