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interest rates story

Interest rate hike bad news for first home buyers - HIA

- By staff writers
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Some homeowners will struggle with today's increase in interest rates, industry groups say / AFP

Source: AFP

- First home buyers "will struggle"
- Homeowners should assess their loans
- More rate hikes on the way this year



THE Housing Industry

Association says the RBA should exercise caution in raising interest rates too quickly.

The move came after the **RBA raised the cash rate to 4 per cent**, the highest since February 2009, from 3.75 per cent after its board meeting.

"HIA recognises the need to return interest rates to normal levels over the course of economic recovery but cautions against haste," said HIA senior economist Ben Phillips.

The industry group said there were still "considerable concerns" over the state of the global economy.

"Interest rate increases provide further bad news to first home buyers," Mr Phillips said.

"The removal of the first home buyers boost and interest rate increases in the December quarter of 2009 saw a record drop in affordability according to the HIA/CBA Affordability Index," he said.

He said that without further strong growth in residential construction during 2011 and 2010, Australia's shortage of housing stocks will become more acute, delivering undue upwards pressure on rents and existing home values.

MyRate.com.au's managing director Kevin Sherman says Australians shouldn't panic.

"The bottom line is, whether you're a homeowner or a first time buyer, if you always have the best home loan with the most competitive rate, you'll be one step ahead of the game regardless of what is happening in the market."

Mortgage Choice senior corporate affairs manager Kristy Sheppard said although rising repayments were a pain, "borrowers need to accept that now we're experiencing healthy economic growth the Reserve Bank is bringing the cash rate back to a neutral level."

"Whether we like it or not, rising rates will be a fact of life this year.

Ms Sheppard said if homeowners were going to struggle making higher repayments, they should take action now.

"For example, you could look into moving to a different loan product and/or lender to reduce mortgage costs, but only if the benefits outweigh the fees involved."

-With AAP

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