

4 November 2008

Every point counts

The HIA, Australia's largest building industry association, welcomes the Reserve Bank's decision today to lower interest rates by 0.75 per cent.

Today's reduction in rates (if passed on), will provide a households with a \$300,000 mortgage with a saving of \$123 per month. The decision by the RBA to lower rates will provide households who have or are planning to take out a mortgage with some welcomed and much needed relief and will assist the economy in coping with the financial crisis.

HIA Chief Executive - Policy, Chris Lamont said a reduction in interest rates of a whole 2 percent over September – November provides existing home buyers with a mortgage of \$300,000 a saving of \$390 per month or \$4,681 per annum. This is certainly great news for first home buyers looking to take advantage of the governments boost to the first home owners grant

"Household confidence remains very low and lower interest rates are essential in maintaining confidence and maintaining a base of economic activity," said Chris Lamont.

"The interest rate cuts to date (with more potentially to follow) provide an opportunity for many Australians to enter the home ownership market for the first time," Chris Lamont said.

A recovery in new residential construction HIA sees as essential in helping Australia boost economic growth in 2009. Interest rate cuts and the tripling of the First Home Owners Grant provide a useful backdrop for this recovery to take place.

Savings from 2% in rate cut

Loan Size	Interest Rate Peak Sep/2008	1.25% reduction Nov/2008		November Cut 0.75	
		Monthly	Annual	Monthly	Annual
	Monthly Repayment				
\$200,000	\$1,660	\$178	\$2,140	\$260	\$3,121
\$300,000	\$2,490	\$268	\$3,211	\$390	\$4,681
\$400,000	\$3,320	\$357	\$4,281	\$520	\$6,242
\$500,000	\$4,150	\$446	\$5,351	\$650	\$7,802

*Assumes 30 year loan and standard variable rate (RBA)

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