

# **Banks take a U-turn on mortgages**

**BANKS will not pass on the full increases in interest rates this year in a reversal which would save home loan customers a combined \$150 million a month.**

Australia's top macroeconomist Chris Richardson yesterday said that increasing competition for new customers and lower funding costs would cause major lenders to absorb about 30 basis points of Reserve Bank increases during the second half of 2010.

Futures markets predict the Reserve will raise official interest rates by 1 per cent this year, beginning with a 25 basis point increase in February or March.

If lenders passed on only 70 basis points in 2010, as Mr Richardson expected, homeowners repaying a \$300,000 mortgage would save more than \$60 a month.

And with an estimated 80 per cent of Australians' \$900 billion worth of home loans being at variable rates, the overall benefit would be about \$150 million a month.

Should banks begin to undercut the Reserve it would bring to an end a near three-year assault on borrowers, a time in which the margin between variable home loan rates and official interest rates has risen from just 1.8 per cent to as much as 3 per cent.