

Interviews with Australian homebuyers

“We have a house, but we are very poor”

Our reporters
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WSWS supporters interviewed homebuyers in the working class suburb of Blacktown in Sydney's west about the impact of rising interest rates and mortgage payments.

Kyi, originally from Burma, bought a home five years ago in Sydney for \$350,000. Shortly after entering the mortgage he arranged for the loan to be “interest only”—that is, his payments do not reduce the principal owed. The original payments were \$1,800 per month, based on an interest rate of 6.72 percent per annum; the current rate is 8.47 percent. The interest rate rises are a concern, but Kyi said: “If I get upset, my wife will get more worried, so I just pretend not to worry.”

Kyi works in the car industry, and his wife, Mi, is at home with their young child. For much of the past several years he has worked seven days a week to repay the loan. This year, with a downturn in the industry, Kyi is “only working five days a week ... and earning less money” and would like to get another part-time job to “survive the home loan”. If he can not find another job then Mi will have to look for a job—“we have no choice,” he said.

Without prompting, Kyi said that he would like to sell the house and go back to renting but this was impossible because of the reduced value of the house. “At the moment there is so much stress, so much pressure I really can't think what is the best thing to do.”

Kyi and Mi are careful not to use credit cards and build up other debt, but sometimes have to use credit to make the house payments. They are also careful to not purchase things they cannot afford, even if they need them. “At the moment I am not buying anything but sometimes I feel sorry for my baby and my wife.”

Budgeting for food is difficult. They have an extensive vegetable garden so that food shopping mostly involves only buying meat, usually less than they want. “Instead of buying 1 kilo of chicken, we buy only half a kilo.” Kyi commented: “We have a house, but we are very, very

poor.”

Kyi found insulting and “not true” the conception, portrayed in the media, that people are having financial difficulties because they are spending too much money. Because of the pressure of the mortgage, other aspects of their lives are not taken care of, such as health and education. In particular, Kyi would like to have private health insurance, but cannot afford it. Buying a computer is also difficult, but Kyi and Mi consider this essential for their child’s education. “Even though we don’t have money, we still have to support our kids. In the future who will be looking after the country?”

Rajesh came to Sydney from Fiji in 1999 and bought his house in 2002 after saving for a deposit. Since then, the interest rate has increased from just over 7 percent to over 9 percent. His fortnightly payments have increased from \$660 to \$950, but his wages, as a storeperson for a supermarket chain, have gone up by only \$20 a week over the past six years. Rajesh’s wife works full-time, doing shift work in the health industry.

Because of the rising rates, “we have to cut down on our grocery budget like bread and milk”. Higher petrol costs are also hurting. “Before we used to visit our friends here and there but with the price of fuel going up it makes it harder.” It was “very difficult” for Rajesh and his family to go back to Fiji to visit his parents.

They use credit cards—which are “maxed out at the moment”—but do not transfer credit from the cards to the home loan, “otherwise the mortgage wouldn’t go down”. They cannot afford to replace old items, such as mattresses and lounges, nor can they buy luxury items like a plasma TV.

The area where Rajesh lives was struck by a hailstorm in early December and many houses, including Rajesh’s, were damaged. Though covered by insurance, the excess of \$300 was difficult to find and the family had to juggle the budget”. Rajesh was hopeful that the Rudd

government would “do something for us”.

Deepak moved to Australia from India a few years ago and works in promoting Indian cultural events. Within a few months of purchasing a house, Deepak and his wife, who works full-time, started feeling the stress of the repayments. They were “not saving anything” and everything was going into the house.

The financial arrangement with the lender—a major bank—was somewhat unclear and it only became apparent after a few months that the repayments were interest-only. Deepak said the bank was “eager to lend the money” and focused on the “positive parts” of the loan—owning a house, which would presumably increase in value, and investing for the future—rather than the costs.

Even though the loan was interest-only, 90 percent of his income went to make the payments in 2007, a year in which his income was not very high. Pointing to a vacant space in his living room, Deepak said he and his wife wanted a table but simply could not afford it, and “we always feel that we are lacking a few things”.

Day-to-day living expenses are a constant worry. “We try not to spend money, and that is a stress.” Deepak said he was “always thinking that I have to work harder.... [I] can’t give time to the house or garden—all these things affect us. But the family has a strong understanding ... we have learned to live in stress.”

When asked who was responsible for the interest rate rises, Deepak blamed the government. “They should look for solutions ... and help out by keeping the interest rate lower.” The government should also “increase the wages”. Deepak thought the Rudd Labor government cared—but not much—about the level of wages, but did not “know how this government will act” because it was new.



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