

Scaremongering on mortgage defaults

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Homeowners are being advised to seek advice from an MFAA accredited mortgage broker if tomorrow's expected rise in official interest rates may cause them financial distress.

We reject the scaremongering that is occurring on the issue of increased mortgage defaults. Our research has shown that most borrowers have considered the probability of rate rises, said Phil Naylor, Chief Executive of the Mortgage and Finance Association of Australia (MFAA)

With mortgage rates close to historic lows, an increase in interest rates will mean that the Reserve Bank considers the economy to be strengthening. There is good news in a rate rise as well as bad.

Our mid-year survey of 974 homebuyers found that only 26.5% of respondents expected rates to fall further over the next three months. That suggests borrowers had fairly realistic expectations on future rate rises.

Mr Naylor said the survey found 83.6% of respondents were easily making their loan repayments - up from 76% six months earlier largely because of a series of rate cuts since April 2008.

Some industry figures are warning that a rate rise will almost double the number of people who default on their loans, but the evidence suggests this is exaggerated. And in any case the percentage of defaulters is less than half a percent of all mortgage holders.

Some borrowers may have more difficulty adjusting to their higher repayments than others, especially if they are employed in industries where work hours have been reduced.

Those people should seek the advice of an MFAA mortgage broker immediately to ensure their loan is right for their circumstances. An MFAA broker is better placed to help you if you contact them before you get in trouble.

This is particularly important in the medium term as most experts predict interest rates could be one and a half to two percentage points higher by the end of next year, Mr Naylor said.

ENDS.

For further information phone: Nick Davy, Wilkinson PR, 0447 637 807

The MFAA/BankWest Home Finance Index is a consumer survey conducted every six months. BankWest is the Principal Industry Partner of the MFAA.

The Mortgage and Finance Association of Australia is the peak industry body providing service and representation to over 13,000 mortgage brokers, finance brokers, mortgage managers, mortgage lenders (bank and non-bank), and originators to assist them to develop, foster, and promote the mortgage and finance industry in Australia.

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