

# The fixed rate conundrum: lock in or wait?

## HOUSING

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HOME buyers and borrowers are being warned it may be too early to lock in fixed interest rates because they will miss out on further discounts ahead.

Despite record-low interest rates, locking in fixed rates is still a major cause for uncertainty.

AMP chief economist Shane Oliver would prefer to have a "bird in the hand" and lock in now. However, international money market

analysts are betting on more rate cuts ahead and suggest borrowers should wait.

Bank of America Asia-Pacific research head Bin Gao said yesterday interest rate traders believed there was an 88 per cent chance of another rate cut by the Reserve Bank before December.

"I do think that we are likely to see lower levels. The RBA is not done," Mr Gao told Bloomberg.

However, Aussie homebuyers are not too sure.

Fixed mortgages are at some of the highest levels on record, currently making up 19 per cent of all mortgages,

however, the level has fallen during the past month.

"I wouldn't say it's necessarily premature to lock in a rate, although I believe the RBA will cut interest rates again," Mr Oliver said.

"But the issue home borrowers face is that fixed rates are at record lows and there is no guarantee the Reserve will cut again.

"It's like, a bird in the hand is worth two in the bush. It's a case of either lock in now at these very low rates never experienced before, or wait for them to go a little bit lower," he said.

"In any case we are get-

ting pretty close to the bottom, it may come down once more but the sensible thing would be to lock in now."

Lisa Montgomery, managing director of mortgage broker Resi, said home loan customers were flocking to fixed rates in "droves".

"The three-year fixed-rate periods have been very popular with borrowers fixing, in some cases, under 5 per cent," Ms Montgomery said.

"Fixed rates trending downward are always an indication that variable rates will also fall. Finding the lowest point in the fixed rate curve is difficult — and

many borrowers may find themselves missing that mark," she said.

Michelle Hutchison, spokeswoman for interest rate comparison website RateCity, also said waiting too long may not prove worthwhile.

"If you locked in a fixed rate that is lower than the average variable rate of about 5.6 percent, you are essentially locking in a fixed rate for free," she said.

"If rates fall further, they need to drop below your fixed rate and stay lower for a significant period before you lose out."

## One-year fixed rate home loans

Greater Building Society	4.39%
Newcastle Permanent	4.39%
AMO Group	4.67%
UBank	4.68%
Commonwealth Bank	4.79%
Westpac	4.79%
ANZ	4.85%
NAB	4.89%