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Interest Rate Rise:

What does this mean for me?

This fact sheet contains answers to any questions you might have about an interest rate rise, and how it might impact you.

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How does an interest rate rise work?

Commercial banks will have to pay a higher rate of interest on their short-term loans, an increased cost which they can then pass on to their consumers.

What does this mean for me?

Basically, the rise means that it will be more expensive to borrow money from a bank. This translates to higher interest rates for mortgages in Australia.

This may sound scary, but it aims to combat inflation by reducing spending to slow down our economy.

I'm worried about how this will affect my mortgage!

When you apply for a mortgage, the bank will assess your ability to make repayments based on a higher interest rate, to account for any changes which may occur during the term of your loan.

An increase in the cash rate by the RBA together with the current rate of inflation means that many of us will need to make adjustments to our household budgets to accommodate the changes.

How could this affect my monthly repayments?

We've crunched the numbers here to give you an idea of how you may be impacted.

In the hypothetical example below, we have calculated what an interest rate rise would mean for your monthly repayments: ⓘ

Loan Amount	**Monthly repayment with a 5% p.a. interest rate.**	**Additional monthly repayments based on percentage increase**			
		0.25%	**0.50%**	**1%**	**2%**
$500,000	$2,684	$77	$155	$314	$642
$750,000	$4,026	$115	$232	$470	$964
$1,00,000	$5,368	$154	$310	$627	$1,285

Please notes: The above table assumes that the borrower is making monthly principal and interest repayments over a 30 year loan.

What are my options for managing rate increases?

If you are worried about interest rate rises, you should ensure that you have a buffer in your budget to manage any increases. You could also consider locking in your mortgage at current rates. If you are eligible to refinance your mortgage and find a lower rate, this may also be the time to do so.

ⓘ This example scenario does not account for fees or future interest rate changes and is for demonstrative purposes only.

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We’re here to help make it easier.

If there’s something you don’t understand or need more of an explanation, please just pick up the phone or email today.

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