



# How to Save Your Home

**The word 'mortgage' is French in origin. It means to make a pledge upon which your life depends - or, literally, an agreement until death.**

In today's debt heavy world a mortgage really has one of two meanings. Either you destroy (kill) it or it destroys (kills) you.

Around one million Australians are now suffering the most talked-about 'material disease' of today - mortgage stress. The symptom of mortgage stress is a mortgage payment which is more than thirty per cent of your net income.

So, if you earn a thousand dollars a week and the repayments on your home are more than three hundred dollars a week, you're officially stressed.

But a repayment of three hundred dollars a week means you'd have a loan of around \$150,000 which means you'd probably be living near Oodnadatta or Gulargambone.

If you bought a Sydney home for around \$500,000 and you got a loan of \$400,000 your payments would be around \$3,400 per month. To avoid

mortgage stress you'd have to be earning around \$200,000 a year. And, unless you're a cleaner at Macquarie Bank you're not likely to be earning anything near \$200,000.

Today, for hundreds of thousands of borrowers, repayments have gone way past the stress level of 30 per cent. It's not uncommon to hear of people paying 50 per cent of their income towards their mortgages.

It's even being reported that, in some Sydney suburbs, repayments are taking 70 per cent (that's right 'seventy' per cent) of people's incomes.

That's not mortgage stress, that's mortgage trauma.

Years ago - when bank managers were cautious advisers instead of creative salespeople - the accepted rule for safe borrowing was to never commit yourself to more than 25 per cent of your income. In a two-income family, it was common to disregard the second income (just in case something miraculous like a baby happened to come along).

Over the past decade, almost anyone - no matter who they are or what they can afford - has been able to sign-up to a loan agreement that has the capacity to destroy them. The oldest

recorded borrower was a 102-year-old British pensioner who borrowed \$480,000 last year.

This is irresponsible lending at its worst. What sort of a society is it where some families are now struggling to buy food because of their huge home loans? It's mortgage madness.

Following this month's interest rate increase most borrowers will now be paying an extra \$50 a month. On its own, it doesn't sound like much, until you realise that this is the 12th straight increase. So, at \$50 a time, that's an extra \$600 (which, after allowing for tax, means that most wage earners need to earn around an extra thousand dollars to pay the extra \$600).

And for those who still claim that "things are not as bad as when rates were 17% under the previous Labor Government", don't kid yourselves (or the borrowers) any longer. According to Economics Professor Steve Keen, today's mortgage stress is "three times worse" than it was under Keating.

Let's just understand that, for hundreds of thousands of good families, things are really bad. Many are in grave danger of losing their homes.

So, here are seven suggestions that should help. They aren't all easy, but

then there's not too much in life that's harder than losing your family home.

Given the choice between choosing one of these solutions or being kicked out on the street, what would you do?

There's got to be a suggestion in here to suit almost everyone.

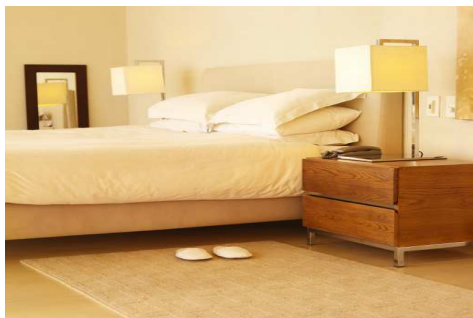
### **Suggestion One: ASK YOUR BOSS FOR A PAY RISE.**

Repayments have gone up more than twice as much as wages have gone up. And what's the biggest problem facing many bosses these days? They can't find good staff.

If you are a good employee, ask for a pay increase to match your repayment increase. Don't know how to ask? Then leave this article on your boss's desk. Or, next time you go to lunch, leave your computer screen open on [www.seek.com.au](http://www.seek.com.au)

### **Suggestion Two: RENT THOSE EMPTY BEDROOMS.**

As well as a mortgage crisis today, there's also a rental crisis. Thousands of people are desperate to find somewhere to rent. Many are hard workers who want little more than a clean bed. If you've got a clean empty bedroom, it's worth at least \$450 a month, even more if it's got its own bathroom.



We keep hearing about a housing shortage in Australia; but we never hear about the six million empty bedrooms across the nation. We've got more than enough room for all of us, it's just that we've built bigger houses than we need which means we've got bigger payments than we want.

Don't struggle, rent out an empty bedroom. Go on, place the advertisement and watch how many nice people turn up.

You'll be surprised how easy it is.

### **Suggestion Three: RENT YOUR HOME.**

If you want to cut your payments in half, move out and rent your home to someone else. Where are you going to go? Home to Mum and Dad. Stay with friends. Rent in a cheaper area. Rent a smaller place. Any one of these suggestions, if you can manage them, is surely better than losing your home. And, besides, it may only be for a few months.

### **Suggestion Four: DOWNSIZE.**

The high cost and the stress of snobbery isn't worth it. Sell your home



and move to a cheaper suburb.

What would you prefer? That people think you're rich, but you are really stressed out and battling to survive? Or, that people think you are battling, but you have low debt and you are ever-so-happy?

The price of pretending to be prosperous is very high - both financially and emotionally.

### **Suggestion Five: DRIVE A HOLDEN.**

Well, not literally, perhaps a Ford. Or even a Toyota. The point is this: Do you really need that expensive European job with the big repayment?

Yea, yea, I know, you deserve it; it makes you feel good after all the work you do. Forget it. We're talking about saving your home here. And if that means back-trading your car for a cheaper model, don't think about it, do it.

And, tell me, do you really need two (or three) cars? Come on, seriously. Is there no public transport in your area? Would it hurt to walk to the bus stop or the train station?

### **Suggestion Six: STOP WASTING MONEY.**

If you don't think you're wasting money, take a closer look at your expenses. It's amazing how people justify the wastage of money these days.

For example, they spend ten or twenty dollars a day on coffees and lunches. That's up to \$5,000 a year. They could eliminate most of it by taking their lunch to work.

Sure, brown paper bags are not exactly the current fashion accessory. But you know what's fashionable these days? Debt. Oh, please, wake up.

Pack your lunch and save your home.

### **Suggestion Seven: GET A SECOND JOB.**

Already got a second job? Well, get a third one. Do anything (legal) that will bring in some extra dollars.

Hard work never really killed anyone, did it? Kill that mortgage before it kills you.

Okay, if you really don't like the idea of a second (or third) job, how about finding a better-paying job?

In his book, *Integrity - the courage to confront reality*, psychologist Henry Cloud says that the best way to solve a problem is never to have it to begin with. If you've got the problem of too much month at the end of your money then, clearly, you failed to anticipate



your current crash crisis.

Your next problem - the higher level - is the prospect of losing your home. Have the courage to confront this reality but, more than that, have the courage to do what you must do to save your home.

The word 'home' is the second most emotive word in the English language (the first is 'mother'). A mother and a home are worth some courageous effort on your part.