

Borrowers shun fixed rates

FIXED interest rates have fallen to an all-time low — but most home loan customers are failing to take advantage.

Some financial institutions are offering three-year fixed rates below 5 per cent and experts believe they will not fall any lower. By comparison, major lenders' standard variable rates are still averaging more than 5.7 per cent, even

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after the typical 0.7 per cent discount.

Yet Australian Bureau of Statistics data shows only 12 per cent of customers who took out mortgages this year have fixed their loans, compared to more than 20 per cent who locked in a rate above 8 per cent in March 2008, before the global financial crisis struck.

While some economists are forecasting further official rate cuts, HSBC economist Paul Bloxham said it was unlikely the Reserve Bank of Australia would reduce borrowing costs further.

If the average discounted variable rate remained unchanged, a household with a \$300,000 debt would pay nearly \$8000 more in interest over three years than one fixed at 4.99 per cent.