

Australians battle with home loan debt

By Nicki Bourlioufas
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AUSTRALIANS are using more and more of their income to make mortgage repayments, with more some borrowers using 60 per cent or more of their income on home loan debt, according to a survey of *NEWS.com.au* readers.

Lower income earners are also struggling the most, with any more interest-rate rises threatening to cause financial havoc through forced sales of homes and repossessions.

A survey conducted by *NEWS.com.au* and polling firm Coredata in June has found almost one in five Australians (or 18 per cent) use up 60 per cent or more of their total household income on home loan repayments.

The survey of 1778 people revealed 22 per cent of borrowers in New South Wales claimed to use 60 per cent or more of their total household income on home loan repayments.

That compared to 20 per cent of borrowers in Victoria, 12 per cent in Queensland and 16 per cent in Western Australia.

Battlers hit hard

Lower income earners were feeling the crunch the most, with 27 per cent claiming to use 60 per cent or more of their total household income on home loan repayments.

Since 2002, Australians have faced eight interest rate rises. Economists say interest rates could rise again later this year or in 2008 if a low unemployment rate pushes up inflation over 3 per cent.

More than half the respondents, or 55 per cent, said the combined impact of the last year's three interest rate rises had made loan repayments more difficult.

Of lower income earners, or those with household income of less than \$75,000 a year, 70 per cent said last three rate rises had made paying their loans more difficult.

And 40 per cent of borrowers claimed that a 0.5 per cent rise increase in official interest rates would significantly impede their ability to meet home loan repayments.

That figure rose to 57 per cent if interest rates were to rise to 1 per cent from the current position of 6.25 per cent.

Credit costs rising

The central bank raised interest rates three times last year, with November's rate rise of 25 basis points taking official interest rates to a 6-year high of 6.25 per cent.

Another rate rise of 25 basis points would take official rates to 6.5 per cent, a 10-year high, severely stretching some

household budgets.

The last time the cash rate sat at 6.5 per cent was in November 1996, shortly after Prime Minister Howard took over economic management of the economy from the Labor Party in March 1996.

Repossessions of houses has jumped this year in the outer suburbs of Sydney and Melbourne as a rising number of home owners default on mortgage repayments, set against the background of falling or stagnant house prices.

Nicki Bourlioufas is the business editor of NEWS.com.au

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