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Research Briefing

In March 2010, InfoChoice undertook independent point-in-time analysis on behalf of Abacus – Australian Mutuals to identify how much a consumer could save if they placed their home loan with a credit union or building society compared to a major bank.

InfoChoice are Australia's leading financial comparison experts, established for over 15 years.

The research study was designed to identify and analyse savings for home loans across banks and credit unions or building societies.

General Approach

The InfoChoice study is based on current point in time data as at 9 March 2010. This approach was chosen as using current, rather than historical data is more relevant to a consumer's current circumstances.

Analysts compared the average rates offered by the four major banks vs the average of the four credit unions or building societies ("Mutuals") that offered the best rates. Mutuals that were 'closed', i.e. they only offered products to people who worked in specific industries or for specific companies, were not included in the study, as it would have reduced the relevance of the study to the average consumer.

The research study used the following analytical approaches for home loans

Home Loans

InfoChoice analysed the quoted rates on standard variable home loans (excluding any specially discounted or package rates) for a \$300,000 loan over 25 years. The comparison would show annual repayments and the total cost over the life of the loan. The calculations excluded all fees and charges.

Conclusion

The following conclusion has been drawn by InfoChoice from the research study. These are not universal conclusions that will apply to everyone:

For standard variable home loans - a consumer could save an average of \$117.85 per month, \$1,414.23 per year or a total saving of \$35,355.75 over the life of the loan. InfoChoice also found that if the money saved each month was put back into the loan, consumers could pay off their home loan three years earlier and save another \$41,613.56 in interest charges.

The Abacus TV advertisements make two claims that are directly attributable to InfoChoice's research:

- "A place where Infochoice says you could save over \$35,000 on your home loan."
- "You could save over \$35,000 on your home loan - Infochoice."