

RBA cuts rates: Crunch time for savers, boom time for borrowers

Borrowers win as falling loan rates approach 3 per cent, Savers need to act now to stay in front of inflation

The board of the Reserve Bank of Australia has met today and announced a cut in the official interbank cash interest rate (OCR) of 0.25 percentage points. The OCR is now 1.0 per cent.

The first lender to announce that it will be matching the RBA's full 0.25 percentage point cut is online non-bank lender Athena. Athena's advertised variable home loan (for refinancers) has already been cut by 0.25 percentage points, matching the RBA cut, from 3.34 per cent p.a. (comparison rate 3.30 per cent)* to just 3.09 per cent p.a. (comparison rate 3.05 per cent).

Vadim Taube, chief executive of leading Australian financial comparison site InfoChoice, said other lenders are expected to announce cuts to their variable loan rates in coming days.

"As rates get lower and lower, more banks will be reluctant to pass on the full RBA rate cuts.

"If your lender withholds rate cuts, you don't need to accept that, you can compare other lenders and find a better rate.

"There are now so many lenders offering variable headline home loan rates under four per cent it really is the perfect time to look at your mortgage and find a deal that could save you thousands of dollars.

"The squeaky wheel gets the oil," said Vadim Taube, "Often if you find a better rate and ask your lender, they will turn around and offer you a better deal, just to keep you.

"Refinancing and switching to a new lender is not as hard as you might think and if you are on a variable rate loan product the exit fees are required to be reasonable."

For savers, Vadim Taube said now really is "crunch time."

"It really is crunch time for savers," said Vadim Taube

“Everyone with money in the bank needs to check their rate as soon as possible to ensure they are at least keeping up with inflation, otherwise you are effectively losing money.

“The inflation rate is 1.30 per cent, so that is the minimum rate your money needs to be earning in order to just keeps its current value.

“The best introductory savings rates are now about 2.75 per cent and the best ongoing maximum bonus rates in the savings account market are paying around 2.60 per cent p.a.”

Retirees and other term deposit users need to act now to find a reasonable rate and lock it in now before more cuts erode returns even further.

“The best term deposit rates in the market now about 2.50 per cent p.a. for 12-month terms, so there is no need to leave your money in a savings account earning a base rate of 0.30 per cent.

“The best two-year term deposits are paying a little bit more than that – up to around 2.60 per cent p.a. and if you can put your money away for longer than that you can find even better rates.

“Rates are heading down, the signs from the RBA have been very clear so savers need to take action to lock in a reasonable term deposit rate now before they fall again.”

Vadim Taube is available for commentary around the RBA rate decision next week and the daily movements in savings and loan rates.

InfoChoice can provide all the data, commentary, research and market information you need for your story.

Please contact InfoChoice’s Jason Bryce on 0428 777 727 or Vadim Taube 0403 580 794 or email media.manager@infochoice.com.au.

*The comparison rates in this release are based on a loan amount of \$150,000 and a term of 25 years. WARNING: These comparison rates apply only to the example or examples given. Different amounts and terms will result in different comparison rates. Costs such as redraw fees or early repayment fees, and costs savings such as fee waivers, are not included in the comparison rate but may influence the cost of the loan.

About Us

InfoChoice is a leading Australian comparison website for retail banking and personal finance products. We've been helping Aussies find great offers on credit cards, home loans, personal loans, term deposits and savings accounts for over 25 years. Our mission is to help consumers make an informed purchasing by bringing together the most comprehensive list of financial products on the market today. At InfoChoice, we strive to be:

Comprehensive. We compare more than 3500 individual products from 145 providers within Australia to offer you the best value.

Informative. We know how important it is for you to crunch the numbers before buying. Our calculators help you understand the cost of different products over the long term and show you the potential savings.

Sincerely,

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