

3 February 2009

Full Rate Cut and a Halt on Fees Please

Today's cut in the official cash rate is welcome news according to HIA, Australia's largest building industry association.

HIA Managing Director, Ron Silberberg, said that while lower interest rates had been largely passed through to home borrowers, the banks had held back reducing interest rates to small business. In addition, there is evidence that banks are now loading business loans with higher interest rates and fees and charges blunting the benefit of interest rate cuts.

Since September, the cash rate has been lowered by 4 per cent, but the effective borrowing rate to small business has come down by only 1.5 per cent. Small business is being ripped- off.

"Small business is the lifeblood of the economy, employing the majority of Australians. It is vital that banks pass on today's interest rate cut in full to help small business maintain jobs," added Ron Silberberg. The reduction in the base lending rate should not be compensated for by further increases in interest rate charges for loan administration.

For householders with a thirty-year standard variable loan of \$200,000, today's reduction in official rates, if passed on in full, should provide a saving of \$131 per month. On a loan of \$300,000 a saving of \$196 per month would be made.

For would-be first home buyers looking to take up the enhanced First Home Owners Grant, (which now offers \$21,000 for new homes), borrowing capacity has increased significantly.

"With double-digit increases in rents and no sign of moderation occurring, those looking to enter first home ownership can take advantage of reduced borrowing costs, the boosted FHOG and a marked improvement in housing affordability," said Ron Silberberg.

Further information:

Ron Silberberg
Chris Lamont

0417 261 560
0414 765 040