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Friday, 23 June 2017

## Lower interest rates reducing mortgage stress

New results from Roy Morgan’s mortgage stress data show that in the three months to April 2017, 16.8% or 666,000 mortgage holders can be considered to be ‘at risk’ or facing some degree of stress over their repayments. This compares favourably with 18.4% or 744,000 mortgage holders 12 months ago.

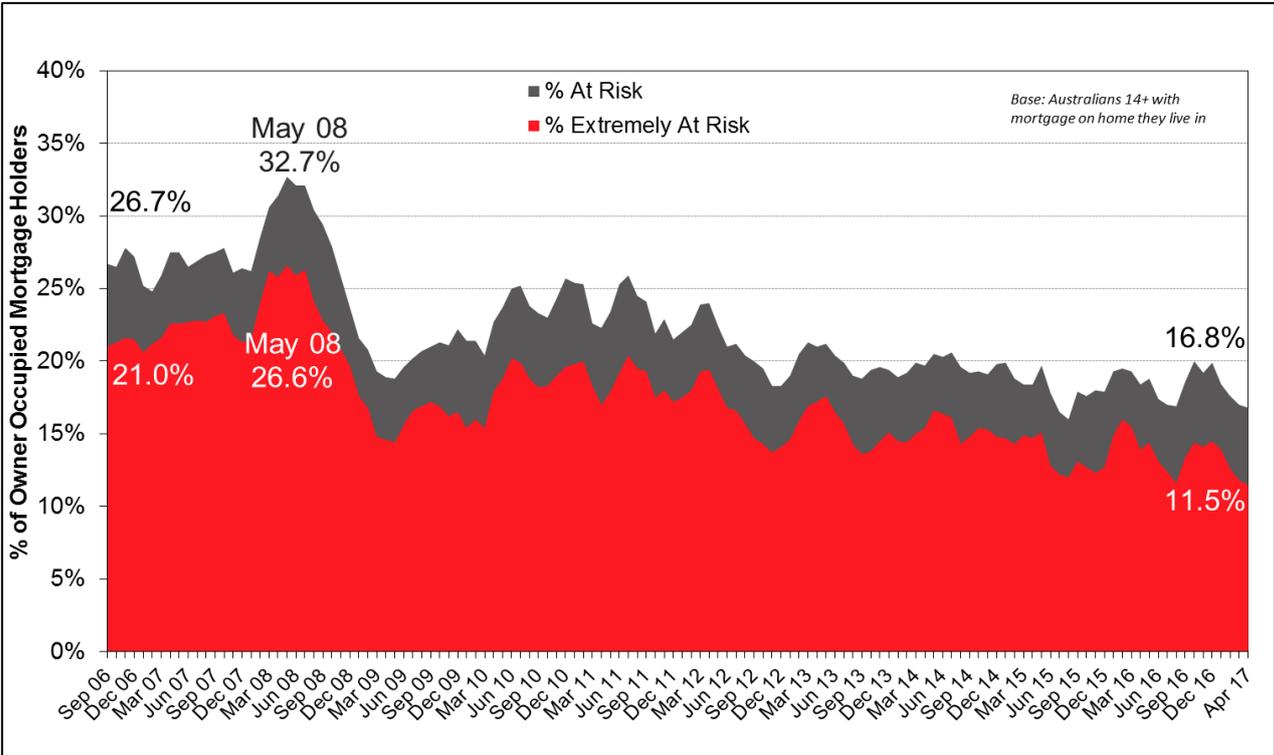
These are the latest findings from Roy Morgan’s Single Source survey of 50,000+ people pa, which includes more than 10,000 owner occupied mortgage holders.

### *Problem of mortgage stress remains but improving trend*

Mortgage stress is based on the ability of home borrowers to meet the repayment guidelines currently provided by the major banks. The level of mortgage holders being currently considered ‘at risk’ is based on their ability to meet repayments on the original amount borrowed. This is currently 16.8%, which is well below the average over the last decade.

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**Mortgage Stress**



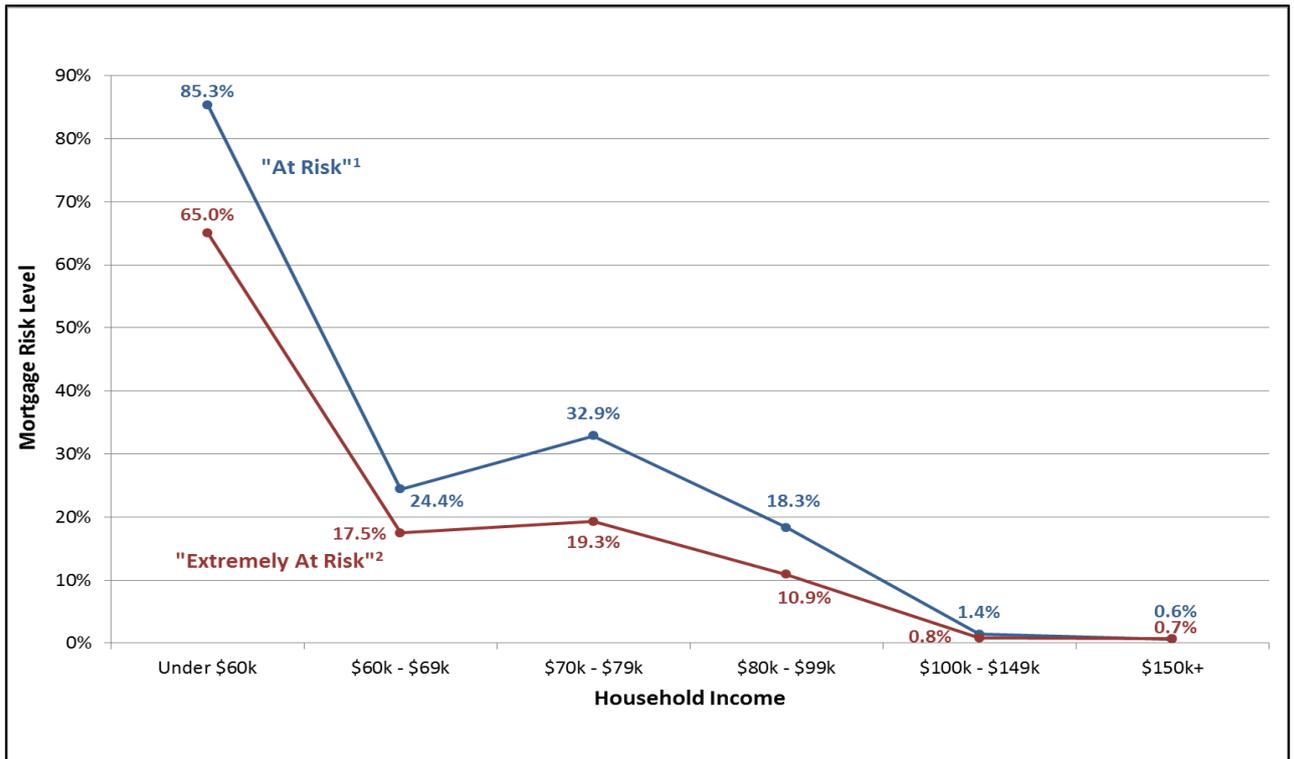
Source: Roy Morgan Single Source. 3 month moving average. Average sample n = 2,711

An additional measure of mortgage stress is 'extremely at risk', which is based on the ability to meet repayments assessed on the amount currently outstanding. This is currently 11.5% and although this is the lowest in over a decade, it still represents 442,000 mortgage holders.

### Lower incomes at highest mortgage risk

Mortgage stress is much higher among the lower income groups (Under \$60kpa) where it currently reaches 85.3% for those considered 'at risk' and 65% for 'extremely at risk'

#### Mortgage Risk Levels by Household Income



1. Based on amount borrowed. 2. Based on amount owing. Base: Australians 14+. Source: Roy Morgan Single Source. Has an owner occupied dwelling with mortgage, 12 months to April 2017, n = 10,172

It appears that for households with incomes of over \$100kpa they are coping very well with their mortgage repayments with an 'at risk' level of around 1% and an 'extremely at risk' of less than 1%

#### Norman Morris, Industry Communications Director, Roy Morgan Research says:

*"Although mortgage stress levels are trending down over the last year, they remain very sensitive to interest rates and household income levels. Over the last 12 months interest rates are down a little but have tended to remain steady over recent months.*

*"With the stress levels being much lower in the higher income groups it appears that the decline in overall mortgage risk since the December quarter has been partly as a result of the increased proportion of borrowers in households with incomes over \$100,000pa.*

*“The stress levels used in the analysis cover all existing borrowers, which include many who have had a loan for some time and as a result are likely to owe much less than new borrowers, and so face reduced stress compared to new borrowers”*

**For comments or more information about Roy Morgan Research’s banking and finance data, please contact:**

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#### **Related research findings**

View our banking and finance satisfaction reports, including the [Customer Satisfaction: Consumer Banking in Australia report](#) and [Customer Satisfaction: Small Business Owners in Australia report](#).

#### **About Roy Morgan Research**

Roy Morgan Research is the largest independent Australian research company, with offices in each state of Australia, as well as in Indonesia, the United States and the United Kingdom. A full service research organisation specialising in omnibus and syndicated data, Roy Morgan Research has over 70 years’ experience in collecting objective, independent information on consumers.

#### **Margin of Error**

The margin of error to be allowed for in any estimate depends mainly on the number of interviews on which it is based. Margin of error gives indications of the likely range within which estimates would be 95% likely to fall, expressed as the number of percentage points above or below the actual estimate. Allowance for design effects (such as stratification and weighting) should be made as appropriate.

Sample Size	Percentage Estimate			
	40%-60%	25% or 75%	10% or 90%	5% or 95%
5,000	±1.4	±1.2	±0.8	±0.6
7,500	±1.1	±1.0	±0.7	±0.5
10,000	±1.0	±0.9	±0.6	±0.4
20,000	±0.7	±0.6	±0.4	±0.3
50,000	±0.4	±0.4	±0.3	±0.2

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