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**Australian underemployment triggers mortgage stress. A third of home loans serviced by dual incomes are experiencing mortgage stress underemployment**

## **AUSTRALIAN UNDEREMPLOYMENT MORTGAGE STRESS**



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Australian underemployment triggers mortgage stress in a third of Australian households with home loans serviced by dual-incomes, new research has revealed.

The Australian mortgage belt is heavily reliant on two incomes to meet bank loan repayments. With the highest household debt in history, a third of owner occupier home loans could face mortgage stress if one of the borrowers becomes unemployed or is forced into underemployment.

Australian underemployment has reach a historically high of 8.7 per cent and has triggered an increase in the number home owners unable to meet their home loan repayments, according to the global credit rating agency Fitch Ratings.

Dual-income households has now been identified as an Australian banking risk should repayments rise or employment conditions sour based on their ability to service repayments.

In addition, the Roy Morgan survey, 'Spotlight on Finance Risk' has revealed that 67.2 per cent of owner-occupied mortgages are serviced by dual-income households. Roy Morgan said such a heavy reliance on two incomes meant that losing one or

underemployment was a bigger blow than a doubling in interest rates. "The worsening arrears may be due to high underemployment, despite falling unemployment," Fitch analysts wrote in their quarterly study of Australian Residential Mortgage Backed Securities.

Whilst this is not a great concern currently, we should watch this issue carefully. Should unemployment rise above 10 per cent or underemployment continue to grow, this segment of the market will be facing financial duress.

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### **Mortgage stress hits dual-income home loans**

MORE than a third of owner-occupied home loans held by dual-income households would be classified as under mortgage stress were either income earner to drop out of the workforce, a new survey has found. And more than two-thirds of the total owner-occupier mortgage pile is being serviced by two-income households, raising a potential new threat to economic growth should repayments rise or employment conditions sour. Australia's mortgage belt has long been a story of the power of two, with sharply rising property prices over the past three years making it increasingly difficult for the average wage earner to shoulder repayments on their own. An ongoing Roy Morgan survey called Spotlight on Finance Risk — in which more than 500,000 interviewees have contributed over the past decade — found that 67.2 per cent of owner-occupied mortgages are now held by dual-income households.

<http://www.heraldsun.com.au/business/mortgage-stress-hits-dualincome-home-loans/news-story/85d0e1acff614ec31f5cfe5272bb2cc7>

### **Underemployment driving up problem home loans: Fitch**

The steady rise in underemployment in the Australian workforce is leading to an increase in the number home owners having difficulty paying for their loans, according to the global credit rating agency Fitch Ratings. Fitch said a rise in mortgage arrears is a surprise given the strong economic environment, appreciating housing market, low-interest-rates and low-but-positive real wage growth. "The worsening arrears may be due to high underemployment, despite falling unemployment," Fitch analysts wrote in their quarterly study of Australian Residential Mortgage Backed Securities. The "Dinkum RMBS Index" report found mortgage arrears rose by 4 basis points to 1.14 per cent in the June quarter and 6 basis points over the year.

<http://www.abc.net.au/news/2016-09-20/underemployment-is-driving-up-problem-home-loans/7860710>