

Aussies Ignorant, Survey Says

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Despite a predicted rate rise and being saturated with financial advice, Australians are not prepared and no more financially savvy than before, according to a just released annual report by leading direct lender MyRate.com.au.

Home loan specialist Kevin Sherman from MyRate.com.au says Australians should act now to avoid being trapped "There have been warnings that the RBA will continue to increase rates and Australia's are simply not prepared."

"We have seen it happen before, interest rates rise, borrowers can't meet their repayments so are forced to sell their homes.

"But many Australians could also find themselves in the same situation, so property prices could drop, leaving those with home loans in a negative equity position. They can't sell, but they can't keep repaying either."

The report summarises the results of a financial knowledge test conducted by 7000 Australians with the analysis showing Aussies have come up short in the money know-how "Australians haven't learnt anything from the GFC and are still confused over important financial issues like compound interest, equity and credit ratings."

Most alarmingly, the report shows almost 40% of borrowers still think you can get a home loan without a steady income. One in five Australians (20%) still don't think they need to tell their lender about their credit history, while one in three (30%) don't understand that having a big credit card limit can affect their lending limit.

"If applicants have a big credit card limit lenders are more likely to lend them less money, even if they only use a small amount of the limit, these are the simple things Australians don't understand that could make all the difference when they are applying for loans."

The results also showed an increase from 40% to 50% of borrowers not knowing what a registration fee is (the Government imposed fee regardless of which lender you chose).

Despite the ignorance there was an improvement in Australia's understanding of what a variable interest rate is, up from 60% to 72%.

Mr Sherman says "This could be an effect of the variable rate fluctuating over the past couple of years and the media's reporting of it."

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