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FOR IMMEDIATE RELEASE

Home owners hit as fixed loans expire

CANNEX warns housing pain is yet to come, regardless of RBA.

Home owners who have enjoyed the past three years of fixed interest on their mortgages are in for a jolt when their fixed rate loans expire this year.

Regardless of today's rate announcement by the Reserve Bank of Australia (RBA), many borrowers face the prospect of paying an average of 1.64% more than what they have been used to for the past three years.

Financial services research group CANNEX estimates there are in excess of 15,000 three-year fixed rate mortgages due to expire this year.

The average three-year fixed interest rate in February 2005 was 6.83%, compared to 8.47% today.

In dollar terms, that's a \$280 hike in monthly repayments on a \$250,000 mortgage. Should affected homeowners opt to revert to a variable rate, they will have to find \$327 extra each month, or, worse still, \$370 if interest rates rise by 25 basis points today.

"It's every borrower's nightmare, going into a fixed rate term when rates are reasonable and coming out when they are on the upward march," CANNEX senior financial analyst Harry Senlitonga said.

"Unfortunately, you can't renegotiate your loan for another three years at 6.83% but you can talk to your bank to determine the best solution."

If the outcome is still not satisfactory, look around for a better deal, CANNEX says, but beware of exit penalties that may apply when refinancing your loan.

"The best advice for those on fixed rate mortgages is to try and pay more than the minimum each month," Mr Senlitonga said.

"That way if interest rates go up during the fixed term, it won't be such a shock when you are eventually exposed to the uncertain world of variable rates."

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