

Mortgage Stress Tips Mortgage Stress Tips

Posted on 10 May, 2013 by admin

Written by: Nick Bregozzo

Interest rates are down and home owners are breathing a collective sigh of relief. Added, media commentators are suggesting that interest rates may still have room to move down as it appears that the economy has stalled. A high dollar and a depreciating interest in foreign investment compounded by precarious global concerns have come together in a perfect storm to dampen domestic demand and the central bank has recognized that more is needed to spark the economy.

Despite the interest rates being at their lowest levels for nearly 50 years, more and more Australians are finding themselves in financial dire straits and a recent national survey found that nearly 630,000 Aussies were suffering some sort of mortgage stress.

If interest rates are at record lows, how could people be suffering mortgage stress? The answer comes down to other factors which impact a home owner's ability to meet their mortgage repayment. This may include unemployment, an increase in power bills or food bills, over indebtedness, sickness or some misadventure that impacts a home owner's ability to meet their financial commitments.

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Here are my tips to combat mortgage stress:

1. Don't be in denial. Optimism is a great quality to have, but you can't operate under an illusion either. If you acknowledge and accept your predicament, you will be better positioned to take action. The number one mistake a lot of people make is burying their head in the sand and ignoring the signals. This is a sure fire way to enhance the problem and escalate the matter. Money problems will not disappear by themselves.
2. Stay Calm: Panic leads to irrational decision making and the "stay calm and carry on" principle should always apply.
3. Budget: You should review your budget. I have written articles detailing step by step how you should start a budget and stick.
4. Ask for Help: You should never feel embarrassed or reluctant to approach your banks or finance company for assistance if you start to struggle, indeed, this should be your first port of call. The banks are able to reduce payments or temporarily alter the terms of the contract in order to address your changed circumstances under Financial Hardship laws. If you find that your bank or finance company are unable or unwilling to assist, then there are always other options to consider and as long as you seek advice from a trained, licensed professional, your choices will be explained to you properly.

5. Take Action: Once your options have been explained to you, and you fully understand the benefits and consequences of each option and are satisfied with these, it is time to take action.

Committing to a course of action is empowering and a huge weight will feel as though it's been lifted.

You should consider your priorities and perhaps readjust them in line with your changed circumstances. Try to take a pragmatic view of your position and consider what's ultimately important to you. That may be trying to keep your property, otherwise selling the house under your own terms may be better than the alternative, that is waiting for the bank to repossess the property for a song.

Dealing debt issues and money problems is never easy, that's why it's important to surround yourself with a reliable support team who can give you trusted advice. It's always nice to have friends and family for emotional support, however when it comes to your finances, you should seek the opinion and guidance of a professional only. As well-meaning and well-intentioned as friends and family may be, unless they possess the financial skills to provide relief and/or advice, the only practical guidance you should rely upon is that from a trained professional.