

## Homeowners in rush to fix their interest rates

By Andrew CarswellThe Daily TelegraphJune 24, 2009 12:01am

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- Homeowners fear rates have bottomed
- Brokers inundated with fixed-rate inquiries
- **Buying a house:** Top ten questions

HOMEOWNERS are rushing to lock in their mortgage rates, fearing interest rates have bottomed and will rise.

Mortgage brokers and comparison websites have been inundated with fixed-rate mortgage inquiries in recent weeks - most notably after the Commonwealth Bank raised its variable rate by 0.1 per cent.

That surprise rise last Monday, the first variable rate rise from a major lender since March last year, was followed by a collective raising of bank fixed rates that alarmed many new buyers and homeowners looking to convert to a fixed rate, *The Daily Telegraph* reports.

For the second consecutive month, broker Mortgage Choice noted a sharp increase in fixed-rate home loan applications in May, a trend that has continued into June.

"It's interesting to see new borrowers locking in rates, despite the fact fixed loans are priced higher than variable loans," Mortgage Choice spokeswoman Kristy Sheppard said.

In just a week, comparative website Help Me Choose had a dramatic turnaround in lines of inquiry that suggest variable mortgages were being shunned.

The website, which receives several thousand hits a day, claimed 50 per cent of all mortgage inquiries focused on fixed-rate products, compared with 15 per cent for



Not a gambler ... Lorraine Pereria decided to partly lock her loan to a fixed rate. Picture: Noel Kessel

variable products.

Less than two months ago, borrowers who shopped around could lock in a three-year fixed interest rate of 4.99 per cent.

Yesterday, the cheapest three-year fixed rate on offer was 5.35 per cent from Satisfac Credit Union. While the lowest variable rate of the major banks remained at 5.74 per cent, their three-year fixed rates have shot out as high as 6.69 per cent.

New Sydney homeowner Lorraine Pereria locked in a fixed rate in recent weeks.

On the advice of family members, the doctor opted for a split fixed/variable loan, featuring a three-year component fixed at 4.99 per cent.

"Just before I signed up, we began to think the market might start to trend up, so we ended up fixing 50 per cent and kept 50 per cent variable. It is safe. I'm not a gambler," she said.

"Depending on how the market goes, I could convert the rest to a fixed rate later on."

## Comments on this story

**Jack of Melbourne** Posted at 10:20am June 24, 2009

On the average loan, exactly what is a 3 year fixed term going to do? If you're going to do this, you fix it for something sensible like 10 years. Coz you're not going to pay it all off that soon anyway, and any extra you can put into the variable component. 3 years fixed is like having a 30 cent discount on a 2 litre carton of milk :P

**Chris of Canberra** Posted at 10:20am June 24, 2009

er...Bruce (10:02) you may be right about what happened in the last couple of years, but while rates may fall another .25-.50% there is no g'tee the banks will pass it on. On the other hand, there is a HUGE amount of scope for rates to now rise....Fixing now at 5.75-6.25%ish for 3yrs does make a lot of sense.

**Bruce** Posted at 10:02am June 24, 2009

Im sticking with my variable 4.82% for now. The last time the "experts" told us interest rates would get over 10% they ended up falling to what they are now. You'd be a fool to lock in now.

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