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| **Press release****For immediate release****April 7, 2015** | Michelle HutchisonHead of PR & Money Expertfinder.com.au+61403 192 994+61 2 9299 7602Michelle@finder.com.au |

**Is the cash rate pause good news for first home buyers?**

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| * Reserve Bank keeps the cash rate on hold at 2.25%
* 32 out of 42 experts in the finder.com.au Reserve Bank Survey (76%) expected cash rate would hold
* First home buyer warning: don’t fall into a false sense of affordability!
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**April 7, 2015, Sydney, Australia** – First home buyers can breathe a sigh of relief according to one of Australia’s biggest comparison websites [finder.com.au](http://finder.com.au/)[[1]](#footnote-1), as the Reserve Bank of Australia left the cash rate unchanged at its board meeting today (April 7, 2015).

The [finder.com.au Reserve Bank Survey](http://www.finder.com.au/rba-cash-rate) of 42 leading economists and experts, which is now the biggest of its kind in Australia, found the majority of the panelists (76 percent) were expecting the cash rate to remain on hold.

The cash rate is likely to cut next month, with 22 experts leaning on a cut in May, while another nine are expecting the cash rate to drop in the third quarter of 2015 (July-September).

Just 10 of the 42 experts (24 percent) forecast today’s cash rate drop, including economists from two of the four major banks (Warren Hogan, ANZ and Bill Evans, Westpac). The remaining two major banks – Michael Blythe, Commonwealth Bank and Alan Oster, National Australia Bank – forecasted no change.

Of the majority of experts who were betting on a cash rate pause today, they cited reasons such as the Reserve Bank needs to wait to see the impact of February’s cash rate cut, the risk of property price hikes from another rate cut, and the Australian Dollar.

Many experts also mentioned that the Reserve Bank is more likely to wait until the quarterly Consumer Price Index data is released later this month, and after the federal budget is announced to help boost confidence.

Michelle Hutchison, Money Expert at [finder.com.au](http://finder.com.au/), said the cash rate pause could be just what first home buyers needed.

"Today's decision by the Reserve Bank to leave the cash rate unchanged at 2.25 percent is great news for first home buyers, as lower rates have led to higher consumer confidence in the past and increasing property prices.

“Many first home buyers have been struggling since before the cash rate began to fall in 2011. In fact, the latest Australian Bureau of Statistics (ABS) data analysed by [finder.com.au](http://finder.com.au/) shows that January saw just 5,963 first home buyer home loans financed, the lowest level since January 2011.

"The [finder.com.au Reserve Bank Survey](http://www.finder.com.au/rba-cash-rate) in December 2014 showed the majority of experts are expecting property prices to rise as a result of rate cuts this year so first home buyers can breathe a sigh of relief, for now.”

Mrs Hutchison said borrowers, particularly first home buyers, need to be careful they don’t fall into a false sense of affordability.

“The past year saw the median property price increase by 7.4 percent to $559,000[[2]](#footnote-2). If first home buyers have to borrow over $38,000 more for an average property – from $520,484 to $559,000 – the higher property price would outweigh the last rate cut. In fact, even if there was another cash rate cut, it won’t outweigh the extra cost in monthly repayments if you paid $38,000 more for a property.

"The latest [finder.com.au Reserve Bank Survey](http://www.finder.com.au/rba-cash-rate) found that there is likely to be a cash rate cut in the next few months and that will likely be the bottom of the cycle. However, the majority (67 percent) of the 42 experts are forecasting interest rates to start climbing by as early as the first quarter of next year.

“The cash rate is expected to rise to about 3.75 percent, which is another six 0.25 percentage point rate increases and will take the average variable home loan interest rate to 6.75 percent. For a $300,000 home loan, that would cost an extra $289 per month in mortgage repayments (from $1,657 to $1,946).

"There is still a huge difference in what lenders are offering, and on the pointy end it is very competitive. For instance, [variable home loans start from 4.23 percent](http://finder.com.au/home-loans) (by Loans.com.au). Lenders are also competitive and keen to sign up new customers so it's worth doing your research, find out how your home loan compares to the rest of the market, ask your lender for a discount or switch to a cheaper deal."

**Disclaimer:** the comments, forecasts, projections and other predictive statements by the panel of experts are assumptions based on currently available information. These forecasts are based on industry trends and economic factors that involve risks, variables and uncertainties. No guarantee is presented or implied as to the accuracy of these forecasts and consumers are advised to read product disclosure statements and understand if financial products are right for them before signing up.

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1. Experian Hitwise 2013, 2014 [↑](#footnote-ref-1)
2. CoreLogic RP Data, March 2015-March 2014 [↑](#footnote-ref-2)