

\$50 mortgage boon

Reserve Bank slashes rates, and there may be more cuts to come

HOMEOWNERS will get almost \$50 knocked off an average monthly mortgage repayment after the Reserve Bank slashed interest rates to an all-time low yesterday.

In a surprise move, the board cut rates by 25 basis points, to 2.75 per cent.

Economists expect further reductions before the year ends.

Three of the Big Four banks — National Australia Bank, Westpac and Commonwealth Bank — passed on the reduction in full yesterday.

But the ANZ is stubbornly sticking to its decision not to change its mortgage rates

Stephen McMahon

until the bank's rates committee meets on Friday.

Several smaller lenders have also passed on the RBA's rate cut in full, including Bank of Melbourne, Bank of Queensland, Suncorp Bank and ING Direct.

Despite the fall in official rates to their lowest level since the RBA was established in 1959, loans for borrowers are still above the 5.75 per cent that was being offered by the big banks in 2009 and the lowest-ever mortgage level of 5 per cent set in 1964.

But the sharp reduction in

lending rates is bad news for the growing band of savers, with deposit rates tipped to fall sharply during the coming months.

Treasurer Wayne Swan praised the banks for passing on the savings to customers as it would help families struggling with the cost of living.

He also defended the Government's economic record, despite the RBA warning that growth has been running "below trend" for the past nine months.

"We have solid growth, we have low unemployment, we have a strong investment pipeline, we have strong

public finances, we have contained inflation and we have low interest rates," Mr Swan said.

But Shadow Treasurer Joe Hockey said the RBA was stepping in to do the heavy lifting, with rates dropping to "beyond emergency levels" as the economy falters.

And they may go even lower, with AMP Capital Investors chief economist Shane Oliver saying rates will drop to 2.5 per cent in the next few months in a bid to boost spending.

Analysts are tipping unemployment to exceed 6 per cent before the end of the year.

HOW MUCH YOU WILL SAVE

BANK	CUT	STANDARD VARIABLE RATE
 ANZ	no move	6.40% - no decision until Friday
 CBA	-0.25%	6.15% - effective next Monday
 NAB	-0.25%	6.13% - effective next Monday
 Westpac	-0.25%	6.26% - effective May 20

REDUCTION IN MONTHLY MORTGAGE REPAYMENTS

Cut	\$200,000	\$300,000	\$400,000	\$500,000	\$600,000
-0.25%	-\$32	-\$48	-\$64	-\$80	-\$96
-0.5%	-\$63	-\$95	-\$127	-\$158	-\$190

*Source RateCity