

# We're in a new fix on rates

ACCORDING to the troops on the ground, Australia's mortgage market has just gone through one of those tipping points.

For the past six months or more, the fixation has been the "greed" side of the equation, with those seeking home loans trying to nail down the lowest no-frills variable rate they could.

Last Friday, when the Commonwealth raised its variable rate by a modest 0.1 per cent to bring it into line with the other banks, the mood abruptly changed to "fear" about how high and fast variable rates could rise.

Dr Adir Shiffman, director of the home loan comparison website [helpmechoose.com.au](http://helpmechoose.com.au), said the switch in consumer demand for fixed rate information was immediate.

"Half of all inquiries are about fixed rates, which is amazing given how unpopular they have been until recently," said Adir.

"People are conditioned to thinking that variable rates only go up when the Reserve Bank raises rates.

"So when the variable rate went up without a move from the Reserve, that caused many people to be scared about what might happen in the future."

Some of that "fear" is probably irrational, given that fixed rates over longer terms are at a hefty premium to variable rates, but some could be a result of worry about meeting rising costs on a fixed income.

Another factor that could be weighing on the minds of borrowers is the increased market power of the big four banks, which now represent the great bulk of all new loans.

With the credit squeeze and the bank account guarantee effectively narrowing the competitive choices, consumers are left with very similar offerings across the fixed and variable rate loans.

