

Tuesday, 23 June 2026

Risk of mortgage stress up 0.8% points in May after the Reserve Bank raised interest rates in early May to 4.35%

New research from Roy Morgan shows 29% of mortgage holders 'At Risk' of 'mortgage stress' in the three months to May 2026, up 0.8% points from April 2026, after the Reserve Bank raised interest rates in early May 2026 (+0.25%) to 4.35%. The Reserve Bank subsequently elected to leave interest rates unchanged at their most recent meeting in mid-June.

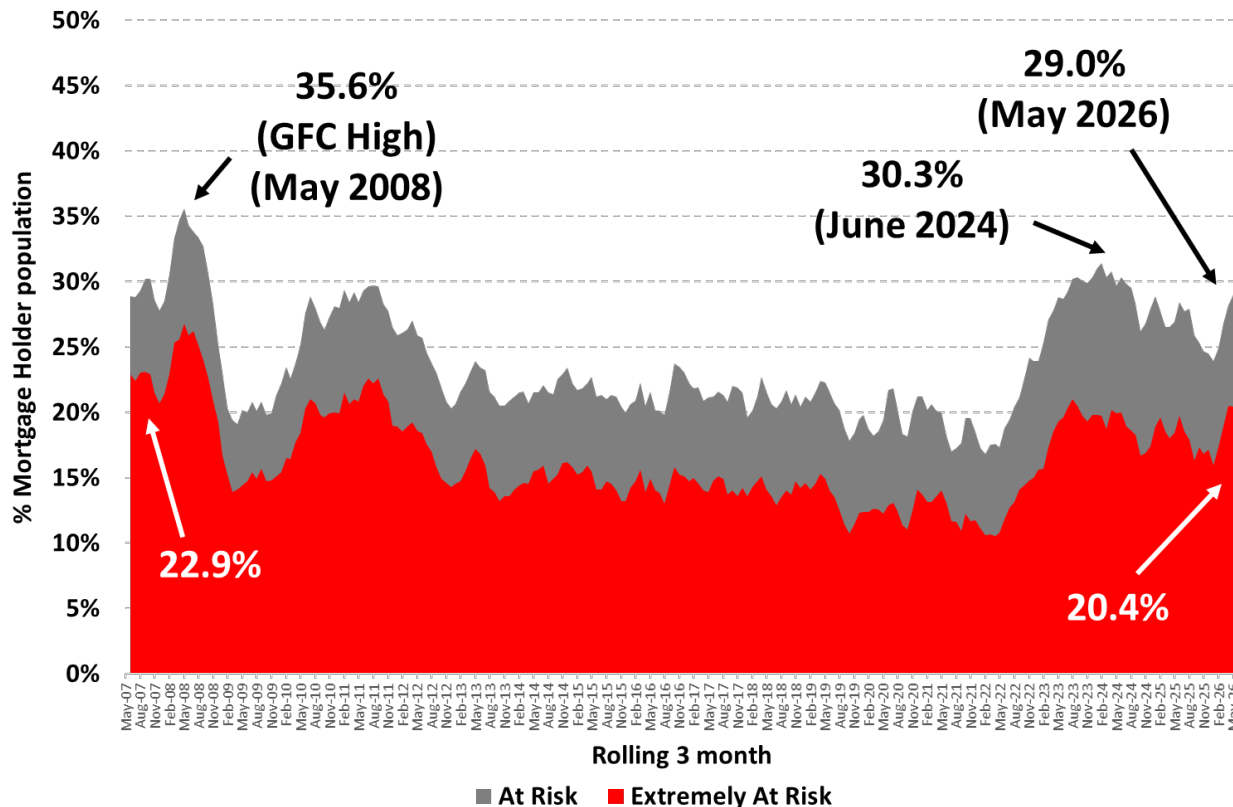
A share of 29% of mortgage holders 'At Risk' of mortgage stress is equivalent to 1,538,000 people – up 65,000 on a month earlier. The record high of 35.6% of mortgage holders 'At Risk' of mortgage stress was reached back in mid-2008 during the Global Financial Crisis (GFC).

The number of Australians 'At Risk' of mortgage stress is up 100,000 on a year ago

The number of Australians 'At Risk' of mortgage stress is up by 100,000 on a year ago after the Reserve Bank cut interest rates in May 2025 (-0.25%) and August 2025 (-0.25%) but then raised them back up in February 2026 (+0.25%), March 2026 (+0.25%) and again in May 2026 (+0.25%). As a result of these changes, interest rates were at 4.35% in May 2026, 0.5% higher than a year earlier in May 2025 (3.85%).

The number of Australians considered 'Extremely At Risk', is now numbered at 1,084,000 (20.4% of mortgage holders) which is significantly above the long-term average over the last two decades of 16.4%.

Mortgage Stress – % of Owner-Occupied Mortgage-Holders



Source: Roy Morgan Single Source (Australia), average interviews per 3-month period April 2007 – May 2026, n=2,894.
Base: Australians 14+ with owner occupied home loan.

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Mortgages 'At Risk' is set to rise if the Reserve Bank increases interest rates in August

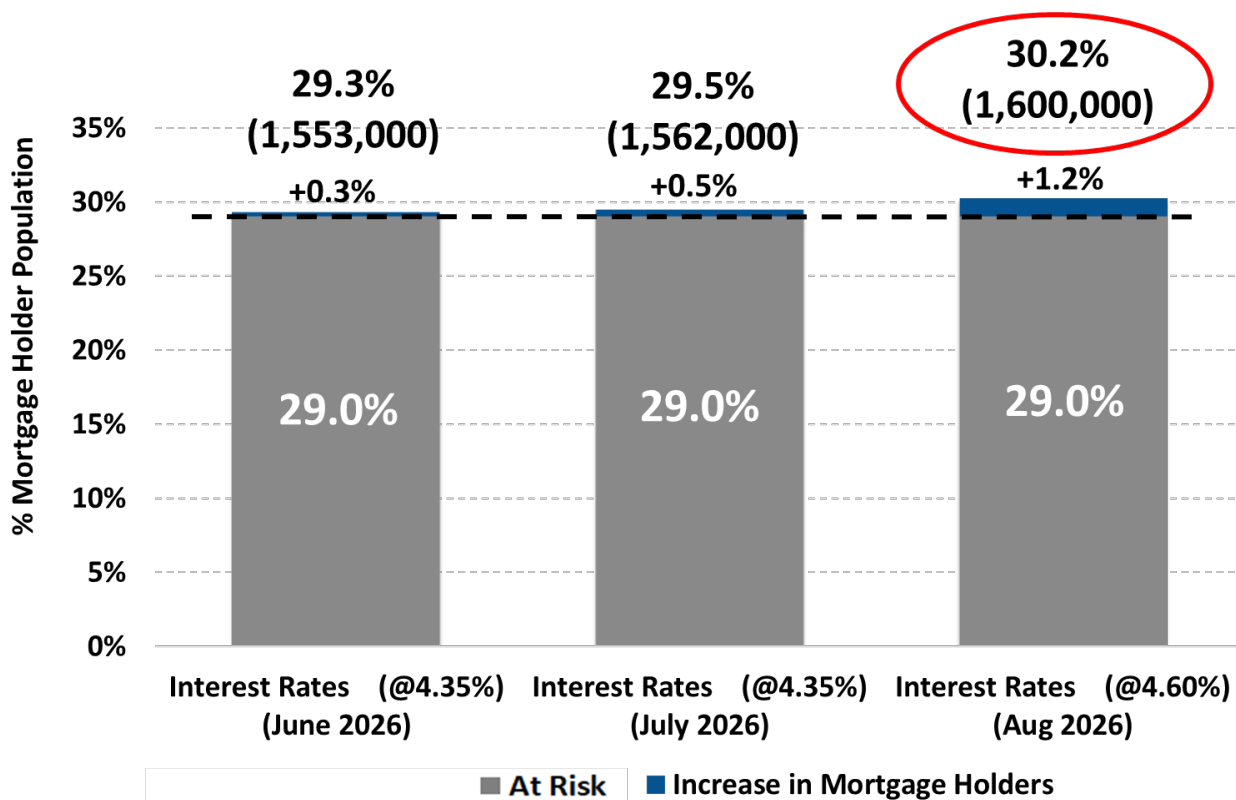
The Reserve Bank raised interest rates in February, March and again in May by a total of 0.75% to 4.35%. These increases were due to the official ABS annual inflation rate more than doubling from 1.9% in the year to June 2025 to a high of [4.6% in the year to March 2026](#).

Because of this, Roy Morgan modelled the impact of a potential RBA interest rate increase at their next meeting in August (+0.25% to 4.6%).

The interest rate increase in May (+0.25% to 4.35%) is set to flow through and lead to increases in the number of mortgage holders considered 'At Risk' of mortgage stress for both June 2026 (1,553,000, 29.3% - an increase of 15,000, +0.3%) and July 2026 (1,562,000, 29.5% - an increase of 24,000, +0.5% on now).

If the RBA raises rates in August by 0.25% to 4.6% the share of mortgage holders 'At Risk' would increase to 30.2% – up 1.2% points from now and equivalent to 1,600,000 mortgage holders, up 62,000 from now.

Mortgage Risk projections based on an interest rate increase in August 2026 by 0.25% to 4.6%



Source: Roy Morgan Single Source (Australia), March 2026 – May 2026, n=3,471.

Base: Australians 14+ with owner occupied home loan.

How are mortgage holders considered 'At Risk' or 'Extremely At Risk' determined?

Roy Morgan considers the risk of 'mortgage stress' among mortgage holders in two ways:

Mortgage holders are considered 'At Risk'¹ if their mortgage repayments are greater than a certain percentage of household income – depending on income and spending.

Mortgage holders are considered 'Extremely at Risk'² if even the 'interest only' is over a certain proportion of household income.

¹ "At Risk" is based on those paying more than a certain proportion of their after-tax household income (25% to 45% depending on income and spending) into their home loan, based on the appropriate Standard Variable Rate reported by the RBA and the amount they initially borrowed.

² "Extremely at Risk" is also based on those paying more than a certain proportion of their after-tax household income (25% to 45% depending on income and spending) into their home loan, based on the Standard Variable Rate set by the RBA and the amount now outstanding on their home loan.

Unemployment is the key factor which has the largest impact on income and mortgage stress

It is worth understanding that Roy Morgan uses a conservative forecasting model, essentially assuming all other factors apart from interest rates remain the same.

The latest Roy Morgan unemployment estimates show over one-in-five Australian workers are either unemployed or under-employed – 3,206,000 (20.2% of the workforce); ([In May, overall Australian unemployment and under-employment at over 3.2 million; 'Real Unemployment' at 1.7 million](#)).

Although the Reserve Bank's decision to cut interest rates three times last year had a positive impact and helped lower mortgage stress, since the turn of the year the Reserve Bank has reversed course and has now increased interest rates on three occasions already this year in February, March, and May.

Despite the actions of the Reserve Bank, the fact remains the greatest impact on an individual, or household's, ability to pay the mortgage is not interest rates, it's if they lose their job or main source of income.

Michele Levine, CEO Roy Morgan, says the Reserve Bank's decision to raise interest rates three times this year has reversed the three cuts made last year, although the decision to leave interest rates unchanged in mid-June has provided a welcome reprieve for mortgage holders:

"Mortgage stress is just one indicator of the pressure Australians are under – mortgage stress is up four months in a row, interest rates have increased three times already this year, housing prices are coming down in key markets, and the Australian workforce has shrunk for three straight months.

"The latest Roy Morgan data shows mortgage stress in May 2026 rising for a fourth straight month after hitting a three-year low, up 0.8% points from April to 29% of mortgage holders (equivalent to 1,538,000) 'At Risk' – up 65,000 from a month ago.

"The rise in mortgage stress was caused by the Reserve Bank's decision to raise interest rates by +0.25% to 4.35% in May which followed the rate of official inflation more than doubling from 1.9% in the year to [June 2025](#) to 4.6% in the year to [March 2026](#).

"In addition, Roy Morgan has modelled a potential interest rate increase in August of +0.25% to 4.6% - which would be the highest level of interest rates for nearly 15 years since November 2011. If the RBA does raise interest rates again in August, the level of mortgage stress would rise to 1,600,000 (30.2% of mortgage holders) – up 62,000 (+1.2% points) from now.

"However, there is good news with regards to inflation with the latest [ABS Consumer Price Index for the 12 months to April 2026 at 4.2%](#), down 0.4% points from March 2026 (4.6%) as tensions in the Middle East eased. In recent weeks, a tentative Memorandum of Understanding (MOU) between the United States and Iran looks set to end the conflict and lead to a resumption of energy flows.

"Finally, it is important to appreciate that interest rates are only one of the variables that determines whether a mortgage holder is considered 'At Risk' – the largest impact on whether a borrower falls into the 'At Risk' category is related to household income – which is directly related to employment.

"The employment market has been strong over the last four years ([Roy Morgan estimates show almost 1 million new jobs have been created since the Albanese Government was elected in May 2022](#)) and this has provided support to household incomes which have helped to moderate levels of mortgage stress despite interest rates being significantly higher than in May 2022. However, the latest May employment estimates show a reduction in the workforce for three months in a row."

These are the latest findings from Roy Morgan's Single Source Survey, based on in-depth interviews conducted with over 60,000 Australians each year including over 10,000 owner-occupied mortgage-holders.

To learn more about Roy Morgan's mortgage data, call (+61) (3) 9224 5309 or email askroymorgan@roymorgan.com. Please click on this link to the [Roy Morgan Online Store](#).

About Roy Morgan

Roy Morgan is Australia's largest independent Australian research company, with offices in each state, as well as in the U.S. and U.K. A full-service research organisation, Roy Morgan has over 80 years' experience collecting objective, independent information on consumers.



Margin of Error

The margin of error to be allowed for in any estimate depends mainly on the number of interviews on which it is based. Margin of error gives indications of the likely range within which estimates would be 95% likely to fall, expressed as the number of percentage points above or below the actual estimate. Allowance for design effects (such as stratification and weighting) should be made as appropriate.

Sample Size	Percentage Estimate			
	40%-60%	25% or 75%	10% or 90%	5% or 95%
5,000	±1.4	±1.2	±0.8	±0.6
20,000	±0.7	±0.6	±0.4	±0.3
60,000	±0.4	±0.4	±0.2	±0.2

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