

More than a third of family income needed to pay home loans

11 December 2006: Deposit Power and the Real Estate Institute of Australia (REIA) have announced that Australian families now need more than a third of family income (33.8%) to pay an average home loan, with families in New South Wales, Queensland and Tasmania the hardest hit.

This result is the worst in 25 years, aside from an 18-month period from March 1989 to September 1990. The result was reported in the Home Loan Affordability Report released for the September quarter.

President of the REIA, Mr Graham Joyce said three interest rate rises this year has been bad news for homebuyers - particularly first homebuyers.

“The September quarter affordability results reflect only two of those rate rises. We can expect to see further deterioration recorded in the December quarter.

“First homebuyers are staying in the rental market due to deteriorating home loan affordability. With today’s low vacancy rates, rents are going to increase significantly, making it even more difficult for renters to become buyers,” said Mr Joyce.

Ms Denise Bofill, General Manager of Deposit Power said a long-term approach is essential for first homebuyers.

“First homebuyers need to be realistic about their personal borrowing ability and build the potential for future interest rate increases into their mortgage,” Ms Bofill said.

Rising interest rates and State Government property taxes are seriously affecting home loan affordability around Australia. Some States have introduced concessions for first homebuyers, but the First Home Owners Grant is largely reclaimed in stamp duty.

“For a median priced house, a first home buyer would pay their entire grant and more in Victoria, South Australia, Western Australia, ACT and the Northern Territory. State Governments need to do more to reduce or remove the additional burden of stamp duties imposed on people simply trying to provide housing for themselves and their families.

“The REIA calls on all State and Territory Governments to link the First Home Owners Grant to median house prices, in order to make the grant worthwhile for first homebuyers,” Mr Joyce said.

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About Deposit Power

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Issued by Vero Insurance Limited, whose origins date back to 1833, Deposit Power Guarantees are legally effective in all Australian States and Territories. Deposit Power Guarantees are also issued in New Zealand.

Established in Australia in 1989, Deposit Power is Australia's largest provider of deposit guarantees. It is estimated that Deposit Power Guarantees have supported more than \$50 billion worth of real estate sales in Australia since 1998.

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Vero is one of Australia's largest intermediated general insurance companies and has 19 branches across Australia, providing a suite of quality specialised risk management products and services through brokers, corporate partners and risk managers.

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