PRESS RELEASE

For immediate release

Burnt out borrowers: Just a $100 repayment rise could tip some over the edge

- 57% of mortgage holders could only manage less than a $100 monthly increase to their repayments
- Just 14% of borrowers could handle an increase of $1,000 or more per month
- Tips: How to lower your interest rate risk

24 April, 2017, Sydney, Australia – It would take less than a $100 rise in monthly repayments before the majority of Aussie mortgage holders would start to lose a grip on their home loan, according to finder.com.au, Australia's most visited comparison website[1].

The latest research from finder.com.au reveals 57% of borrowers could only handle a minimal rate rise – that is, less than a $100 rise on top of their existing periodic repayments.

An additional $100 in repayments per month (on top of current repayments) is equivalent to an increase in the average home loan rate of just 0.45% based on the national average mortgage of $360,600.

Currently the average standard variable rate sits at 4.83% across the market, so a rise to 5.28% could put 57% of mortgage holders over the edge.

Bessie Hassan, Money Expert at finder.com.au, says with rising interest rates, some borrowers have little breathing room.

"The typical mortgage holder will begin to struggle once interest rates reach around 5.28% – that's a pretty small window before borrowing costs start to hurt.

"The reality is borrowers have over extended themselves if it only takes a $100 leap in repayments for more than half of homeowners to reach their tipping point.

[1] Experian Hitwise since 2015

“With mortgage rates on the rise, it won’t take much for borrowers to be in trouble. This raises concerns about mortgage holders being exposed to mortgage stress, where they may be forced to use a larger portion of their income to repay their loan,” she says.

Ms Hassan says with 39% of mortgages being interest-only (IO) loans, it’s no wonder the Reserve Bank and the Australian Prudential Regulation Authority (APRA) are concerned.

The research found 18% of borrowers could handle a monthly increase of $250, while just 14% could manage a monthly increase of $1,000 or more in addition to their existing repayments.

“All four of the major banks have announced interest rate increases out-of-cycle, so those who have borrowed to their limit should start reviewing their options now,” she says.

Ms Hassan said there’s a $209 monthly difference between the cheapest (3.59%) and most expensive (4.59%) fixed home loan rate on finder.com.au.

“This means you could be throwing away thousands of dollars on your mortgage a year by paying the wrong interest rate.

“So before the Reserve Bank starts to hike interest rates, put some feelers out to see if you could get a better rate.

“If you haven’t already, add a buffer of 2-3% on top of your existing mortgage repayments to prepare for rate rises. This will put you in a sound position to service higher mortgage repayments once they come around.

“The bottom line is if you’re worried about future rate rises, do something now to avoid mortgage stress,” she says.

Men vs Women

- 63% of women say they’d struggle to repay their mortgage with an increase of less than $100 per month, compared to 50% of men.

State by state

- South Australians are the worst placed to manage an interest rate increase with 70% saying they’d struggle paying less than $100 extra a month.
- 59% of homeowners in New South Wales, Tasmania and Western Australia would struggle to repay their mortgage with less than a $100 increase.
- Victorians homeowners would be the most shielded for rate rises, with 51% saying they’d be able to handle no more than $100 per month on top of their existing repayments.

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