
Low Income Earners Should Beware of Debt Despite Rate Cut

“Excessive, unmanageable debt is still a potential problem for low-to-middle income earners, despite a string of interest rate cuts,” said Sue Ash, CEO of the Western Australian Council of Social Service.

“Many struggling West Australians may be tempted to make ends meet by using credit cards, but credit card rates remain high despite successive cuts in the Reserve Bank’s cash rate,” said Ms Ash.

“We call on the banks to ensure that credit card interest rates are not excessive and reflect the RBA rate cuts”.

The Reserve Bank of Australia today announced a .25% reduction in the overnight cash rate from 3.25% to 3%.

“We’re also worried about the potential for West Australians to get themselves into excessive mortgage debt. The rise in the First Home Buyer’s grant and the significant cuts in variable mortgage rates means that it might appear to be a good time to buy, but a sensible appraisal of the risks involved should be undertaken,” said Ms Ash.

“We caution first home buyers against taking out excessive loans: house prices can fall, interest rates can rise, family circumstances can change and jobs can be lost”.

“The spike in mortgage repossession over the last 12 months shows that some West Australians have already found themselves unable to keep up their mortgage payments despite the cuts in interest rates”.

Figures recently released by the Supreme Court of Western Australia show that 399 property repossession applications were made in the January-March quarter, more than double the average for this decade. The Reserve Bank has also warned the WA is beginning to resemble Western Sydney, the mortgage repossession capital of Australia.

“We want to alert West Australians, particularly those on low-to-middle incomes, to the dangers of taking on too much debt, whether in the form of credit cards or mortgages”, said Ms Ash.