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Mortgage News

03/07/07

Household Debt Levels – “Through The Roof”

The recent Australian Census reveals that while Aussies are less likely to own their own home today than they were 5 years ago – they are carrying a far greater level of household debt. In the 2006 Census, of the 7.5 million private dwellings counted, 32.6 per cent were fully owned. This represents a substantial drop from 39.7 per cent in 2001. On the other hand, the number of homes being paid off, or mortgaged to the bank, jumped to 32.2 per cent, up from 26.5 per cent in 2001.

The proportion of Australians renting in 2006, rose to 27.2 per cent, up from 26.3 per cent in 2001.

Costs of Housing

In the five years since 2001, the median monthly housing loan repayment soared 50 per cent to \$1300 from a much more modest \$867. In 2006, the median weekly rent was \$190, a 31 per cent hike from \$145 in 2001.

There were 8.4 million private dwellings counted in the 2006 Census, an increase of 8.2 per cent since the 2001 Census. The average gross individual income is showing a jump of 24 per cent - far less than the jump in rent and mortgage repayments.

Drop in available public housing

Of dwelling types, the largest proportional rise was for flats, units and apartments showing an increase of 0.9 per cent. Reflecting less government investment in housing, 14.9 per cent of dwellings were rented from a public housing authority, down from 17.1 per cent in 2001.

03/04/07

Interest Rate

At its meeting on 3 April, the Reserve Bank Board decided to leave the cash rate target unchanged at 6.25 per cent

31/03/07

Australians on borrowing spree

AUSTRALIANS borrowed at the fastest rate in more than three years last month. This is likely to influence the Reserve Bank to raise interest rates as early as next week. According to data provided by the Reserve Bank of Australia (RBA), the total credit provided to the private sector by financial intermediaries rose by 1.4

per cent in February 2007. This was the fastest monthly increase since September 2003.

There is speculation that the RBA may have to raise the rate twice more to bring back credit growth, lower inflation expectations and free up capacity in the economy. Figures released by the Australian Bureau of Statistics (ABS) on March 1 showed businesses planned to boost spending by 17.7 per cent to \$62.743 billion during the 2007/08 business year.

13.10.2006

Home Loans Down as Rates Up

According to the Australian Bureau of Statistics - higher interest rates have slowed down demand for home loans. It seems that loans for owner-occupiers, excluding alterations and additions, fell 1.3 per cent in August to \$13.95 billion. A recent survey by the Mortgage aggregator Australian Finance Group has seen a similar trend in residential investment mortgages.

AFG said demand for mortgages from residential property investors declined over the month of September, to 27.1 per cent of all new mortgages sourced through AFG's affiliated brokers, down from 31 per cent over the winter. Higher interest rates did not deter personal loan applicants with personal finance debt rising 0.4 per cent to \$6.64 billion for the month of September.

Commercial loans taken in September were up by 5.6 per cent to \$33.11 billion, while lease finance fell 1.9 per cent to \$503 million. A recent survey of 830 borrowers showed that 60 per cent of those surveyed believe interest rates would rise 0.5 percentage points or more over the next 12 months. Interest rates have risen 0.5 percentage points so far this year, taking the official cash rate to six per cent and the notional standard bank home loan rate to 7.82 per cent.

13.10.2006

PM blames Aussies for home loan failures

PRIME Minister John Howard believes that the increase in the number of people having trouble paying their mortgages is due to their decision to borrow too much, rather than rising interest rates.

Lower interest rates encouraged more people to borrow, and encouraged them to borrow more, particularly from non-bank lenders, Mr Howard said today. More people were overextending themselves, he said. In Canberra home repossessions rose 39 per cent between 2004 and 2005, according to a report from The Consumer Law Centre of the ACT.

And preliminary data for 2006 shows the rate is continuing to rise. It follows recent data from Victoria showing mortgage repossessions up 57 per cent over the year to 2005, while home repossessions in NSW rose 121 per cent between 2002 and 2006. More people are falling behind in their loans, too.

Gary Tucker, from credit ratings agency Standard and Poor's, said arrears on housing loans had increased by about 50 per cent over the past two years. Mr Howard said the Government's economic policies meant people not only had the capacity to buy a new home but others could upgrade their existing home.

"It's rather ironic that the lower the interest rates, the more people are encouraged to borrow ... and, as a result, some people, particularly those who deal with non-bank lenders, end up over extending themselves," he told Parliament.
"Mortgage repossessions have gone up because heavily indebted households are

more sensitive to interest rate rises, not because interest rates are very low."

The debate coincided with figures showing a pullback in home building, particularly in units and flats. The Australian Bureau of Statistics (ABS) said total home starts fell 2.3 per cent in the June quarter to 37,781 and 5.5 per cent over the year. There was some resilience in the number of new private homes being built, which rose 0.9 of a per cent, but the number of other residential buildings, such as flats and units, fell eight per cent.

The figures take in the May interest rate rise but come before the August rise, which took the official cash rate to six per cent.

13.10.2006

Home Loan Arrears Growing

The latest Financial Stability report from the Reserve Bank shows that arrears rates on home loans have gone up by at least 150 per cent since this 2001. Despite this, the report says that the past six months have been "broadly reassuring" for financial stability. The report highlights a decline in credit quality and warns lenders against a further erosion of their credit standards.

Back in 2001 and 2002 the arrears level was 0.2 per cent. In 2003, 2004, the arrears level went up to 0.5 per cent. There is also some variation in figures between the states. The pain is being felt hardest in New South Wales where the arrears rates are double the national average, probably because the housing boom hit first and hit hardest in Sydney. Many of the people who bought at the top of the market, are now feeling the pinch. In many ways the current state of the economy is good. Unemployment is at a 30-year low. However the mortgage arrears warning bells should not be ignored.

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