

SPRING MARKET UPDATE

RBA Cash Rate

Whilst the RBA cash rate has been steady at 4.35% since Nov 2023, the commentary around its movement has been variable. At the start of 2024 there was consensus that the rate would start to fall by the end of the calendar year. Forecasts of a rate drop were steadily pushed out, and by mid year there were some analysts even predicting another rate rise.

There is still a lot of uncertainty with rate forecasts, however a soft indicator is the movement in fixed rates which are now steadily dropping across the board. When fixed rates are priced at a rate lower than the variable rate, this generally means the next move in the cash rate will be a fall.

The other key event that will impact rates is the 2025 Federal Election which will need to occur by May at the latest. In previous election years, the RBA has taken a neutral approach in the lead up to an election which means that rate relief might have to wait until this is complete.

In this edition, we'll explore the current interest rate landscape, now that pricing has stabilized across the board. Let's delve into the "new normal" for rates.



RATE BENCHMARKS

Home Loan

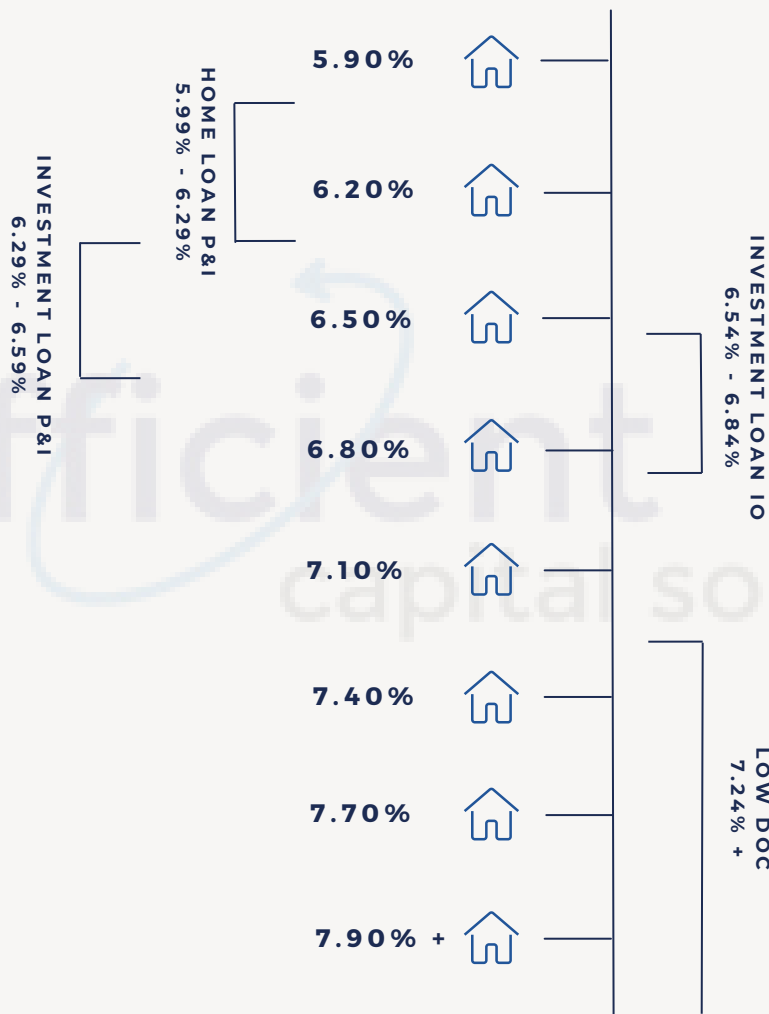
P & I

Rates as low as 5.99% are available, but they often come from smaller banks with lower LVRs. While these loans may seem appealing, they can have higher costs, fewer features, stricter lending policies, and longer processing times.

Investment Loan

P & I

The range of rates varies widely, with some banks still offering competitive rates in the investment lending space.



Psst!
If you have a standard variable home that begins with 7, that's definitely too high!

Investment Loan

IO

Generally speaking, the difference between a bank's P&I and IO rate is 0.3 - 0.4%.

Low Doc Loan

Many low doc lenders now provide 80% LVR loans without risk fees, and some even offer the option to switch to full doc pricing after a year of on-time repayments.

WAIT ! THERE'S SOMETHING MORE!

Cashbacks: Regrettably, most banks have discontinued offering cashback incentives, and they've implemented measures to ensure these won't be returning. A select few banks still provide cashback incentives, but these are likely to be short-lived.

Refinance: Banks are simplifying the refinancing process, with income assessments using reduced buffers. This applies to loans that have been in place for > 12 months and have maintained satisfactory repayments, though additional terms and conditions do apply.

Fixed Rates: Over the last 1-3 months, banks have started to come out with reduced fixed rates and fixed rate offers. This has been in part a marketing tool, as a headline of 'Bank Reduces Rates' does catch attention – fixed home loan rates are sitting from 5.59-6% which is 0.5-0.75% below the current variable rates.

The risk with fixing remains that if the variable rates reduces quickly then borrowers who are locked in will end up with a higher rate during the term. The positives in some of these fixed rate offers is that it will provide instant rate/repayment relief to those who need it because the fixed rates are lower than the current variable rates.

Best of social media
this month



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