

Borrowers urged – shop around if your lender won't budge on rates!

- Major banks tipped to move rates independently of the Reserve Bank
- Good news for borrowers: smaller lenders more likely to pass on rate cuts
- RateCity's cheapest variable home loans

February 2, 2012, Sydney

Borrowers are being urged by Australia's best financial comparison website RateCity (www.ratecity.com.au) to be ready to shop around and switch if their current lender won't pass on Reserve Bank of Australia (RBA) cash rate reductions.

It follows recent media comments by some of Australia's major banks that they may not fully pass on expected reductions in the cash rate from the RBA.

Damian Smith, RateCity's CEO, said the majority of borrowers who are currently with one of the big four banks should be aware that they aren't likely to receive the full benefit of any RBA rate change.

"Borrowers need to be aware that just because the Reserve Bank's cash rate is likely to go down, it doesn't mean lenders will pass on these reductions to borrowers.

"It wouldn't be the first time when lenders move independently of the Reserve Bank. We saw in November 2010 following a rate rise, major banks were among the first to announce rate increases beyond the 25 basis point move by the Reserve Bank," said Mr Smith.

In November 2010, out of the major four banks Commonwealth Bank jumped the highest for its variable mortgages by 45 basis points, National Australia Bank followed by a 43 basis point increase, ANZ increased by 0.39 percent and Westpac moved up 0.35 percent.

Mr Smith said borrowers need to look closely at the home loan market before jumping into a contract.

“The good news is that many smaller lenders are offering extremely attractive variable rates, and are hungry for new customers.

“In addition, the savings required to offset any costs of switching are not great. If you’re paying the current average standard variable rate from the big four (7.3 percent) on a \$400,000 mortgage, you’d only have to achieve a new rate of 6.8 percent to be better off inside eight months (assuming switching costs of \$1,000).

“In fact, rate reductions of over 1 percent are definitely attainable by some borrowers with solid equity and income, which would see them better off inside just four months.

“That’s why it’s more important than ever to keep a close eye on your lender and compare the home loan market. And the easiest way to do this is by using financial comparison websites like RateCity.com.au,” he said.

RateCity’s top variable home loans, as at February 2, 2012

1. UBank UHomeLoan (for refinancing) – 6.14%
2. State Custodians Standard Variable Offset – 6.22%
3. IMB Budget Home Loan – 6.27%
4. Loans.com.au Dream Loan Express Variable – 6.27%
5. Suncorp Bank My Home Loan Package Variable \$250K+ – 6.30%

Please note: available to the general public, excluding introductory rates, based on a loan of \$400,000, conditions and fees may apply

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For immediate release

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About RateCity

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