Borrowers can’t ease the squeeze

OME borrowers have been going to extraordinary lengths to maintain their mortgage repayments, according to a recent study by the University of Western Sydney (UWS).

The qualitative study conducted by the UWS Urban Research Centre over the past 12 months revealed that some aspiring home owners significantly cut back on their weekly outgoings in order to make mortgage repayments on time.

In an extreme case, one family documented eating nothing but rice for a month in order to make their monthly payment.

“Participants in the study revealed how they have cut back their weekly outgoings, even on the most basic items, rather than default on their mortgage,” said lead author and Director of the Urban Research Centre, Professor Phillip O’Neill.

He said the study brings into question the judgement of the Australian government and finance sector and their failure to recognise the ongoing impact of the global financial crisis on Australian working families.

“Australia boasts that it survived the global financial crisis without major damage to its economy, nor to any of its major financial institutions. Yet the self-congratulators ignore the extreme difficulties that have been faced by many households who have struggled to meet their mortgage repayments in recent years,” said Professor O’Neill.

Having to meet expensive mortgage repayments on a limited budget means that most mortgage-paying families have limited financial capacity to cope with unexpected events such as sickness, job loss, the birth of a child or the breakdown of a family.

To add insult to injury, participants in the study revealed that financial institutions ignored their problems when they were fiscally strained.

“In one case, a distressed borrower reported being encouraged by her bank to build her credit card debt to extraordinary levels, rather than default on her mortgage contract,” said Professor O’Neill.

The study recommends financial institutions offer better assistance to mortgage borrowers, including third party advice at the time of signing a mortgage contract, and an ombudsman-style service to provide impartial advice when families fall into financial stress.