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Lenders crack down on the nation's biggest property buyers

BIS Shrapnel says losing negative gearing will increase rents and property prices. **Penny Stephens**

by **Duncan Hughes**

Nervous lenders are tightening borrowing in some of the nation's richest postcodes amid growing concerns about falling prices.

The squeeze is already tight on former mining boom towns where oversupply and falling demand are already causing price tumbles and cancellation of planning projects.

Caps are being imposed on the loan-to-value ratios – the proportion to be loaned of a property's value – and a limit on the dollar amount that will be loaned, which depends on the state and territory.

Other lenders are warning brokers about lucrative cash incentives and discounts offered by developers and promoters for off-the-plan buyers struggling to pay their deposits.

Suburbs not available for ANZ lenders mortgage insurance.

"There are growing fears that some lenders could be over-exposed to potential higher rates of default," said Christopher Foster Ramsay, managing director of Capital Home Loans, a mortgage broker.

'Blacklists' of suburbs considered 'high risk' are also being reviewed – and extended – by lenders to protect their balance sheets against loan defaults if house buyers breach their loans.

Australia and New Zealand Bank has issued a list of more than 50 postcodes, concentrated around Western Australia, Queensland and NSW mining towns, that it describes as "not acceptable" for providing lenders mortgage insurance, which is a one-off insurance payment that protects lenders against default. The number of unacceptable postcodes has increased from 30 in the previous survey in 2013.

"We regularly review lending policies to ensure we are operating within our risk appetite and practising responsible lending for our customers," a spokesman said. "There are no designated 'blackspots'," he added.

Rock Building Society has reviewed and expanded its list of 'high risk' postcodes. Other lenders are also believed to be updating lists of possible problem areas.

"We regularly undertake a review and new postcodes are now classified as high risk," according to correspondence between the Rock and brokers.

It warns any applications for loans in those postcodes will be "closely scrutinised" during loan assessment and loan-to-value (LVR) ratios "may be restricted".

The society has not published a list and brokers will be informed about the risk rating of a suburb upon application.

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LUXURY LIMITS

In a separate move, the society has also placed a limit on the dollar total it will loan for luxury properties and capped LVRs at 70 per cent. The total amount loaned will vary between states and territories.

For example, the buyer of a $3 million NSW property will only be able to borrow $2 million.

In Victoria the maximum is $1.5 million, and $1.25 million in Western Australia, Northern Territory, Australian Capital Territory, Queensland and South Australia. In Tasmania the maximum is $1 million.

A spokesman for Rock declined to comment.

In a separate move, ING Direct, a division of Dutch banking giant ING, has written to mortgage brokers warning about an increase in off-the-plan apartment deals involving special incentives and financing.

Lenders fear undisclosed incentives, such as rebates, mean the property's value has been pumped up in a way that cannot be transferred to successive buyers.

Developers are under pressure to complete deals to ensure lender funding for the total project and many buyers need help to bridge deposit gaps because of tighter bank lending to buyers.

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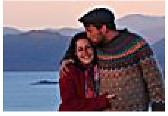

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