

FINANCIAL REVIEW

- Home
- NEWS
- BUSINESS
- MARKETS
- STREET TALK
- REAL ESTATE
- OPINION
- TECHNOLOGY
- PERSONAL FINANCE
- LEADERSHIP
- LIFESTYLE
- ALL

Nominate yourself or someone you know today.

Entries close Friday 5 August

Nominate now ▶

Home / Business / Banking & Finance

Jun 8 2016 at 10:19 AM | Updated Jun 8 2016 at 7:30 PM

Save article | Print | Reprints & permissions

Lenders push new property loans to the limit



Property lenders are pushing new investment loans to APRA's speed limits **Arsineh Houspian**

GETTING STARTED IS EASY AT CORPORATESUBSCRIPTIONS.COM.AU

ENQUIRE NOW

FINANCIAL REVIEW

Advertisement



by **Duncan Hughes**

Lenders are offering new property investment deals that test the limits of the regulator's 10 per cent speed bump, fuelling fears that recent rate cuts might be inflating a property bubble.

The warnings conflict with the Reserve Bank of Australia's (RBA) assurances that the recent rebound in demand will not last.

Lenders are launching new offerings and repackaging products that were shelved after the Australian Prudential Regulation Authority (APRA) imposed a 10 per cent speed limit on annual investment growth in December 2014.

Brokers say an alternative strategy is for lenders to provide more-generous terms to borrowers and deals that they have confidence will comfortably meet terms and conditions.

"Lenders are very choosy about who gets the better deals," said Christopher Foster-Ramsay, chief of Foster-Ramsay Finance.

"The new offers are limited because they want to remain under the 10 per cent limit. If they rush out and do too many deals to too many borrowers they will quickly use up their allocation," said Foster-Ramsay.

Lenders under the 10 per cent growth limit are using what remains of their quota to

Related articles

[Hunter finds drones measure up](#)

[Manikay bets on global M&A arbitrage](#)

[Investors open to fintech disrupters](#)

[Westpac invests in Valiant Finance](#)

offer better terms and bigger discounts than competitors exceeding the limit and unwilling to clamp down on their current offerings.

Between March and May the average discount on investment loans more than doubled from about 15 basis points to more than 36 basis points, according to analysis by Digital Finance Analytics (DFA), a consultancy to major banks and financial services companies.

That compares with 27 per cent growth in discounts for owner-occupied refinance, according to DFA.

"It's quite widespread amongst some of the largest lenders and second tier players. This is sufficient to keep home prices moving up and inflating the housing bubble," said DFA principal Martin North.

"Demand appears very strong and now banks are willing, very willing to lend," Mr North said.

For example, Westpac, the nation's largest lender to landlords, is lowering the size of deposits required from property investors to 90 per cent from 80 per cent, according to data from Mortgage Choice.

Other major banks under the 10 per cent investment speed limit are set to announce similar deals to remain competitive, grab market share, or try and offset business lost from the crackdown on lending to foreigners.

Some lenders, such as [Teachers Mutual Bank](#) and [UniBank](#), are temporarily withdrawing from new investment lending to reduce annual growth from about 15 per cent.

The banks, which have more than \$5.4 billion in assets and 175 members, have hit back with owner-occupiers three-year fixed rates at an advertised rate less than 4 per cent.

The RBA believes the increasing supply of new apartments will soak-up demand and dampen inflationary pressure.

The number of housing loans increased by 4 per cent and average size loan by 5 per cent to \$252,000 in the 12 months to March 31, APRA data shows.

Scientology was used to train planners, former employee says

Latest Stories



NSW hits foreign buyers with 4pc duty

0 min ago |



Aged care providers hike fees by thousands

24 mins ago |



Aurecon's Giam Swiegers poaches PwC execs



RECOMMENDED



Apple's loss is 4 times worse than Enron



I hate my iPhone - and here's why I'm not alone



Edward Snowden calls for boycott of Google's newest messaging app, Allo

Glencore sells Agri stake to British Columbia Investment Management Corp...

FROM AROUND THE WEB



Bashing Aussie housing, Banducci's big chance

Morningstar



Do Australian house buyers expect too much too soon?

Domain



Your guide to a rich life from 50 to 100

Perpetual

Worst Exercise For People Over 40



Sukin maker BWX eyes the long game in China



MAX Workouts



Mistakes to avoid: Buying property with your super

ESuperfund

Recommended by

[SUBSCRIBE](#)

[LOGIN](#)

TOOLS

- Markets Data
- Australian Equities
- World Equities
- Commodities
- Currencies
- Derivatives
- Interest Rates
- Share Tables

FAIRFAX BUSINESS MEDIA

- The Australian Financial Review Magazine
- BOSS
- BRW Lists
- Chanticleer
- Luxury
- Rear Window
- The Sophisticated Traveller

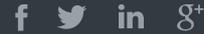
CONTACT & FEEDBACK

- FAQ
- Contact us
- Letters to the Editor
- Give feedback
- Advertise
- Reprints & Permissions

ABOUT

- About us
- Our Events
- Digital Subscription Terms
- Newspaper Subscription Terms
- Site Map
- Corporate Subscriptions

CONNECT WITH US



YOUR OPINION IS IMPORTANT TO US

[GIVE FEEDBACK](#)

CHOOSE YOUR READING EXPERIENCE

