

Mortgage arrears ease

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Mortgage arrears continue to fall as the Australian economy goes from strength to strength.

According to the latest arrears report from Standard & Poor's, loans underlying Australian prime residential mortgage-backed securities (RMBS) that are greater than 30 days in arrears fell to 1.69 per cent in June 2011 from 1.81 per cent in March.

"The reduced arrears levels indicate signs of recovery after weather-related disruptions in early 2011," Standard & Poor's credit analyst Vera Chaplin said.

Ms Chaplin said she expects arrears to fall even further over the coming quarter as the Reserve Bank's 25 basis point rate cut begins to filter its way through to home owners.

"Monetary policy has been a very effective tool in easing financial pressure on borrowers as mortgage rates are mainly variable," Ms Chaplin said.

"This was evident when the RBA cut the cash rate from 7.25 per cent to 3 per cent over seven months from September 2008 to April 2009.

"A few months after the cuts began to take effect, the SPIN declined from its peak of 1.84 per cent to 1.25 per cent. We believe the impact of lower cash rates and hence reduced mortgage rates, could relatively quickly alleviate financial pressure on borrowers."