

# Discounts on low-doc rates

## **Joyce Moullakis**

St George Bank has begun heavily discounting its low-documentation loans, despite earlier reluctance by chief executive Gail Kelly to engage in a price war with a larger rival.

In a note to brokers, St George said it would cut 0.6 percentage points from its rate for low-doc home loans of more than \$250,000, and 0.7 percentage points for loans of more than \$350,000.

The low-doc portfolio loan has a prevailing interest rate of 7.42 per cent.

From this week, the bank is hitting borrowers with a sharp increase in its loan settlement fee. It will almost double to \$100, from \$54 previously.

St George's low-doc pricing aligns with aggressive discounting by the Commonwealth Bank of Australia, as it attempts to snare a larger slice of the non-traditional lending market.

For a standard \$250,000 home loan package or a low-doc loan, CBA allows a discount of 0.5 of a percentage point, leaving a rate of about 6.82 per cent.

Low-doc loans are, however, considered riskier because borrowers self-verify their incomes.

While a St George spokesman said competitors were offering larger low-doc discounts, brokers said CBA and St George were now in step.

"CBA has really moved the goal posts and if they stay there then I think a lot of lenders will start moving," ProSolution director Stuart Wemyss said.