

- Home
- Managing money
- Tax Time 2010
- Loans and credit
- Property
- Your home
- Insurance
- Super and planning
- Shares
- News and analysis
- Opinion
- Australian market
- Overseas markets
- Currency
- Bonds
- Business news
  - Energy
  - Materials
  - Industrials
  - Consumer discretionary
  - Consumer staples
  - Health care
  - Financial services
  - Information technology
  - Utilities
  - AAP business news
  - FT.com business news
- Analysis
- Business class
- Small business
- Tools and calculators
- Compare and apply
- MoneyGuides
- Money magazine
- Suburb Reviews

## News and analysis

You are here: [ninemsn](#) > [Money](#) > [News and analysis](#)

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AAP

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### Borrowers Warned Not to Bite Off More Than They Can Chew

#### "Don't get burnt if rates rise and house prices fall" says leading direct lender

Despite interest rates remaining steady over the past few months, direct lender [www.MyRate.com.au](#) is warning borrowers not to bite off more than they can chew because the current environment may not last forever.

"If the government's current growth predictions to return the budget to surplus are correct, then there is a good chance that we will see more rate rises over the next 12 to 24 months" commented Kevin Sherman, Managing Director of [www.MyRate.com.au](#).

Prospective borrowers should certainly bear that in mind when considering getting a home loan. While interest rates remain on hold for the moment, Sherman is cautioning those who are already nervous about future repayments. "It's important to take stock and ask yourself the question: 'will I be stretched in my repayments if rates rise?' "

Home loan rates have already increased from the lows reached a year ago, however the current level is still way below the peaks of the mid 90's when rates were around 10 percent #. Current rates are at least one rate rise below the decade long average from that period.

Lower rates are unlikely to last forever. "There is always the possibility that house prices will fall and rates will go up during the term of your loan. Borrowers who bet against this could find themselves in trouble" explains Sherman.

At a minimum, Kevin recommends that Australians looking to take out a variable home loan action the following 2 checks before signing any home loan contract:

- \* Variable rates change so plan your finances and budget for several interest rate increases. If repayments are tight at current levels, consider how you would cope if rates were higher; and

- \* Compare home loans and shop around. Look for a lender with a good reputation and a product with a low interest rate and low fees but that still has all the flexibility you need to help reduce interest payments, such as allowing for additional repayments and redraws. Interest rates

can vary by as much as 1 percent so shopping around really can yield significant savings.

Having satisfied themselves that they wish to proceed with obtaining a home loan, borrowers should also familiarise themselves with the loan application process and understand what may limit their chances of success. MyRate's blog (<http://www.myrate.com.au/blog>) provides a list of the top 5 reasons borrowers are being rejected in the current lending environment.

# Rate information sourced from: <http://www.infochoice.com.au/news/history-of-interest-rate-movements/22007/6/2>

## **INTERVIEWS**

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## **ABOUT MYRATE.COM.AU**

MyRate.com.au is Australia's leading direct home loan lender, funded by ING Bank (Australia) Limited. MyRate's fully featured standard variable rate home loan rate is now 6.63%p.a. (or 6.59% pa for loans above \$600k) with no fees on standard applications - one of the lowest in the country. MyRate also boasts a fast turnaround with a 5 day formal approval guarantee.

For further details: [www.myrate.com.au](http://www.myrate.com.au) or 1300 663 558

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