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Australian Lenders Slash Home Loan Rates Below 5%

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Australian mortgage lenders are aggressively cutting home loan rates ahead of the Reserve Bank of Australia's upcoming policy meeting, with several offerings now dipping below 5 per cent for the first time in two years.

The Police Credit Union has recently reduced its lowest variable rate to 4.99% for owner-occupiers with a deposit of at least 20%. According to data from financial comparison site Canstar, this marks the first time variable rates have begun with a “4” since 2023.

In the last two weeks alone, 13 lenders have adjusted at least one fixed-rate product. Macquarie Bank, the nation's fifth-largest lender, trimmed some of its fixed loan rates by up to 0.20 percentage points. Other institutions, including Greater Bank, Bank of Queensland, Heritage Bank, and Australian Mutual Bank, now offer at least one fixed home loan rate below 5 percent.

Currently, 17 lenders are providing fixed rates below the 5 per cent threshold, suggesting growing competition in the lead-up to the RBA's monetary policy decision scheduled for August 12.

Canstar's insights director, Sally Tindall, noted the shift in market conditions: "Variable home loan rates starting with a '4' are finally back on the table after a two-year hiatus." She added that while fixed rates offer short-term stability, borrowers should carefully assess the risks, especially if further cuts occur. "You might be buying peace of mind, but it could come at a cost if rates fall faster than expected," she said.

Anticipation of an RBA interest rate cut has been fuelled by newly released inflation data. Figures from the Australian Bureau of Statistics show that headline inflation slowed to 2.1 per cent in the year to the June quarter, down from 2.4 per cent in March. This places inflation at the lower end of the RBA's 2–3 per cent target range.

Economists now widely expect a 25-basis-point reduction in the cash rate at the next central bank meeting, potentially bringing it down to 3.60 per cent. If confirmed, this would offer further relief to mortgage holders already benefiting from increased rate competition among lenders.