

## **Rate hikes could break variable trend**

Borrowers remain faithful to variable rate home loans for the time being, reveals data from Mortgage Choice.

According to the Company's latest national home loan approval data, variable rate home loans accounted for over 82% of all mortgages written throughout August 2018 – an increase of 0.37% from the month prior, and almost 4% higher than the 12-month average.

Borrowers have enjoyed a sustained period of record low variable rates, says Mortgage Choice Chief Executive Officer, Susan Mitchell.

"August's national home loan approval data shows that borrowers have continued to opt for variable loans however with three major lenders announcing rate hikes in the last two weeks, this could incentivise borrowers to fix," said Ms Mitchell.

Across the country and for the eighth consecutive month, variable rate demand was the highest in Victoria, with 87.21% of borrowers opting for this type of home loan.

This was followed by, South Australia where 86.68% of borrowers chose a variable rate mortgage.

Once again, the monthly data showed that borrowers in New South Wales are the most likely to choose a fixed rate loan product, with over 21% of borrowers opting for this type of product.

"The fact that a higher proportion of borrowers in New South Wales chose to fix is largely unsurprising when you consider recent data. According to CoreLogic's *Housing Affordability Report* for the June quarter, Sydney was the nation's least affordable housing market across three purchasing metrics. Moreover, the report showed that affordability in regional NSW has also deteriorated," said Ms Mitchell.

"In recent times, we have seen a number of rate increases which predominantly affected investors and interest only borrowers. As investors retreated from the market, variable rate home loan products dominated as the preferred product among owner-occupier borrowers who make up the biggest part of mortgage demand. However, in the last couple of weeks, three out of the four major lenders announced they would be lifting the interest rates charged on their variable rate loan products due to higher wholesale funding costs. These cost increases will impact owner-occupiers and borrowers who may have been comfortable to ride the variable rate wave, may now look to fix their interest rate in order to protect themselves against further rate rises."

Ms Mitchell said regardless what type of home loan product a borrower has, if they have not reviewed their loan this year, now is a great time to do so.

"Moreover, those who wish to refinance into a more competitive deal should ensure they are in a healthy financial position in order to improve their chances of having their loan approved. For example, borrowers should ensure they are financially fit and have consistently paid their current mortgage and other debts on time and are able to quantify their current living expenses."

“Our brokers have access to a panel of over 20 different lenders, so regardless whether a buyer wishes to take a fixed or variable route, their broker will be able to find a suitable product for their needs.

“I would encourage Australians looking to buy their first home or investment property to speak to their local Mortgage Choice broker who can help guide them through the complex home buying journey,” Ms Mitchell concluded.

	Aug-18	Jul-18	6 Month Average	12 Month Average
<b>NATIONAL</b>				
<span style="color: green;">↑</span> <b>Variable Rate</b>	<b>82.18%</b>	<b>81.81%</b>	<b>81.12%</b>	<b>78.27%</b>
<span style="color: green;">↑</span> <i>Basic Variable</i>	26.29%	19.84%	22.89%	20.19%
<span style="color: red;">↓</span> <i>Standard Variable</i>	15.10%	20.35%	17.86%	16.18%
<span style="color: green;">↑</span> <i>Ongoing Discount</i>	36.08%	35.62%	35.10%	37.13%
<span style="color: red;">↓</span> <i>Line of Credit</i>	0.40%	0.41%	0.67%	0.67%
<span style="color: red;">↓</span> <i>Introductory Rate</i>	4.31%	5.59%	4.61%	4.10%
<span style="color: red;">↓</span> <b>Fixed Rate</b>	<b>17.82%</b>	<b>18.19%</b>	<b>18.88%</b>	<b>21.73%</b>

	NSW	VIC	QLD	SA	WA
<b>Variable</b>	<b>78.49%</b>	<b>87.21%</b>	<b>81.31%</b>	<b>86.68%</b>	<b>82.76%</b>
<i>Basic Variable</i>	20.78%	34.50%	26.35%	29.88%	22.81%
<i>Standard Variable</i>	15.52%	18.56%	12.43%	13.77%	13.78%
<i>Ongoing Discount</i>	39.02%	27.49%	36.43%	40.23%	43.07%
<i>Line of Credit</i>	0.29%	0.56%	0.50%	0.38%	0.14%
<i>Introductory Rate</i>	2.88%	6.10%	5.59%	2.42%	2.96%
<b>Fixed</b>	<b>21.51%</b>	<b>12.79%</b>	<b>18.69%</b>	<b>13.32%</b>	<b>17.24%</b>

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**Important information**

This article is for general information purposes only. It has been prepared without considering your objectives, financial situation or needs. You should, before acting on the advice, consider its appropriateness to your circumstances.



### **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.

Visit [www.mortgagechoice.com.au](http://www.mortgagechoice.com.au) or call customer service on 13 7762.