RATE RISE: HUMAN IMPACT STUDY

A study into the impact and wellbeing of Australian homeowners with an existing mortgage during the interest rate increases 2022 - 2023

"We don't want to lose our home." – Existing mortgage holder

YellowBrickRoad Home Loans

Open Letter to RBA Governor

Dear Dr Lowe,

During these strange times that we live in, we understand it is an unenviable job of the RBA managing financial system stability in this post COVID recovery and for you as RBA Governor.

As a potential 11th rate rise looms, we contend that a pure monetary policy should not be the only consideration for cash rate decision making, and that you the RBA needs to consider the human impact of these decisions. Yellow Brick Road Home Loans (YBR) has completed its own study to look at the human impact of the rate rises; the impact and damage to the lives of Australians, who are facing increased financial hardship.

It's tragic to think that mums and dads across Australia are experiencing hardship. Hardship that cascades into more hardships in their personal lives, their relationships, their children, and their overall wellbeing. The kind of hardship that goes unseen during this whole period. As we (YBR) continue to engage and delve into this, we see an ever-increasing impact on the lives and wellbeing of Australians, and we don't believe this is being considered in monetary policy decisions at present.

While the RBA will get inflation and cost of living under control in the long term, what is the human impact throughout? How many people didn't make it? Didn't survive it financially, emotionally, as a family? Or didn't survive it at all?

We strongly encourage you, the RBA, and major political parties to look at the human impact. We have lost sight of this since the royal commission into banking. But right now, it is as important as ever to factor the human impact. The enclosed report highlights the human impact of monetary policy and how it is affecting home borrowers across Australia.

Thank you for taking the time to look at our analysis. It is imperative we aren't breaking the backs of those who will lead the recovery, and protect their wellbeing and their families into the future? What is the point of a nation being cash rich and morally bankrupt? I'll leave you with that thought.

Mark Bouris

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Research Overview

- YBR has independently collected and analysed quantitative and qualitative datasets from Australian homeowners across the period of the RBA cash rate increase to understand the real-world impact of the interest rate increases on mortgages repayments and mortgage holders.
- Datasets from thousands of homeowners produced the data insights within the study, as well as sentiment analysis derived from social media and other public and primary data sources. Data was also collected and analysed from primary datasets owned and generated by YBR.
- All data has been anonymised and information of individuals protected. As per our Privacy Policy – "Personal information is only to be used for the purposes we have collected it, or as allowed under the relevant law."
- Any analytical insights reflecting any person/s personal circumstance is purely a product of statistical analysis.
- YBR uses various analytical tools to derive its insights, including but not limited to: Data Analytics platforms, Machine Learning, Neural Networks, Natural Language Processing, Sentiment Analysis, Generative Pre-trained Transformer Models, and Statistical Models.
- For more information on our privacy policy, visit. https://ybr.com.au/privacy-policy/

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“The reserve bank is so far detached from the reality of everyday Australians, they literally have blood on their hands. This is not fair” – Existing mortgage holder

Key Findings

- Family circumstances and sickness represent the majority of cases where financial stress has been identified. Increasing rate rises have further exacerbated circumstances such as single income households, family breakdowns, maternity leave, illness, injury/disaster, etc which represent the most dire financial situations with limited recovery options.
- The increased financial pressure is having a cascading affect exacerbating other areas of people’s lives (personal relationships, family, work, mental health and wellbeing, etc).
- Mental health and wellbeing has been adversely impacted; indicators of direct intervention needed.
- The overall sentiment of homebuyers was negative to the actions and performance of public offices, there was little to no direct support being given to individuals and their circumstances, and they did not have a voice in the decision making.
- People understand and have knowledge of the factors driving up interest rates. However, there is strong disagreement with the RBA decision making and that they are being unfairly disadvantaged and it's out of their hands.

Key Themes

- Family Circumstances was the highest represented theme from the study. Not just the cost-of-living pressures, but a significant proportion was related to being a single parent raising a family, or a family breakdown. In the most extreme cases, family breakdowns include acts of domestic violence and other forms of violence.
- Sickness as a theme also features highly in the analysis. This varied from the sickness of individuals, dealing with chronic issues, issues that debilitated working but did not meet the means test for support, and life-threatening diseases.
- Mental health is a strong theme contributing to adverse wellbeing represented separately of sickness.
- Accident/Disaster theme reflects significant financial impairment, either on a personal injury or affliction that inhibited/stopped the person from working in their substantive job, or a major event related to disaster, such as flood, fire, or death of loved one causing major financial impact.
- Job Related - accounts for: A lack of jobs in a sector, increased hours, or multiple jobs to earn extra money to meet money pressures.

THEME	% REPRESENTED
Family Circumstances	38%
Sickness	22%
Financial Distress	8%
Job Related	8%
Mental Health	8%
Accident/Disaster	8%
Single Family	6%
Family Breakdown	3%

“It is sad not knowing when we will be able to afford to start a family with all the interest rises that are still going making it seem like a very distant reality.” – Existing mortgage holder

“I am a single parent… It’s a hard way to live, always worrying about it but trying to stay excited for the kids & sadly the rate rises are overshadowing this experience”
– Existing mortgage holder

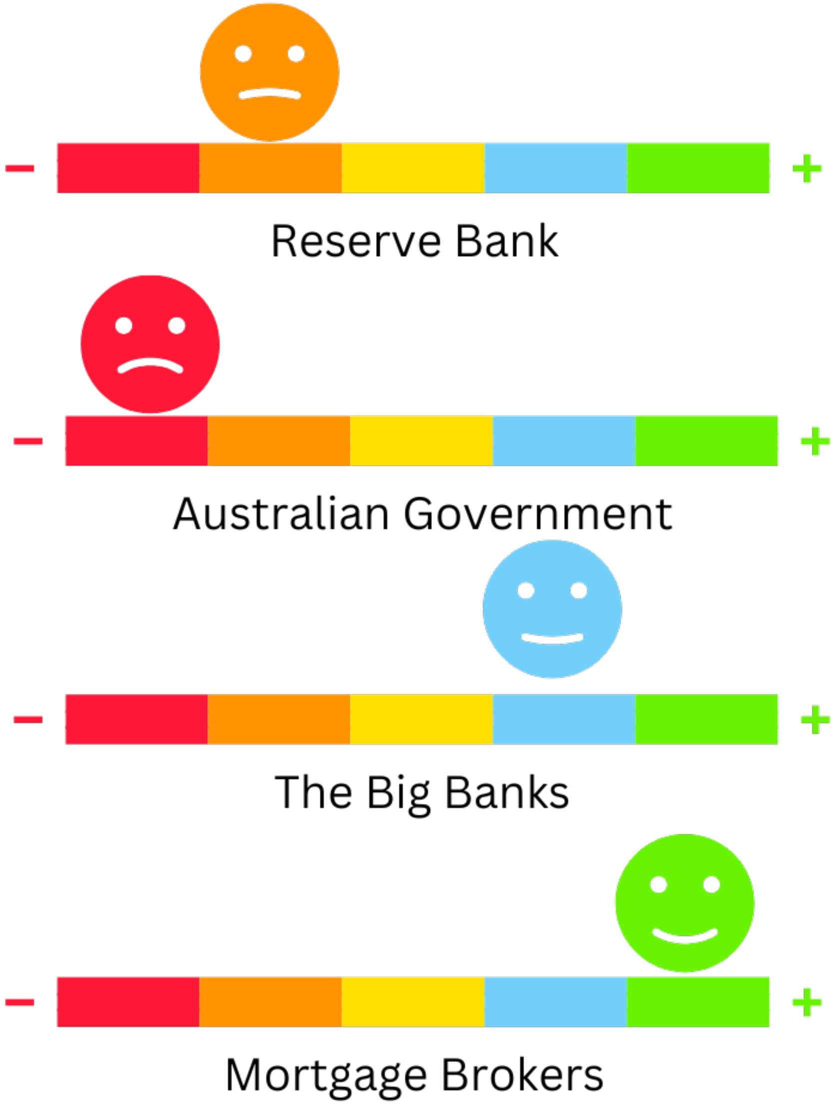
“I spoke with an elderly lady yesterday who is now having to look after her granddaughter full time as her daughter has had to take on extra jobs and has no time to look after her. We are hearing more and more cases of domestic violence in homes because of financial strain. It’s a mess.” – Existing mortgage holder

Financial Hardship

- People are seeking hardship support, from multiple sources:
  - A significant proportion relying on their non-institutional support, borrowing money from family members, parents, children, and friends.
  - Seeking assistance from government and charities (such as food charities and soup kitchens), and welfare. As well as seeking access to services such as NDIS and other government aide agencies.
  - Requests for hardship claims and assistance from their lender also present.
- Common theme of people having to vacate their primary residence to use it as a rental property. These borrowers are typically living with family or friends, or attempting to find cheap rental options.
- Liquidation of assets, people are having to sell off assets and other valuable items, such as investment properties, cars, share portfolios, valuable jewellery to access cash and to reduce debt and interest. There are people planning on selling their primary residence if the rate rises continue.
- Drop in the standards of living, unable to afford nutritious food, to afford home repairs, pay utility bills, school fees, and other basics.

Response to Increases

THEME	% REPRESENTED
Optimising their mortgage – Primary response of borrowers is to seek the help of a mortgage broker to look at what options are available, or be in discussion with their existing lender to negotiate better rates, payment options, term adjustments, IO, etc	58%
No stable plan – Do not have a stable plan as yet, or have had failed attempts to reduce costs (eg, rejected by lender) they are not in a financially stable position	17%
Budgeting – Many responses focused on reducing costs, monitoring their purchasing habits on activities and luxuries, while re-negotiating insurances, reducing phone and internet plans, subscriptions, etc	12%
Additional income - Return to work early from maternity leave, second jobs, overtime at work, as well as looking to rent out bedrooms, or their primary residence while living with family or friends/downsizing and renting.	8%
Delaying future ambitions/spending – Weddings, children, travel, and other large expenses (home renovations) are being delayed until their finances are under control	5%



Sentiment Analysis

- The overall sentiment of homebuyers was negative to the actions and performance of public offices
- Trends in feedback indicted that
  - There was no direct support being given to individuals and their circumstances.
  - Time taken to receive the support (if any) is slow.
  - Australians did not have a voice in the decision making .
  - Limited financial instruments were being used to control inflation.
  - Feeling being unfairly impacted by rate rises
  - Banks and mortgage brokers seen favourably as trying to help with people's circumstances.

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"I have already had many hardship applications through my bank to the point that I cannot have anymore meaning I will not be able to get the help from my bank should the fixed rate I'm on expire." – Existing mortgage holder

"It is difficult to watch as your kids offer money from their money boxes when we receive an unexpected high bill as they have overheard the worried conversations." – Existing mortgage holder

"Prior to last year we had never experienced a rate rise, like a lot of people we read articles about rates going up but were relying on the promise that we would have more time to prepare our finances. We had never been in financial hardship before." – Existing mortgage holder

"We have taken out a mortgage on the basis of what was said "Rates won't rise until at least 2024." And now we are completely stuck. We can't refinance, because of the banking regulation rules, on paper we can't service our debt any longer. So we can't even accept a better interest rate from another lender. We are now mortgage prisoners and risk being exploited by our current lender because they know we are stuck and can't leave." – Existing mortgage holder

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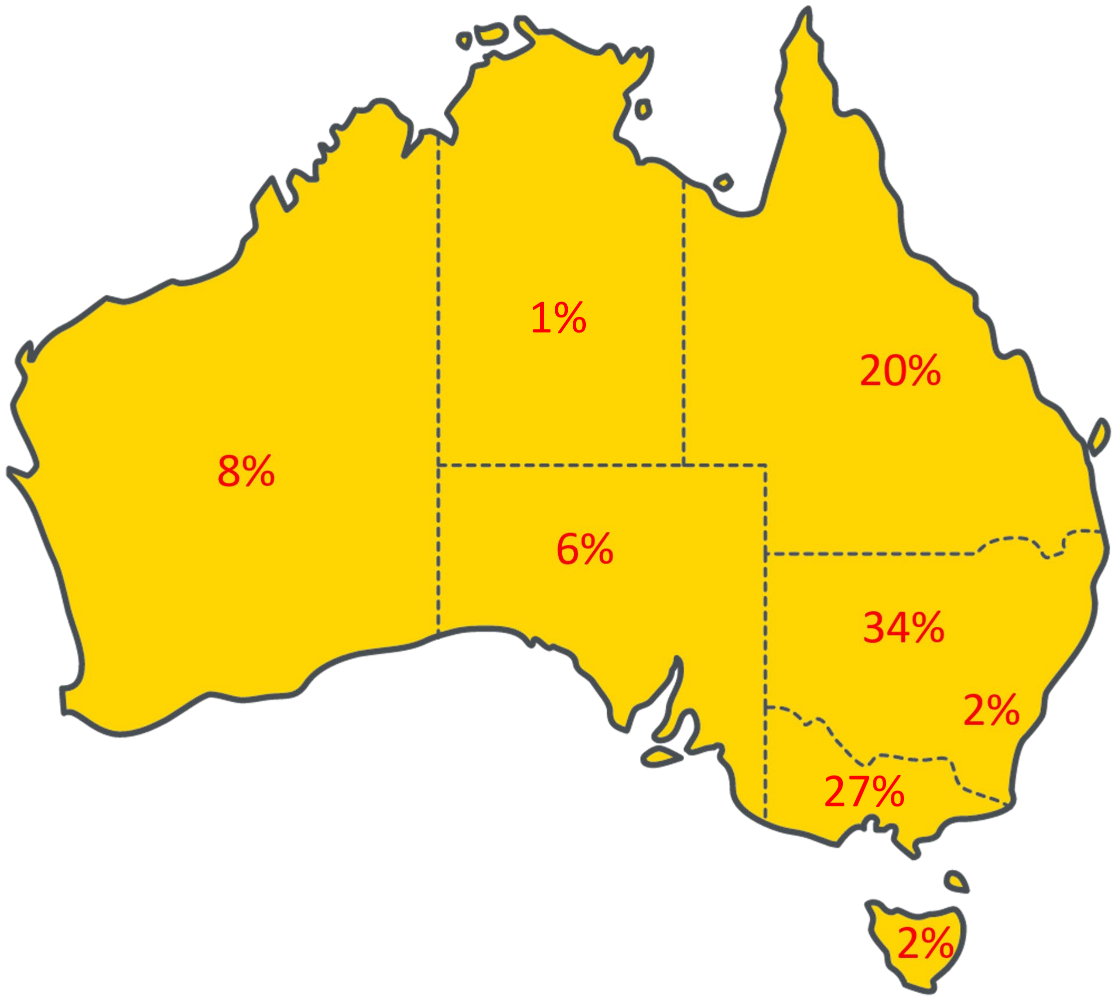
Geographical Response

The geographical distribution of responses in this study were representative of the populations proportional to the mortgage data for state/territory



Contact

For further information and enquiries on any data in this report please contact Yellow Brick Road https://ybr.com.au/enquiry/ select Media Enquiries

"Thank you again for the support, it's helpful just telling my story." – Existing mortgage holder

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