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Almost seven out of ten Aussie households feeling the mortgage pinch

Just one in ten mortgage holders switched providers or rates after previous RBA rate cut

Research released today by mortgage brokers [iSelect](#) reveals that **7 out of 10 Australian households are experiencing mortgage stress** in meeting their monthly home loan repayments, with **454,000 households** reporting that they are struggling to make their repayments.

The Galaxy Research study, commissioned by iSelect to assess the attitudes and behaviours of Australian mortgage holders¹, found that just **11 per cent** of those with a mortgage switched providers or rates following the May 2016 rate cut.²

Despite the RBA announcing another official rate cut this month (2 August 2016) to a new record low of 1.50 per cent, iSelect's analysis suggests most mortgage holders are unlikely to take any action following the latest cut.

In total, **65 per cent of Australians** did nothing with their home loans following the RBA's rate drop in May. Of these, **30 per cent** decided not to take any action because they felt it 'would not be worth the effort'.

Laura Crowden, iSelect spokesperson, said that as a result many mortgage holders could be paying much more than they need to each month.

"While record high property prices continue to put home buyers under stress when it comes to mortgage repayments, many home owners often underestimate the savings that could be gained by switching to a new loan with a lower interest rate."

Laura said many mortgage holders are put off by exit fees, which are generally much lower than expected.

The iSelect survey found that the majority of households would need to save over **\$100 per month** in order to be tempted to switch rates or lenders.

Laura said switching to an interest rates even just a few basis points lower can not only reduce interest payments and ease the pressure on the household budget.

"For example, for a home owner with a \$300,000 mortgage currently paying 4.69 per cent, moving to a lower interest rate of 3.69% could save up to \$175 in interest every month."

Laura explained that as well as saving interest, a lower interest rate can also help home owners shave years off the loan, if they ensure repayments stay above the minimum level.

"Home owners really should be taking advantage of these record low rates to reduce the length of their loan. If you switch to a lower interest rate or your current lender drops your rate, ask them to keep your repayments the same and you could quickly build up a handy buffer."

¹ In July 2016 iSelect commissioned a nationally representative consumer research study with Galaxy Research to assess the attitudes of over 1,100 Australians household decision makers towards home loans.

² Activity following the May 2016 RBA decision to lower the cash rate by 25 basis points to 1.75 per cent, effective 4 May 2016.

The iSelect survey also showed that while households may not be taking action with their lender, they are tightening the purse strings at home.

Seventy per cent reported cutting back on household expenditure in order to afford their monthly mortgage repayments, while a further **341,000 Australians** have had to re-enter the workforce or shift from part-time to full time employment in order to service their home loan.

Laura said that while dining out and holidays were the most common expenses to be cut back, it was worrying that **one in five Aussies** were cutting back on groceries.

“It seems many mortgage holders prefer to save by cutting back around the home rather than taking the time to see if switching to a different home loan product or provider could ease the pressure on the household budget.”

Laura said record low interest rates meant now is a really good time to consider fixing your home loan.

“A fixed loan makes budgeting much easier as you know exactly how much you have to repay each week or month for the duration of the loan,” said Laura.

However, Laura said home owners should consult a home loan expert before fixing their mortgage rate because if rates drop again in the future, they will be paying more than the variable rate.

For further information, please contact:

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