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First home buyers struggle with debt

By [Jessica Stanic](#) on Wednesday, 22 April 2009

First home buyers are flooding into the market aided by low interest rates and the first home buyers grant, however this is causing a considerable amount of debt, with the average first home buyer borrowing \$51,000 more than those who took out a mortgage 12 months ago.

New analysis conducted by first home buyer website, Our Home Sweet Home, has shown that first home buyers are borrowing more than they can afford, taking out record large mortgages, putting them at considerable risk when interest rates go up.

"We have a potential debt time bomb on our hands. Lured by improved affordability and borrowing power, first time buyers are looking to suburbs and properties that traditionally were not within their reach and taking on more debt without possibly fully appreciating what will happen if and when interest rates go up," says Peter Boehm CEO Our Home Sweet Home.

Boehm cautions that the first five years of a mortgage are often the toughest as cash is usually tight and first time borrowers learn to manage their home loan.

"With economic uncertainty and future rate cuts unlikely, first time buyers should be looking to reduce their debt as quickly as possible and pump as much spare cash as they can into their mortgage to bring their debt down," says Boehm.

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