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Firstfolio launches its 'peace of mind' mortgage

FIRSTFOLIO, the stock market-listed mortgage company, has become the first lender in Australia to launch a mortgage linked directly to the official cash rate.

The deal, which has no establishment fees or exit fees, is pegged at a fixed margin of 2.5 per cent above the official cash rate for three years, giving an initial pay rate of 7.25 per cent — more than 0.50 per cent below the typical standard variable rate from the big banks.

The deal ensures that borrowers will not be stung with “top-up” increases, like those imposed by the banks to cover what they claim are increasing costs of funds.

These so-called “tracker” mortgages have

been popular in the UK for years after the media and public got fed up with banks imposing similarly inflated rate hikes.

Firstfolio Executive Director Mark Flack said: “With further potential rises in the next 12 months there is growing amount of customer uncertainty around the movement of home loan rates and their relationship to RBA cash rate. It is the perfect time to launch a product that promises not to impose big rate increases and gives borrowers that peace of mind.”

It comes despite the RBA signalling that interest rates are likely to be on hold until February. Most experts, however, suspect that rates will continue rising throughout 2011.