

# Australians struggling with mounting debts, survey finds

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By **Nicki Bourlioufas**  
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- **Many Australians feel worse off than a year ago**
- **Some planning on switching votes against the Coalition**
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VOTERS intend to punish the Government for recent interest rate rises in this year's federal election, according to a *NEWS.com.au* survey that reveals the mounting debt crisis facing many Australians.

One in five of the respondents who voted Coalition in 2004 say they now plan to vote against the Government because of recent interest rate rises, and almost half of the respondents said they had become worse off over the past year.

While the survey was not a political poll, it reveals community anger against Prime Minister John Howard and his Government, which promised during the 2004 election campaign to keep interest rates low.

The survey of 1530 people, conducted by polling firm Coredata, found a quarter of lower income earners who were paying off a home used 60 per cent or more of their income on home loan repayments alone.

More than one in eight borrowers, or 13 per cent, thought that their mortgage was worth more than their home.

Australians have been slapped with nine interest rate rises in the last five years and home loan interest rates sit at a 10-year high.

## **Mortgage stress**

More than half of the respondents - 53 per cent - said they would have difficulty repaying their home loans if interest rates rose by 1 percentage point.

Debt is swallowing huge amounts of people's income, with 16 per cent of borrowers claiming to use up 60 per cent or more of their total household income on mortgage repayments.

The lower income group is most feeling the crunch, with one quarter of those borrowers using up to 60 per cent or more of their total household income on home loan repayments.

In New South Wales, where house prices are highest, 23 per cent of borrowers claimed to use up 60 per cent or more of their total household income on home loan repayments.

That compares to 15 per cent of borrowers in Victoria, 12 per cent in Queensland and 17.5 per cent in Western Australia.

Almost one in three respondents, or 29 per cent, said they could only save a little while 22 per cent could

just manage to make ends meet.

A further 15 per cent of respondents are running into debt.

### Upbeat about house prices

But Australians are upbeat about property, with more than half, or 54 per cent, believing property prices will rise over the next three months.

Only 16 per cent of people thought house prices would fall over the next quarter.

Despite expectations of house price rises, 13 per cent of borrowers think they are still in negative equity, or that their mortgage was worth more than their home.

Bank repossessions of properties are rising around Australia, particularly in the mortgage belts of Sydney and Melbourne, as some people fall behind on mortgage repayments given higher interest rates and higher living costs like petrol and food.


But all around Australia, higher interest rates are biting - and into the middle classes.

As one *NEWS.com.au* reader said: "To purchase our house, we borrowed 97 per cent of the house price. So, as the house is now worth less than when we purchased we owe more than our home is worth - and it will cost us more to get out of our loan and sell than just what is owing because there is a five-year clause on our loan and a fee of approximately \$ 17,000 to leave the loan early - (that) would easily send us bankrupt."

Some analysts tip another interest rate rise this year given the robust Australian economy and a tight labour market, which is pressuring inflation.

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

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