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Banks will not force Victorians in lockdown to sell their homes, even as blanket mortgage deferrals end.  
Photo: Paul Rovere

## Forced property sales unlikely during Victorian lockdown as blanket mortgage holidays end: experts

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Victorian home owners struggling to pay their mortgages are unlikely to be forced to sell their properties during the state's strict lockdown, despite the looming end to banks' blanket repayment holidays, experts say.

The banks have extended the original September end date for mortgage holidays to March 31 next year, but with tighter eligibility. Come the end of this month, home owners who extended or applied for new deferrals need to prove financial hardship.

But many workers will not be allowed to return to their jobs by that point, with non-essential retail, hairdressing, restaurants and gyms closed until October 26.

Australian Banking Association chief executive Anna Bligh said banks would be assessing deferrals individually, but they would take into account the "wider circumstances of the sector of the economy they work in and any geographic impacts such as the continued restrictions and lockdowns in Victoria".

"Banks will be acutely mindful that there are many of their Victorian customers who may need additional support and need more time to get back on their feet," Ms Bligh said in a statement to *Domain*. Even if Melburnians facing hardship wanted to sell their homes now, they could not do so, as the ban on in-person property inspections until October 26 effectively shut down the property market, 40 Forty Finance director Will Unkles said.

But he said there would be few people in that situation, as those financially affected by the lockdown would likely be able to work out an arrangement with their lender to defer repayments until next year.

"Banks do not want to repossess anyone's home because of the emotional stress it puts on clients, but also because of the workload and cost in doing so," Mr Unkles said. "I have not come across any bank that would force you to act during the lockdown period."

He said rather than a blanket approach to allowing Victorians to have mortgage holidays, it was still preferred that deferrals were considered on a case-by-case basis, and that people should carefully consider whether putting off repayments was the right call for them.

“It’s not just a pause that means you just don’t pay anything,” he said. “You have to eventually make your repayments and it may mean your interest is higher once your paused term finishes.”

As of July 31, there were \$167 billion worth of home loans deferred across Australia – representing 9 per cent of all mortgages according to the Australian Prudential Regulation Authority (APRA). There were \$240 billion worth of total deferred loans including small business loans.

July was the first month since loan deferrals began in March, where the number of mortgage and small business loan holidays which expired or ended was more than the number of new deferrals being taken out – \$20 billion worth of loans were approved for deferrals in July while \$40 billion worth ended or expired.

Financial advisory firm ProSolution Private Clients associate director Jodi McKeown said blanket deferrals for Victorian mortgage holders might be the only option, as it was unlikely banks had the time to assess every individual deferral before the end of September – when Melbourne would still be in a reasonably harsh stage of lockdown.

“It will be impossible for them to look at it case by case,” Ms McKeown said. “One banker I was talking to had 10,000 to look at on his own.”

She said banks may need to have a “self-certification” system, where customers would fill out applications for deferral extensions online.

“A lot of people will still have to have deferrals,” she said “Especially in Victoria – it’s worse than what it was six months ago.”

Foster Ramsay Finance director Chris Foster-Ramsay said it was likely Victorian home owners would have more “airtime” with the banks to extend or take out mortgage holidays than those in states such as Western Australia.

“They should have a lot more weight to defer their mortgage than those in more open states,” Mr Foster-Ramsay said.

He said while there was more scrutiny from banks on mortgage holiday applications, it was unlikely banks would force people to sell their homes, particularly while Victorians were still in lockdown.

“No bank is going to want to make that call,” he said. “They’re going to want to privately get a resolution and get them back to paying their loan.”

Some people might have the memory of the recession in the early 1990s, Mr Foster-Ramsay said, making them concerned about banks forcing them to put their homes on the market.

“The banks were a bit more brash and if you couldn’t pay, you needed to sell. I don’t see that being an issue this time,” he said.

Commonwealth Bank is in the process of contacting 250,000 customers about their loan deferrals, chief executive Matt Comyn told the House of Representatives Economic Committee on September 4.

“We would expect and hope that the majority of customers will be able to recommence their repayments, but, clearly, not everyone would be able to do so. There’s a range of different options that we will work through with our customers on a case-by-case basis to establish what the right solution for them is,” Mr Comyn told the committee.

He said the bank had seen an increase in requests for deferrals at the start of Victoria’s second lockdown, but that nationally the number of requests had declined.

ANZ chief executive Shayne Elliot told the same committee the bank had only seen a slight increase in deferral requests since the beginning of the second Victorian lockdown.