

AUGUST 2017 NEWSLETTER

FIXED RATE LOANS PROVIDING GREAT VALUE AND CERTAINTY

The demand for fixed rate mortgages has moved upwards to its highest level in more than three years, according to new research.

The latest national home loan approval data from Mortgage Choice found that fixed rate home loans made up 29.7% of all loans written throughout July. That is the highest level of demand they have seen for fixed rate home loans since December 2013, when fixed rate home loans accounted for 33.1% of all loans written.

A number of Australia's lenders have lowered the interest rates charged on some of their fixed rate products, with some trimming up to 20 basis points from their four and five year rates. At the moment the sweet spot appears to be two year fixed rates with major lenders offering as low as 3.88% fixed for two years.

The pressure from the banking regulator to tighten interest only lending has seen an increased focus on Principal and Interest (P & I) repayments. Some lenders have significantly increased their interest only pricing across both their investment and owner-occupied products. These changes have helped make the mortgage market more complex than ever before.

A number of factors impact the level of pricing for fixed interest rates from global bond markets to the strength of the domestic economy. With macro factors relatively stable the push by the regulator away from interest only means borrowers wanting security and certainty around their repayments are more likely to turn to a fixed rate mortgage when taking out a loan.

Variable rate loans still remain the most popular product for borrowers in Australia, however with the RBA cash rate remaining constant at 1.50% for the past year, analysts are looking for the next move to be higher. The key is to be ahead of the curve and lock in a fixed rate before the market moves.

With lenders making changes to their pricing and policy and the potential change in longer term rates I would expect to see more borrowers opting for the security of a fixed rate loan.

Whether you're looking to buy your first property, upgrade, refinance, or even renovate, now is a great time to make your property goals a reality. M Point Finance can give you the advice and knowledge to help you make the correct financing decisions.

Important: Clients should not act solely on the basis of the material contained in the newsletter. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. Newsletters are issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.

M Point Financial Solutions Pty Ltd

Contact: Andrew Lennon

Ph: 02 9929 4177

Email: alennon@mpoint.com.au

www.mpointfinancial.com.au