



It's blessed relief for homeowners as ECB cuts rate to 2003 level

By **Fergal Blaney**

HOMEOWNERS will save as much as €125 a month on an average €300,000 mortgage after the European Central Bank cut interest rates to their lowest level in almost 6 years.

Yesterday ECB president Jean-Claude Trichet cut 0.5 per cent off interest rates, bringing them to two per cent - their lowest level since 2003.

The latest cut was widely predicted by analysts and marks the fourth reduction in a row since September. Interest rates have now more than halved from 4.25 per cent last September to the new rate of two per cent, which comes into force on Wednesday.

The move came on the same day that the Central Statistics Office revealed that inflation had tumbled to 1.1 per cent in December, its lowest level since August 1997.

Announcing the new European rates yesterday, Mr Trichet said the decision to cut rates again was influenced by the sharp drop in inflation across Europe. He said: 'Today's decision takes into account that inflationary pressures have continued to diminish, owing in particular to the further weakening in the economic outlook.'

The cut in rates will result in savings of €125 a month on an average €300,000 30-year mortgage at a competitive standard variable rate of 3.25 per cent.

Since the ECB started slashing rates in September, the same mortgage-holder will now have an extra €562.50 to spend every month thanks to reduced repayments.

Most of the major banks and building societies have confirmed that they will be passing on the full savings of the latest discount to all their tracker and standard variable-rate mortgage customers.

The moves were widely welcomed by politicians, consumers and business organisations. All of the five financial bodies covered under the

umbrella of the Government's bank guarantee scheme that provide mortgage services are cutting their rates by 0.5 per cent.

They are AIB, Bank of Ireland, Permanent TSB, and the EBS and Irish Nationwide building societies.

Beleaguered Anglo Irish Bank, which was last night nationalised by the Government, is a corporate bank and does not offer home loan products.

Other foreign-owned financial institutions operating in Ireland, including Ulster Bank and its subsidiary First Active, National Irish Bank and Bank of Scotland (Ireland)/ Halifax have all cut their rates accordingly. However, National Irish Bank warned that although it is cutting rates this time, it will not be passing on the full benefits of future cuts to all its customers.

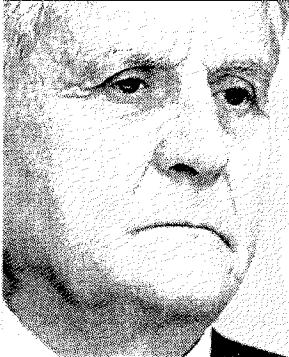
Mortgage providers were relieved to hear of the latest move from the ECB last night and said they hoped it would kickstart the stagnant Irish property market and encourage people to start buying houses again.

Trevor Grant, managing director of Select Mortgages, said last night: 'This and previous cuts have served to significantly increase affordability for first-time buyers and those who have deferred trading up.'

'The rate reductions will almost certainly tempt first-time buyers back into the market.'

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'Will tempt back house buyers'



HOW MUCH TRICHET'S INTEREST CUTS HAVE SAVED YOU

DATE	MORTGAGE RATE	€100,000	€200,000	€300,000	€400,000	€500,000
Sep 24	5.50 per cent	736.11	1472.22	2208.33	2944.44	3680.55
Oct 8	5.00 per cent	694.44	388.88	2083.33	2777.77	3472.22
Dec 1	4.50 per cent	652.77	1305.55	1958.33	2611.11	3263.88
Jan 1, 2009	3.75 per cent	590.27	1180.55	1770.83	2361.11	2951.38
Jan 21	3.25 per cent	548.61	1097.22	1645.83	2194.44	2743.05
<i>Consumer savings</i>		41.66	83.33	125.00	166.67	208.33

** Monthly payments calculated on 30 year mortgages at most competitive variable rates available*