



# Tracker customers set for mortgage reduction

BY EMMA KENNEDY

Tracker mortgage customers are poised for a reduction in their monthly mortgage repayments, with the European Central Bank (ECB) giving its clearest signal yet that interest rate cuts are on the way.

At its last monthly meeting, the ECB left rates unchanged at 0.25 per cent but has now made it clear that a rate reduction is likely next month.

ECB president Mario Draghi said that the governing council was "comfortable with acting next time but before we want to see the staff projections that will come out in early June".

Draghi has repeatedly reiterated the ECB's commitment to dealing with deflationary risks and recently outlined the scenarios that could trigger policy action.

A typical tracker mortgage borrower could save almost €350 annually if the ECB cuts rates by 0.25 per cent at its next meeting in June, though there is speculation a smaller cut may be possible.

According to Ken Murray, director of the **Association of Expert Mortgage Advisors (AEMA)**, a borrower with a €250,000 mortgage over a 25-year term faces a monthly repayment of about €970 per month now, based on a typical tracker rate of 1.25 per cent.

If the ECB cuts rates by 0.25 per cent in June, the mortgage holder would be about €28 per month better off, with monthly mortgage repayments dropping to about €942, Murray said.

KBC's chief economist Austin Hughes said that real surprise from the ECB meeting was the "clarity of the signal" sent in relation to the ECB's

intentions.

"It would take evidence of dramatically changed economic conditions centred on a notably stronger rebound in inflation to allow the ECB to credibly leave policy unchanged in a month's time," Hughes said in a note issued by KBC. He predicted rates would fall by up to 0.15 per cent in June.

"For the moment, we think a June easing will centre on a 10 to 15 basis point cut in the ECB's key policy rates," Hughes said.