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First-home buyers 'lured into trouble'

ALMOST half of first-home buyers lured into the market by the Rudd Government's grants of up to \$21,000 are struggling to meet their mortgage repayments and many are in arrears on their loans.

Thousands of young home buyers are using credit cards or other loans to meet obligations, while those in "severe stress" are missing payments.

Weeks after the First-Home Owner's Boost was officially withdrawn, a new survey of more than 26,000 borrowers conducted by Fujitsu Consulting has revealed 45 per cent of first-home owners who entered the market during

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the past 18 months are experiencing "mortgage stress" or "severe mortgage stress."

The number of first-home buyers in mortgage stress is likely to worsen over the next 12 months as interest rates rise by an expected 1 per cent.

On Tuesday, the Reserve Bank is almost certain to raise the cash rate by 0.25 per cent to 4 per cent, taking the typical standard variable mortgage rate to about 6.90 per cent. If lenders pass on the rise in full, it will add \$47 a month to the typical \$300,000 mortgage.

"The dream of home

ownership has turned sour for many thousands of first-home buyers now that the reality of rising interest rates is kicking in," Martin North, managing director of Fujitsu Consulting, said.

During the past 18 months, more than 135,000 first-home buyers have entered the market, encouraged by the generous first-home owner grants.

Prof Steve Keen, of the University of NSW said: "The grant panicked first-home buyers to rush into the market, which pushed prices up by far more than the grant itself."