



# Online lenders now rate a look



Jason Bryce



INTEREST rate analysts have jumped on the minutes of the June Reserve Bank of Australia board meeting as a clear sign the time is ripe for Australians to take advantage of some of the red-hot variable home loan rates on offer from competitive online lenders.

Even though members believe "further tightening in monetary policy [will] be necessary at some point", the bank stated: "Members considered, however, that the flow of data over the past month had not added any urgency to the need for an adjustment to policy."

Rate analyst Andrew Murray from Curve Securities said the minutes "completely dampen recent rate rise exuberance".

"I would say the chance of a July or August rate rise is now remote, unless there is a bigger than expected quarterly CPI number, say 0.9 per cent, at the end of July," he said.

Mr Murray said he expected the official cash rate to peak at 5.25 per cent, or 0.5 per cent higher than where the RBA have it set now.

The OCR has been set at 4.75 per cent since Melbourne Cup Day 2010 but the RBA has encouraged borrowers to believe that rate rises are imminent.

ANZ Bank's head of Australian economics, Ivan Colhoun, said the RBA was signalling a different attitude. "There has been a significant change of perspective. It did seem like the RBA had a relatively short time frame for rate rises. It

seemed to be thinking sooner rather than later, now they seem a bit more relaxed about the need for rate rises," he said.

"I think now there will be, at most, just one rate rise likely before the end of the year."

Kirsty Lamont, from the financial comparison website Mozo.com.au said, for most borrowers, there was no need to consider fixing their mortgage rates given the fact an interest rate rise appeared to be off the agenda for the time being.

## Just one rate rise is likely before the end of the year.

### IVAN COLHOUN - ANZ BANK

"It is a great time to take advantage of some of the red-hot variable home loan rates on offer from competitive online lenders like UBank and Loans.com.au," she said.

Mr Murray said the climate also was right for savers to lock in long-term high interest rates.

"Some of the three-year [term deposit] rates are looking like a very good investment right now," he said.

RaboDirect have the market leading three-year term deposit rate right now of 6.75 per cent, according to Ms Lamont, but she said she preferred two-year terms.

"For savers, (these) currently offer the best returns without having to

lock your funds away for too long," she said.

Ms Lamont likes ING Direct and RaboDirect's 6.70 per cent on two-year terms.

Term deposit brokers FIIG Securities say they can get 7.3 per cent for a five-year term. They also like AMP's 18-month term deposit delivering 6.4 per cent per annum.

ING Direct have the best one-year term deposit rate with 6.5 per cent, according to Mozo.

"The most important factor to consider when choosing a deposit term is your own personal circumstances, not what the Reserve Bank may or may not do," Ms Lamont said.

"If you think you may need access to your cash in the short term, then there's no point locking it away in a three-year deposit where you'll be penalised for making a withdrawal.

"Online savings accounts are a great option for people who need to hedge their bets and maintain access to their money."

But at-call savings accounts increasingly come with conditions as well as introductory and (much lower) base rates. At call interest rates can also fall if the financial institution decides it has enough cash on hand or the RBA lowers rates.

Bankwest's Regular Saver account has the market leading rate of 7.0 per cent, but a base rate of 0.0 per cent if you make a withdrawal or fail to make a deposit.