From Extra 1

and knew she had to buy then (two weeks after the stockmarket crash) or never.

She gathered a $30,000 deposit from the sale of her Bendigo house and dived $55,000 into debt, tying herself to repayments of $680 a month for 25 years. A frugal person, Jane refused the bank's offer of a bigger loan and budgeted carefully for the repayments. She even had some money stashed away for renovations and sporadically housesits a tenant so she can pay an extra $200 off the principal a month.

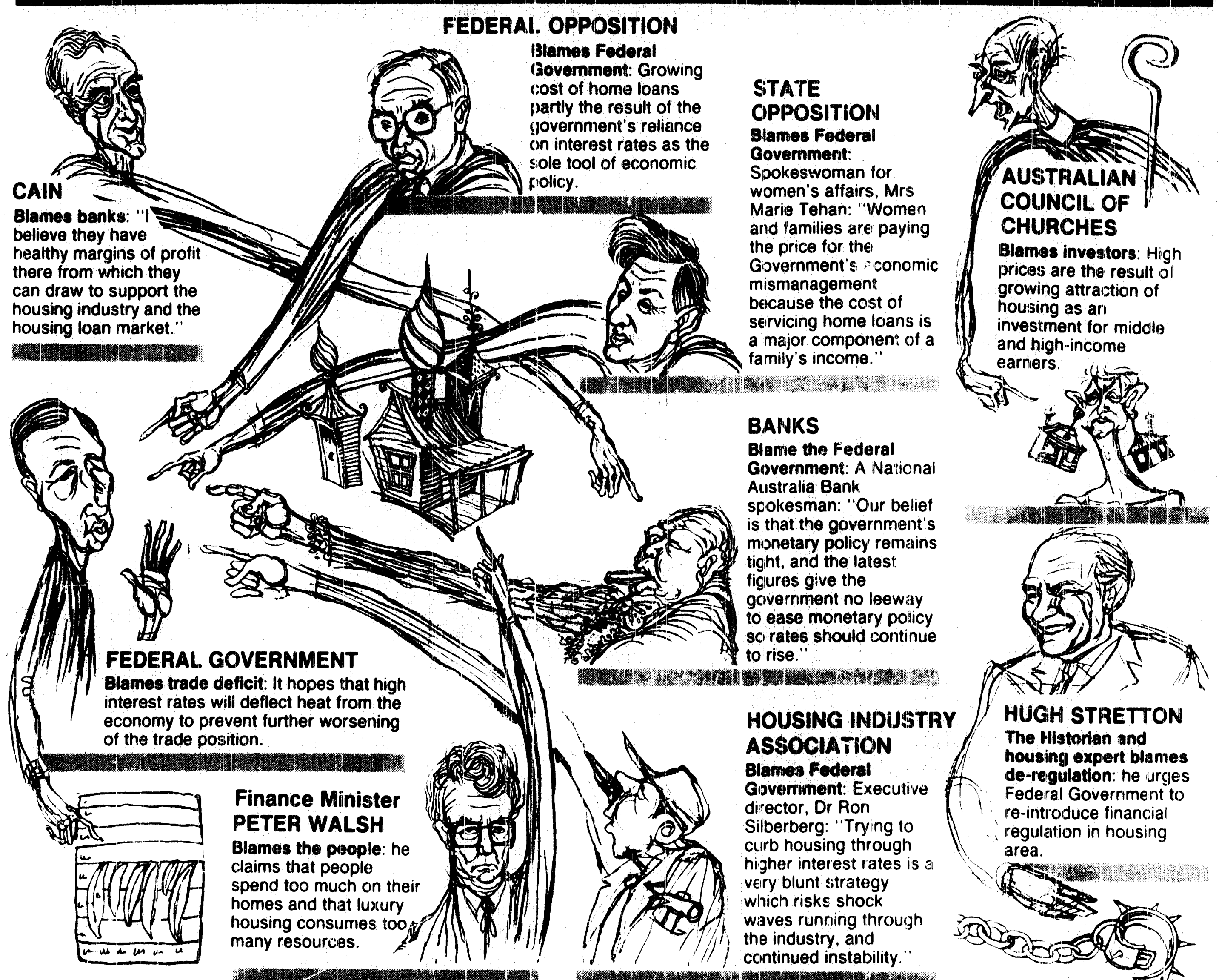
But essential restumping, repainting and installing doors gobbled her reserves, forcing Jane to bury further renovating plans in the back garden under her beloved pot plants. "I get really annoyed when I hear people like Senator Walsh say that Australians want too much for their houses. This is just a basic house. I don't have an in-ground jacuzzi or a pool or anything. All I can seem to manage are new knobs for my kitchen doors."

Jane admits she probably fits into the yuppie category ("although I don't consider myself one") but after buying a house, sees very little of those luxuries generally linked with the upwardly mobile. She loves to eat out but watches many of her friends dine lavishly while she sticks to the 'Cheap Eats' guide. She has clung to her 1980 Subaru station wagon when she would prefer a small town car like a Laser. She is a "compulsive traveller" but had to scrimp fervently to score a five-week trip overseas last year.

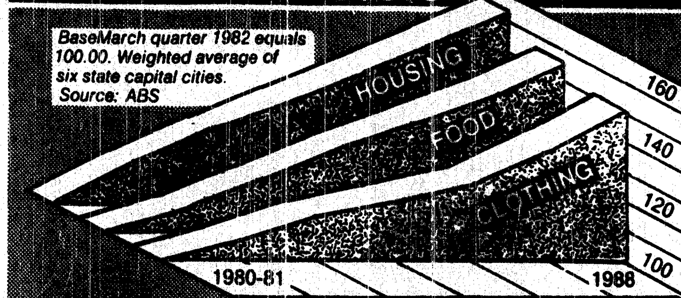
Jane can feel the belt tighten every time home loan interest rates leap. If repayments are increased rather than loans extended, she will be scrimping even more.

"Every time I hear that interest rates are going up, I think that extra $200 a month I'm trying to pay off my principal is meaning less and less," she says. "That strategy of getting ahead is getting behind — now all I'm doing is trying to keep up."

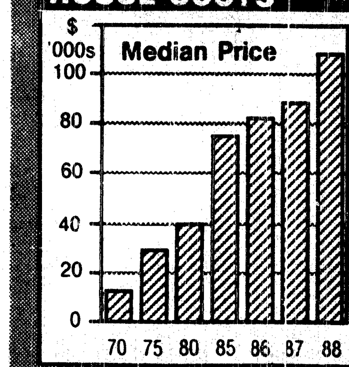
THE COST OF HOUSING AND FINANCE: WHO BLAMES WHOM



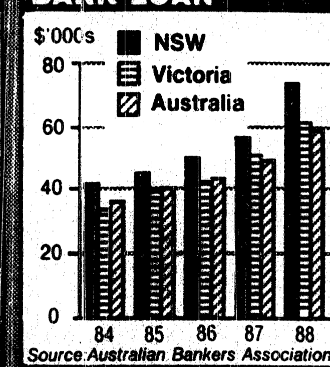
THE BUILD UP IN COSTS



MELBOURNE HOUSE COSTS



AVERAGE SAVINGS BANK LOAN



HOME AFFORDABILITY

	Average Monthly Home Loan Repayments: Sept Qtr 1988 $	% of Median Family Income	Sept Qtr 1987 $	% of Median Family Income	Growth in Capital City Median Price %	Growth in Loan Size Sept 1987 to Sept 1988 %
NSW	960	38.0	749	31.7	46.9	33.9
Victoria	800	30.0	684	27.2	26.6	22.1
Queensland	652	27.5	562	24.9	16.6	21.0
Australia	778	30.7	663	27.3	—	23.6

Source: REIA/MGICA Ltd

angry that the banks can change their interest rates. If you buy a car it's on a fixed rate," Terry says.

The Allens say they are determined to hang on to their home, but this seems dependent on Terry gaining a well-paid job. A work injury forced him out of his factory job last year. He has now retrained as a computer programmer, but says regular work has been hard to find.

The other option, to sell up, would be heartbreaking. "We're settled here and we know a lot of people," Terry says. "Selling the home would ease our present financial difficulties but we'd never be able to buy another one."

DENNIS and GAYLENE JEFFREY

IT WAS NOT A bad investment. A semi-detached, three-bedroom, Victorian timber home in need of restoration, but centrally located and handy to public transport. It was by no means a top-of-the-market buy and if any house was going to fall within the young couple's price range, this was it.

Dennis and Gaylene Jeffrey joined the throng of spectators at last Saturday's auction of 86 Charles Street, Northcote. They stood a distance away and kept their hands firmly clasped behind their backs during the sale. Their faces fell as the bidding began at $60,000 and finished at $129,500.

The couple, both 27, knew as soon as they sized up the bidders that this house was not going to be theirs. "This is just the area we want and the sort of place we'd like to buy and do up," said Dennis, a promotions officer on $28,000 a year. "But we've been to so many auctions in the last few months that we know exactly what we're up against when we get here."

Dennis and Gaylene (a beauty consultant on $25,000 a year) have been married for two years and have deferred having children until they are settled in a home of their own with a manageable mortgage.

"We weren't quite prepared for what buying the right sort of place was going to cost us," Gaylene says. "The search is so frustrating . . . and then you've got all the hassle of paying it off afterwards. Perhaps we're a bit selfish — I don't know — but we're used to being comfortable *(renting in Coburg for $130 a week)* and tying ourselves to a mortgage means lots of changes."

"It's really hard to cut back when you're used to the lifestyle you're in," Dennis says. "We know that we'll probably have to fork out over $100,000 just for the house itself and it's scary." And climbing home loan interest rates? "It's bloody ridiculous," he explodes. "We're not even poor, but we'll still be mortgaging ourselves to the hilt just to get a house in the first place. Where do banks think home-buyers are going to keep finding this extra money without falling over the poverty line?"

JILL and ROD WINDSOR

THE WINDSORS remember the day they moved into their spanking new four-bedroom brick home at Hallam. "It was so nice," Jill says. "We had been living in a crummy little unit. We had so little furniture we put it all into the lounge room so it would look like home."

Early last year, just before they moved in, the couple, in their mid-20s and with an 18-month-old daughter, Susie, were not in bad shape. Rod already owned a block of land, he earned $400 a week as a mechanic and they had saved $10,000 for a deposit. They built an attractive brick home in one of the new estates springing up in the area. It cost them $70,000 and, at 19 squares, was large enough to accommodate their desires for a larger family.

Today, however, their plans for family expansion are on hold. In six months, their mortgage repayments to the State Bank have risen from $732 to $762 a month because of rises in home loan interest rates. Last week, Jill sat down and calculated their weekly income and expenditure. It showed a shortfall of nearly $25 each week. This was not allowing for clothes or shoes, or any unexpected expenses such as dental bills.

When the State Bank followed the lead set by other banks and increased its home loan interest rate to 15 per cent, it meant an extra $30 to $40 a month to the Windsors' mortgage repayment. They had been making slightly higher repayments than necessary to the State Bank to reduce the size of the principal. They can use this to absorb part of the latest mortgage increase. But after that?

"If interest rates go up any further, it will be time to hit the panic button," says Jill. "It will mean giving up one of our cars, which we need to get around out here. Or it will mean that something like our health insurance doesn't get paid any more. That's an absolute last resort."

Ask the Windsors who they believe is to blame for the mortgage squeeze and they say they don't know. The Government blames the banks. The banks blame the Government. Everybody blames everbody else.

But they do know that the cost of their home went up twice during the time it was being built. They know that an average block of land on the estate, which Rod bought for $27,000 just over two years ago, now costs about $45,000. They also know that the house next-door, which cost about $80,000 with land when it was built two years ago, has just resold for $130,000.

"Somebody has got to be making money out of all of this," says Jill.

TERRY and ELAINE ALLEN

TERRY AND ELAINE ALLEN, both aged 33, were overjoyed when they moved into their Broadmeadows home in 1985. "I thought, beauty! At last we've got a house," says Terry, a computer programmer who arrived in Australia from England with his parents in the early 1960s. Their home, which cost $54,000, was affordable. It was close to their families and friends, and they were sure it would give them the security and stability they were seeking.

But today, the Allens say they are finding the going tough. "We are falling further behind every month. We now owe more on the house than we initially borrowed. We're beginning to wonder if it will ever be ours," Terry says.

In 1979, when the Allens began looking for their Australian dream, the average home in Melbourne cost $38,000. Six years later, the cost had risen to $75,000. Even so, and with two young children and one income, the Allens had saved enough to gain a foothold. They had $5000 for a deposit and qualified for a State Bank loan of $49,000 executed through the Ministry of Housing's Capital Indexed Loan (Capil) scheme for low-income earners.

Under the scheme, mortgage repayments would be pegged at 25 per cent of family income, and in contrast to traditional mortgage structures, were to be adjusted annually with increases in the Consumer Price Index.

For the first year everything went smoothly. They were repaying about $1000 a quarter, about equal to the amount the State Bank required.

But since then problems have arisen over the way the loan is tied to the Consumer Price Index. Terry's wages have not kept pace with CPI increases. Their repayments have fallen behind the amount required by the bank to meet the original terms of their contract. Last year, 25 per cent of their income came to $1100 a quarter. The bank wanted $1500. He thinks this year the bank will want $1700. They estimate they now owe $57,000 on their original loan of $49,000, despite having made repayments for three years. "It makes me