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## Home loan rates hit 2.5 year lows

- The most dramatic rate cuts were among 3-year fixed rate home loans
- Industry-wide rate reductions have helped to kickstart a sluggish mortgage market
- Will rates continue to fall in 2012?

### December 26, 2011, Sydney

The home loan war continues to rage, with interest rates plummeting to the lowest level in more than two years, Australia's best financial comparison site RateCity ([www.ratecity.com.au](http://www.ratecity.com.au)) has found.

Fixed rates have taken the steepest dive, with three-year fixed rates falling to just 6.29 percent on average in December and starting at just 5.75 percent. That's 150 basis points lower than the high point seen in mid 2010.

With successive reductions in the Reserve Bank of Australia's cash rate, standard variable home loan rates have also continued to fall steadily throughout the course of the year and have now reached their lowest point since May 2010, dropping to just 6.89 percent on average.

Damian Smith, RateCity's CEO, said lenders are trying to kickstart a sluggish mortgage market with attractive deals on fixed and variable rate home loans.

"There were just over 5300 more borrowers in the property market in the year to October compared to the previous 12 months. While that's not a dramatic increase it does equate to more than \$2.5 billion in additional mortgage activity in 2011.

"More importantly, it's the first time we've seen an increase in borrowing in 16 months and the combination of lower rates and flat-to-declining property prices are driving this," he said.



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Lenders are clearly competing harder with their fixed and variable rate deals at the moment, said Mr Smith, despite speculation that rate cuts will ease off in the New Year as the banks' funding costs rise.

### Interest rate movements during 2011

	Standard variable (SV) rate	benchmark SV	1-yr fixed	3-yr fixed
<b>Jan-11</b>	7.34%	7.79%	7.10%	7.43%
<b>Feb-11</b>	7.34%	7.79%	7.10%	7.45%
<b>Mar-11</b>	7.33%	7.79%	7.10%	7.48%
<b>Apr-11</b>	7.30%	7.79%	7.05%	7.38%
<b>May-11</b>	7.30%	7.79%	7.09%	7.41%
<b>Jun-11</b>	7.30%	7.79%	7.08%	7.42%
<b>Jul-11</b>	7.30%	7.79%	7.09%	7.38%
<b>Aug-11</b>	7.30%	7.79%	7.03%	7.28%
<b>Sep-11</b>	7.31%	7.79%	6.77%	6.82%
<b>Oct-11</b>	7.30%	7.79%	6.69%	6.70%
<b>Nov-11</b>	7.31%	7.79%	6.60%	6.57%
<b>Dec-11</b>	7.09%	7.55%	6.40%	6.41%
<b>Today</b>	6.89%	7.30%	6.27%	6.29%

Table notes: above rates are collected at 1<sup>st</sup> of each month with the exception of today's rates, which are accurate as at 8am, December 26 and are subject to change. Benchmark rates refer to the average of the major bank's advertised interest rates.

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