THE STRAITS TIMES

# Banks hike fixed rates for home loans


Home buyers at the preview sales at Hundred Trees condominium. Home buyers seeking fixed interest loans to cushion themselves from the effect of an expected rise in global interest rates will find that some banks have already hiked their offers. -- ST FILE PHOTO: SHAHRIYA YAHAYA

PUBLISHED JUL 17, 2013, 7:47 AM SGT

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Home buyers seeking fixed interest loans to cushion themselves from the effect of an expected rise in global interest rates will find that some banks have already hiked their offers.

On Monday, Maybank raised its three-year fixed rate for a mortgage by 0.1 percentage point while ANZ lifted its two-year rate by 0.17 percentage point, industry players noted.

Some other banks appear to have pulled their fixed-rate packages off the shelf. The Straits Times understands that Citi used to offer a fixed-rate loan but stopped officially offering fixed-rate mortgages last month. Standard Chartered also no longer offers fixed-rate mortgages.

Maybank's rates now start at 1.25 per cent for the first year and average out to around 1.4 per cent over three years, which are among the lowest in the market, while ANZ's two-year rate rose from 1.48 per cent to 1.65 per cent.

Still, the higher rates are not biting deep as yet. For an owner with a 30-year mortgage of $1 million, an increase from 1.15 per cent to 1.25 per cent translates to only an extra $50 or so in monthly repayments. Banks declined to comment on the rate increase.

Financial markets have been rattled by recent statements by the United States Federal Reserve chairman Ben Bernanke - who testifies in the US again tonight - that a massive US cash stimulus may be eased later this year.

With the prospect that this may result in rising rates, the Monetary Authority of Singapore last month moved to introduce curbs over property loans to partly counter the risk of borrowers overstretching themselves.

Home loans are usually either at a fixed rate or a floating rate, though some banks offer a hybrid package. SmartLoans.sg chief executive Vinod Nair said that about 60 per cent of Housing Board buyers prefer fixed rates, while only 25 per cent of private home buyers opt for fixed rates.

Floating rates tend to be pegged to benchmark market rates such as the Singapore Interbank Offer Rate (Sibor), to which banks then tack on a premium.

The premium has risen since the start of the year and now starts at around 0.85 per cent on average. The three-month Sibor was at about 0.38 per cent yesterday, though OCBC economist Selena Ling reckons that it may go up to about 0.39 per cent by the year end.

That adds up to about 1.23 per cent for the first year, which is still lower than the 1.25 per cent Maybank is offering, for instance.

FindaHomeLoan.sg founder Sean Lim said that some fixed rates are 0.1 to 0.2 percentage point higher than the floating rates. "Do not assume refinancing in the future will have lower spreads," Mr Lim said.

The narrowing gap and fears that market rates could suddenly spike have prompted more home buyers to make the switch to fixed-rate mortgages.

Consumer goods industry executive Shirley Ong, who is in her 30s, said she applied to refinance her mortgage at a fixed rate two weeks ago since it was not much higher than the floating rate. "It just seems wiser to lock in fixed rates," Ms Ong added.

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