



Michelle Hutchison

## On way to new normal

Staff Writers  
NEWS CORP AUSTRALIA

THE Reserve Bank of Australia has kept interest rates on hold despite rising inflation, stronger-than-expected retail sales and a brewing housing boom.

Michelle Hutchison, finder.com.au's money expert, says the cash rate is likely to move up to a "new normal" of about 4 per cent next year.

Ongoing low rates will continue to ignite loan book wars between lenders, she says.

"Lenders are fighting harder than ever to win over new customers, particularly for products such as home loans and credit cards, which is great news for borrowers," Ms Hutchison said.

The big four banks have lost market share by 1 percentage point for owner-occupied home loans since July last year, she says.

HSBC Australia chief economist Paul Bloxham says that economic growth lost some pace in the June quarter, which would leave an interest rate hike off the table in 2014.

"Part of the reason is simply that the pace of the recovery around the turn of the year was unlikely to be sustained," Mr Bloxham says.

"But it also reflected the sharply negative effect the government's May budget had on consumer sentiment.

"Consumer sentiment has bounced back strongly in recent weeks, and business sentiment, which was largely unaffected by the Budget, remains at levels consistent with rising domestic demand."

At its second board meeting of the new financial year on Tuesday, the central bank kept the cash rate at 2.50 per cent for the 12 consecutive month, the longest and lowest period of rate stability in decades.

The decision was widely predicted.

Most pundits predict the Reserve Bank to go 18 months without a change, but a string of hikes are expected in the new year.

The RBA last altered the rate in August 2013, cutting it by a quarter of a percentage point.

Meanwhile, the big banks have dropped their five-year fixed home loan rates to record lows but Australians still remain reluctant to lock in.

# Don't be afraid to push your bank for loan relief



Jessica Irvine can help you cut \$10,000 off your loan repayments

Jessica Irvine  
NEWS CORP AUSTRALIA

Knock thousands of dollars off your home loan with a phone call – the national economics editor for www.news.com.au Jessica Irvine explains how.

For all our bravado Australians are, by and large, a shy and retiring lot.

We wait in lines, give seats to elderly people on public transport and stare daggers at anyone who jumps the queue.

When it comes to making purchases, we cringe at the idea of having to haggle or ask for a discount – and it's costing us tens of thousands of dollars in excess interest payments.

All you need to do is ask. Don't have the confidence?

Fear not, let me show you how it's done.

I want you to ring your bank on Monday morning.

Your conversation should go something like this ...

"Hello, I have been a customer with your institution for X many years," you say.

"I'm currently paying an interest rate of X per cent. I am ringing because I would like a better deal than that.

**Most reliable borrowers should be able to knock off at least a few basis points.**

JESSICA IRVINE

"I know for a fact that I can get a loan from loans.com.au for 4.54 per cent.

"Failing that, both Resi and UBank have variable rate loans for 4.62 per cent.

"Can you please explain why I am paying so much more?"

Your bank representative may interject here about their excellent customer service and the peace of mind of banking with a large reputable institution.

"I'm not concerned about that," you reply.

"I'm prepared to go with whoever can give me the best deal. What can you offer me?"

At this point, you may hear a flurry of keystrokes as they look up your details and offer to waive some of your fees.

"Yes I'd like you to waive those fees," you reply. "But I'm still not satisfied. I am a good

customer – I make my repayments and I have other products with you.

"I don't want to switch to a new lender.

"But I know I could save tens of thousands of dollars over the life of my loan by doing so.

"I'm serious about sorting this out.

"Perhaps you can talk to your manager to see what discount you can offer me?"

Cue more keystrokes and a "hold please" before they come back to you with an offer.

"That's nice, but I want a '4' in front," you say.

"If you're not prepared to offer me something with a '4' in front, I'm going to walk.

"Check with your manager again."

And that's it: You're done.

I can't guarantee it will work for everyone but most reliable borrowers should be able to knock off at least a few basis points.

If you owe \$300,000, for every 25 basis points you shave off your mortgage rate, you'll save nearly \$50 a month in repayments, and more than \$10,000 in interest over the life of your loan.

## Discounts galore as mortgage war burns

Jessica Irvine  
NEWS CORP AUSTRALIA

BORROWERS can bag themselves a mortgage rate of below 4 per cent – some of the lowest in half a century – as the mortgage war intensifies.

Four lenders are now offering one-year, fixed-interest rates with a "3" in front: Illawarra Credit Union, IMB, Horizon and Catalyst.

"It's exceptionally rare to see rates this low," Canstar research manager Mitchell Watson said.

Analysts are tipping even more discounts for mortgage borrowers, after more than 20 lenders joined the mortgage war this week.

While the discount war has so far been on fixed-rate loans for new borrowers, one analyst suggests existing borrowers on variable rates may soon share the savings.

Lower funding costs will likely prompt banks to finally pass on some of the Reserve Bank rate cuts they denied borrowers in recent years, according to East and Partners principal bank analyst Paul Dowling.

"If I were a betting person, I'd say it's quite likely," Mr Dowling said.

Mr Dowling is urging borrowers on variable rate loans to phone their banks today to ask for a better deal: "You've got to be pretty forceful

**Talk to your bank and your bank will respond. You've got to be pretty forceful.**

PAUL DOWLING

and threaten to leave," he said.

"But go talk to your bank and your bank will respond."

With some smaller lenders advertising variable rates as low as 4.54 per cent, the big banks were offering "under the cover" discounts as high as 1 percentage point or more off the standard variable rate to convince borrowers to stay put.

The average standard variable rate of the big four banks remains at 5.9 per cent.

But it should be possible to negotiate yourself a mortgage interest rate with a "4" in front, just by asking, Mr Dowling said.

And a "3" in front may soon not be wildly out of the question, according to Mozo director Kirsty Lamont.

"It's certainly a possibility that rates could drop below 4 per cent," Ms Lamont said, cautioning some conditions around loan size and leverage apply.

"In fact, IMB already has a 1-year, fixed-rate loan at 3.99 per cent. Fixed rates are being slashed across the board this month. If the momentum continues, 4.5 per cent could

easily become the new benchmark for fixed-rate home loans.

"All it would take for fixed-mortgage rates to get below 4 per cent would be another shift in the cost of funds to give lenders the opportunity to sharpen rates even further."

The Commonwealth Bank last week started the mortgage discount war by dropping its five-year fixed rates to 4.99 per cent.

A total of 27 lenders have now slashed their five-year fixed rates by an average of 53 basis points, according to Mozo data, including NAB, Westpac, ANZ, Bank of Melbourne, Citibank, CUA, Macquarie Bank and Suncorp.

Canstar's Mr Watson said even more lenders were likely to slash fixed rates in coming weeks.

"While more than 20 lenders have moved their fixed rates, there are still at least another 80 who have been contemplating whether to follow," Mr Watson said.

"I would anticipate that fixed rates will continue to be competitive, resulting in more lenders decreasing their fixed rates."

Analysts warn those considering a fixed-rate loan to factor in the reduced ability to make additional repayments and any break fees they may apply if they break the loan within the fixed term.

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