

# Aussies reeling in financial doom

By Nicki Bourlioufas May 27, 2008 10:00pm



Reality ... The housing dream is diminishing as some Australians could be forced to sell their homes if rates climb another 1 per cent / File

- 2 in 3 say their finances are worse now than 12m ago
- 76pc of Aussies say they are finding mortgage repayments difficult
- **In-depth:** [All the latest on interest rates](#)

AUSTRALIANS are reeling in financial doom, with 2 in 3 saying their financial situation is worse now than it was 12 months ago and more people are struggling with their mortgages than ever, according to a survey.

The survey by *NEWS.com.au* and polling firm Coredata has found more than one in two Australians, or 67 per cent, believe their financial situation is worse now than 12 months ago. This is a significant increase from 46 per cent in a November survey.

The survey of 2331 respondents conducted on March 10 to 18 found one in five people (20 per cent) was running into debt, up from 15 per cent in the previous survey.

## Mortgage nightmare

Higher interest rates are hitting hard, with 76 per cent of respondents saying they are finding mortgage repayments more difficult after seven official interest rate rises in two years – and more rate rises on top of that by the big banks. That percentage is the highest in the three-year history of the survey.

The big banks have independently raised interest rates several times this year, taking standard variable mortgage rates to 9.5 per cent, their highest in over a decade.

But nearly 70 per cent of respondents thought the banks were not justified in raising rates beyond official cash rate rises., with many people saying banks were just out to lift their bottom lines.

## Battle with expenses

As expenses grow, more and borrowers are taking on second jobs or moving into more debt to make ends meet.

Indeed, home loans are eating up large chunks of household income, with 22 per cent of borrowers claiming to use 51 per cent or more of their total household income on home loan repayments.

People earning less than \$50,000 are struggling the most, with almost one in three (or 31 per cent) claiming to pay

more than 51 per cent of their income on loan payments.

More rate rises could force some people to the wall. If there was a further 1 per cent rise in interest rates, almost half or 47 per cent of property investors said they would be forced to sell their homes.

Of homeowners, one in three said they would sell if the rate rose another 1 per cent.

One in 10 people with a home loan said they were late on their loan repayments from time to time.

### **Less money in the bank**

As debt repayments grow, fewer people are saving, with 13 per cent saying they are saving a lot, down from 24 per cent in November.

Almost 1 in three borrowers, or 29 per cent, said they were just managing to make ends meet while another one in five, or 20 per cent, said they were running into debt. Another 12 per cent said they were drawing on their savings.

### **Property prices**

Just 46 per cent of respondents expect house prices to increase in the next quarter – down from the 54 per cent in the last survey. Only 21 per cent expect house prices to fall.

But property is out of favour with investors, with 66 per cent of Australians saying they are less or much less likely to buy or invest in residential property, up from 47 per cent in the last survey.

Despite the expectations of price increases, 12.5 per cent of borrowers think they are still in negative equity, that is, their mortgage is worth more than their home.

This is a reality for many borrowers in the outer suburbs of Sydney and even Melbourne, where prices have fallen in recent times with rising interest rates.

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