



## We are feeling the pinch

MUM of five Lisa Edwards is among the thousands of Victorian families struggling to survive as the cost of living rises.

Last year the Point Cook mum (left, with three of her children, Sherry, Darcie and Corey) reined in grocery bills and wayward spending.

This year she sold the family's investment property, fearing the market would turn the nest egg into a burden.

The family are also downsizing to a more economical car.

Mrs Edwards said there was a bright side.

"It's teaching the kids about money," she said. "If they want stuff they have to save up for it. A year ago they wouldn't have done that."

Alex White

Picture: CHRIS SCOTT

2 Herald Sun, Wednesday, March 28, 2012

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# Aussie dreams start to sour

AUSSIE mortgages are turning sour to the tune of \$5 million a day — \$500 million in the past three months.

Property values are falling, with many Melbourne houses now worth less than owners paid for them, and households are increasingly stretching budgets to pay off Christmas debt and back-to-school expenses.

An analysis of increasing costs of essentials such as electricity and food shows cash-strapped pensioners and young families are also being hit hard.

The report on mortgages by ratings agency Fitch says the rise in home loan delinquencies in the three months to December was unexpected, as interest

Jeff Whalley and Matt Johnston

rates fell and unemployment remained low.

Fitch spokesman James Zanesi said that as the property market stagnated, loans were likely to turn sour.

"Housing market stagnation might lead to (a rise in bad mortgage debt) as the borrower who might otherwise have refinanced or repaid with sales proceeds falls into delinquency," he said.

Newer mortgages — and those where the buyer had made a negligible deposit — were most affected by declining house prices.

Fitch revealed the national arrears rate rose from

1.52 per cent to 1.57 per cent for the December quarter.

A St Vincent de Paul analysis of cost pressures on families, to be released at an Australian Council of Social Service conference this week, shows cash-strapped pensioners and young families are suffering.

Actual costs of electricity, health and food have not only increased above inflation, but cost pressures have compounded over time.

Pensioners and young families spend a higher proportion of their income on health, utilities and food.

They have little ability to adapt to future "shocks", such as increased power bills when the carbon tax begins.

## NEWS YOU CAN USE

### WHEN THE GOING GETS TOUGH

What to do if you're struggling to pay your mortgage

- Do a detailed budget so you know exactly what you are able to pay
- Contact your lender and explain the problem. The quicker you do, the more options you'll have
- Your lender may be prepared to change the term of your loan or change your repayments in the short term
- You could consider refinancing or consolidating your debts, but make sure you know the risks involved — and watch out for hidden costs
- Consider selling assets to meet a missed payment
- Beware of borrowing more money or taking it off your credit cards. You'll just go deeper into debt
- If you can't see your way clear, consider selling your home and downsizing or renting