

News Release

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TOO MANY AUSTRALIANS UNSURE OF THEIR HOME LOAN RATE

****A quarter of Australian home owners may be missing out on a better deal****

****HSBC offers 3.65% p.a. (3.66% p.a. comparison rate¹)****

Refinancing your home loan can be one of the best ways to increase your disposable income and save money over time, but many Australians are missing out on this opportunity because they don't know how their rate compares to those on offer.

HSBC Australia is encouraging more home owners to switch loans by offering a strong low rate of 3.65% p.a. Owner Occupied Principal and Interest (3.66% comparison rate). To understand more about home owners' attitudes and motivations towards refinancing their mortgages, the RFi Group surveyed over 2,000 mortgage holders in Australia for HSBC.

"Lower rates in the market are encouraging customers to refinance their loans, but 25% of mortgage holders don't know what their home loan rate is, making it harder for them to recognise the financial benefit of switching their loan," says Alice Del Vecchio, Head of Mortgages and Third Party Distribution, HSBC Australia.

"In our experience, customers who are experiencing major life milestones are the most likely to want to refinance their loan. Typically, customers who have recently acquired a mortgage are more sensitive to market changes - as are those looking to save for their children's education, buy an investment property or start planning for retirement," explains Del Vecchio.

"A 3.65% p.a. rate like the one we're offering can make a huge impact on the savings over the life of the loan, not to mention freeing up money in the short-term with potentially lower repayments," says Del Vecchio.

A home owner with a \$700,000 variable loan at 4.00% p.a. will save over \$40,000 over the life of the loan by switching to a lower rate of 3.65% p.a. (3.66% p.a. comparison rate).

RFi Group's research showed that speaking to a mortgage broker (30%) and researching home loans online (25%) were the most likely first steps recent mortgage holders who refinanced took.

"Speaking to your own bank or visiting a mortgage broker can help you understand how much switching loans could benefit you. They're the experts in the market and can help you to do the maths and translate the interest rate into dollars," suggests Del Vecchio.

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Media enquiries to:

**Eugena Pratley on +61 2 9084 2902 /
+61 466 489 914 /
eugena.pratley@hsbc.com.au**

**David Matthews on +61 2 9006 5682 /
+61 423 897 458/
david1.matthews@hsbc.com.au**

This news release is issued by

HSBC Bank Australia Limited

Registered Office and Head Office:
HSBC Bank Australia Limited
Level 36 - Tower 1 - International Towers Sydney | Barangaroo South
100 Barangaroo Avenue, NSW, 2000, Australia
www.hsbc.com.au
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¹The comparison rate is based on a secured loan of \$150,000 over the term of 25 years. This comparison rate is true only for the examples given and may not include all fees and charges. Different terms, fees or other loan amounts might result in a different comparison rate.

² **Savings calculated using loan comparison calculator on** <http://www.hsbc.com.au/1/2/personal/home-loans/calculators/loan-compare>

Calculator Information

The Loan Comparison Calculator calculates the total amounts payable under two alternative loans and then provides the comparative amount saved by using the lower cost loan. The two loans allow for the entry of different expense amounts, both initial and monthly ongoing. In addition, the two loans allow for the entry of different introductory interest rates and terms, with different ongoing interest rates for the balance of the loan term. The calculation is done based on the repayment frequency selected by the user, in respect of the common loan parameters entered, namely amount and total term in years.

Calculator Assumptions

Length of Month

All months are assumed to be of equal length. In reality, many loans accrue on a daily basis leading to a varying number of days' interest dependent on the number of days in the particular month.

Number of Weeks and Fortnights in a Year

One year is assumed to contain exactly 52 weeks or 26 fortnights. This implicitly assumes that a year has 364 days rather than the actual 365 or 366.

Rounding of Amount of Each Repayment

In practice, repayments are rounded to at least the nearer cent. However the calculator uses the unrounded repayment to derive the amount of interest payable at points along the graph and in total over the full term of the loan. This assumption allows for a smooth graph and equal repayment amounts. Note that the final repayment after the increase in repayment amount will be a partial repayment as required to reduce the loan balance to zero.

Amounts of Totals Payable under each Loan

The website calculator quotes Total Amounts Payable under each loan that are rounded to the nearer dollar, after basing the calculations on unrounded repayment amounts.

Amount of Saving under Lower Cost Loan

The calculation of the amount of repayments saved under the lower cost loan is based on unrounded payment amounts. The amount saved is quoted in dollars and cents, not rounded to the nearer dollar.

Note: The results from this calculator should be used as an indication only. Results do not represent either quotes or pre-qualifications for the product. Individual institutions apply different formulas. Information such as interest rates quoted and default figures used in the assumptions are subject to change. Calculator © InfoChoice 2016

HSBC Bank Australia

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About RFI Group

RFI Group is a global business intelligence and digital media provider, focusing exclusively on financial services. For more information, please visit; www.rfigroup.com