

7 April 2009

Free Fixed Rate Borrowers

The Housing Industry Association, Australia's largest building industry association, says that Australian banks should do more to assist small business and those on very high fixed rate mortgages.

HIA's Chief Executive – Association, Chris Lamont said, today's modest reduction in interest rates is unlikely to have a material impact on the level of economic activity. We have yet to see the impact of the second stimulus package detailed in February and the bulk of investment in infrastructure and related projects have not yet commenced. For the residential construction industry the cost of capital is not the issue, availability of capital remains the primary concern.

"Official interest rates have dropped since last September and this has provided mortgage relief for many Australian households. In no small part these reductions have been a consequence of media and political pressure. There are, however, a number of mortgage holders stuck on very high fixed interest rates who should be allowed to refinance existing loans without the prohibitive fees and charges that are almost always involved.

HIA proposes that Australian banks should allow borrowers on the higher fixed rate mortgage the option of refinancing their loans at the current variable or fixed rate. This offer should be free of any severance charges, bank fees, or costs. The arrangement would provide welcome relief and allow many households to take advantage of the low interest rate environment," said Chris Lamont.

While variable mortgage rates have been lowered substantially in recent months the same cannot be said for loans to the small business sector.

"Small businesses in particular have seen only modest reductions in loans and overdraft rates," said Chris Lamont.

HIA is calling on the federal government to task the ACCC with investigating why business loans have not moved in line with the reductions in variable mortgage rates. A lack of competition in respect to interest rates for Australian small business is providing further pressure on this sector which should be avoided.

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