**Homeloan Choices Bulletin**

**Vol 117 – August**

**Rate cut speculation lifts variable rate demand**

Ongoing speculation about another rate cut in the near future has encouraged an increasing number of borrowers to choose a variable rate home loan, new research has revealed.

According to Mortgage Choice’s latest national home loan approval data, variable rate home loans accounted for 79.76% of all loans written throughout the month of July – up 0.82% from 78.94% the month prior.

“While demand for variable rates continues to rise, fixed rate demand continues to slide, with this type of product accounting for just 20.24% of all home loans written last month,” Mortgage Choice chief executive officer John Flavell said.

“Of course, I am not surprised to see a reduction in the level of fixed rate demand. Over the past couple of weeks, speculation about another rate cut has intensified.

“A number of economists now believe, thanks to the latest inflation results, that another rate cut could happen within the next couple of months.

“Borrowers are acutely aware of this market chatter and, as such, are keen to have a variable rate mortgage that will fall as home loan interest rates do.”

Mr Flavell said if the current yield curve was any indication, interest rates will likely stay very low for the foreseeable future, benefiting mortgage holders.

“The historically low rate environment is helping to keep heat in the property market, with the latest data from CoreLogic showing property values rose by 0.8% across the combined capital cities over the month of July,” he said.

“Unsurprisingly, Sydney and Melbourne were the standout performers, with the capital cities recording property price growth of 1.3% and 1.1% respectively.”

Looking ahead, Mr Flavell said it is likely property prices will continue to rise across some of the major capital cities as interest rates continue to hover around record lows.

“Further, I would expect to see demand for variable rates continue to rise as rates remain low and potentially fall further.”

Across the country, variable rate demand was highest in Victoria, with this type of product accounting for 87.96% of all home loans written throughout the month.

South Australia was not far behind, with variable rates accounting for 84.86% of all loans written.

Demand for variable rate home loans was lowest in Western Australia, with this type of product making up 71.07% of all loans written.

Of the different variable rates on offer, ongoing discount products continued to prove the most popular with borrowers, with this type of product making up 46.72% of all loans written throughout the month of July.

For archived copies of the Homeloan Choices bulletin, please refer to <http://www.mortgagechoice.com.au/about-us/homeloan-choices-newsletter>.



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| --- | --- | --- | --- | --- | --- |
|  | **NSW/ACT** | **VIC/TAS** | **QLD** | **SA/NT** | **WA** |
|  **Variable** | **78.53%** | **87.96%** | **76.09%** | **84.86%** | **71.07%** |
| ***Basic Variable*** | 12.04% | 23.33% | 16.61% | 24.09% | 16.92% |
| ***Standard Variable*** | 10.49% | 18.54% | 10.77% | 15.10% | 11.10% |
| ***Ongoing Discount*** | 52.81% | 44.79% | 45.52% | 34.31% | 39.09% |
| ***Line of Credit*** | 1.34% | 0.88% | 0.44% | 1.69% | 0.38% |
| ***Introductory Rate*** | 1.85% | 0.42% | 2.75% | 9.67% | 3.58% |
|  **Fixed** | **21.47%** | **12.04%** | **23.91%** | **15.14%** | **28.93%** |

**For further information, or to arrange an interview, please contact:**

Jessica Darnbrough Georgia Zubani

Mortgage Choice Corporate Affairs Mortgage Choice Corporate Affairs

(02) 8907 0472 / 0431 717 665 (02) 8907 0407 / 0401 417 636

jessica.darnbrough@mortgagechoice.com.au georgia.zubani@mortgagechoice.com.au

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**About Mortgage Choice**

Mortgage Choice is an ASX listed company that seeks to help Australians with all of their financial needs.

Established in 1992, Mortgage Choice was originally established to help Australians improve their financial situation by offering a choice of home loan providers, coupled with the expert advice of a mortgage professional.

Since that time, the company has grown and developed into a fully fledged financial services provider.

Today, Mortgage Choice helps customers source car loans, personal loans, credit cards, commercial loans, asset finance, deposit bonds, and risk and general insurance.

Further, the company offers Australians access to real, relevant and affordable financial advice through our qualified financial advisers.

Mortgage Choice has no balance sheet or funding risk, and consistently delivers strong profits and attractive yields. It listed on the ASX in 2004 (MOC) and is a member of the Mortgage & Finance Association of Australia (MFAA).

Mortgage Choice holds an Australian Credit Licence: no. 382869 and Mortgage Choice Financial Planning Pty Limited holds an Australian Financial Services Licence: no. 422854. Both licences are issued by ASIC.

Recent recognition: 2014 Australian Broking Awards *Best Diversification Program;* 2013, 2012, 2011 Australian Broking Awards *Major Brokerage of the Year – Franchise*; 2013, 2012 Australian Broking Awards *Best Ethical/Social Responsibility Program*; 2012 Australian Broking Awards *Best Training and Education*; No.1 on The Adviser magazine’s 2012, 2011, 2010 and 2009 *Top 25 Brokerages* list; 2012, 2010, 2009, 2008, 2006 and 2005 MFAA Awards *Retail Aggregator/Originator of the Year*; 2011, 2010, 2009 and 2008 10 Thousand FEET *Top 10 Franchise list*; 2010 Forbes Asia-Pacific *Best Under A Billion list*.

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