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Surprise rate reprieve for borrowers

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The Reserve Bank of Australia's surprise decision today to cut the cash rate by 100 basis points to 6 per cent should provide a much-needed financial boost for borrowers, according to The Real Estate Institute of Queensland (REIQ).

REIQ managing director Dan Molloy said the rate cut was a very welcome reprieve for homeowners, investors and first home buyers.

"This surprise interest rate cut of one percentage point will assist prospective first home buyers as well as existing borrowers who have been burdened by higher rates over the past two years," Mr Molloy said.

"The Government must now be extra vigilant that the maximum benefit of this cut is passed on to borrowers, and as funding costs in the money market ease lenders continue to adjust their rates accordingly and without delay."

Mr Molloy said as demand for housing finance has decreased - Queensland July housing finance commitments for owner occupiers is down 34 per cent on last year - and the Federal Government is investing \$4 billion to shore up residential lending, all lenders should be in a position to pass this rate cut on.

"With this in mind, and given publicity surrounding the robustness of Australia's banking system, it is more important than ever for existing and prospective homeowners to shop around for the mortgage best-suited to their needs."