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ROY MORGAN

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Nearly one million mortgage holders experiencing "mortgage stress"

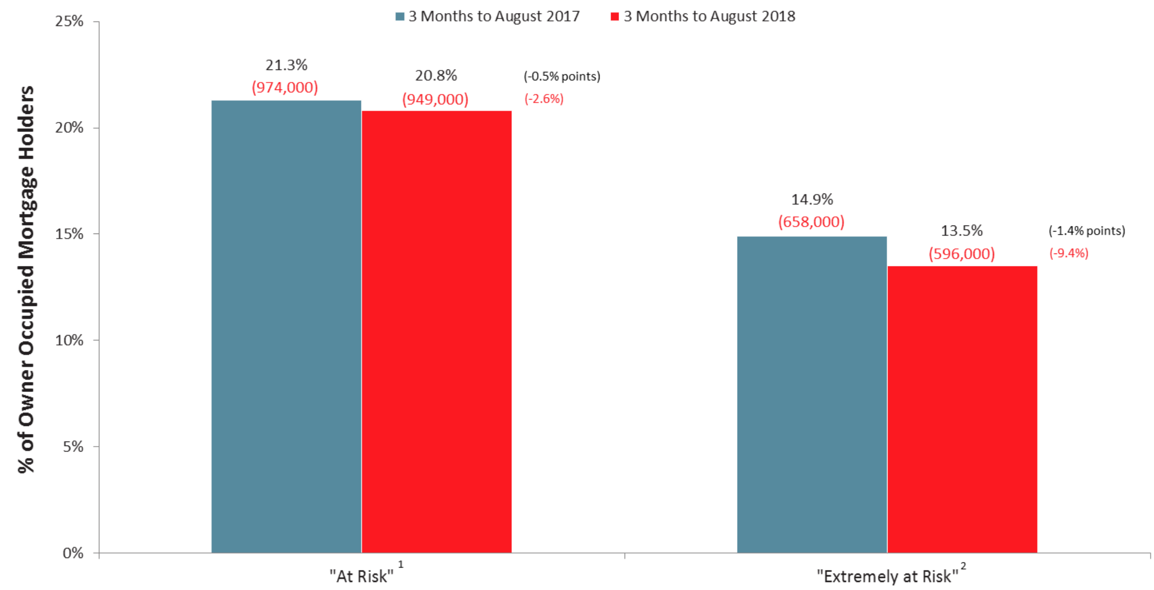
New research from Roy Morgan using a formula that takes into account household income, costs, and mortgage repayments classifies 20.8% (949,000) of mortgage holders as in 'mortgage stress'. Despite this being a marginal improvement from 12 months ago when it was 21.3% (974,000), the current level remains high and would present difficulties if there were an increase in mortgage rates[1] an increase in costs or an increase in unemployment.

These are the latest findings from Roy Morgan's Single Source Survey (Australia) which is based on in-depth personal interviews conducted face-to-face with over 50,000 Australians per annum in their own homes, including over 10,000 owner occupied mortgage holders.

Decrease in 'At Risk' and 'Extremely at Risk' mortgage holders

Over the last 12 months there has been a decrease in the estimated number of mortgage holders considered to be 'At Risk'[2] and those 'Extremely at Risk'[3]. In the three months to August 2017, 21.3% of mortgage holders were 'At Risk' (974,000), this has decreased to 20.8% (949,000) in August 2018. Over the same period the proportion that were 'Extremely at Risk' also decreased from 14.9% (658,000) to 13.5% (596,000), a very significant drop of 62,000 or 9.4%.

Mortgage Stress - Owner Occupied Mortgage Holders



Source: Roy Morgan Single Source (Australia), 3 months to August 2017, n = 12,778 and 3 months to August 2018, n = 12,914.
Base: Australians 14+ with owner occupied home loan, 3 months to August 2017, n = 2,690 and 3 months to August 2018, n = 2,541.

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1 Home loan rates used in this analysis were based on the standard variable rate from the RBA which in the three months ended August 2018 averaged 5.20%, down marginally from 5.22% for the same period in 2017.

2 "At Risk" is based on those paying more than a certain proportion of their after tax household income (25% to 45% depending on income and spending) into their home loan based on the appropriate Standard Variable Rate reported by the RBA and the amount they initially borrowed.

3 "Extremely at Risk" is also based on those paying more than a certain proportion of their after tax household income into their home loan based on the Standard Variable Rate set by the RBA and the amount now outstanding on their home loan.

Mortgage risk higher in Sydney and Western Australia

Analysing mortgage stress across Australia shows levels of mortgage stress vary extraordinarily across Australia with higher levels of 'At Risk' areas including Sydney residents (26.4%) and those in Western Australia (23.8%) above the overall market average of 20.8%.

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

> *"Our research shows that although fewer people have a home loan compared to 12 months ago, the average balance of their loans hasn't declined. This indicates that loans aren't being paid off quickly, potentially as a result of low interest rates and the use of redraw facilities to use funds for other purposes.*
>
> *"The decline in the level of mortgage stress over the last 12 months is due to a marginal increase in the after tax household income as a result of reduced tax rates and a small reduction in the average standard variable rate from the RBA.*
>
> *"With the potential for a number of major events to impact mortgage stress levels, such as the Finance Royal Commission, interest rates and declining home prices, the future direction of mortgage stress has considerable uncertainty.*
>
> *"When rates eventually rise, existing mortgage holders who have borrowed in a low interest rate environment are likely to face increased levels of mortgage stress. The final impact however will also be determined by what happens to household incomes, which are currently showing very modest growth.*
>
> *"To understand more about mortgages in the full context of household finances, ask Roy Morgan."*

To learn more about Roy Morgan's mortgage data, call (+61) (3) 9224 5309 or email askroymorgan@roymorgan.com.

Please click on this link to the Roy Morgan Online Store.

About Roy Morgan

Roy Morgan is the largest independent Australian research company, with offices in each state of Australia, as well as in the United States and the United Kingdom. A full service research organisation specialising in omnibus and syndicated data, Roy Morgan 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
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