

# Australian Broker

## Desperation' driving bank market share bids



Daniel O'Brien

### Bank moves to raise LVRs and lower interest rates branded unsustainable

Lenders are resorting to "acts of desperation" in a bid to capture business in a low credit growth environment, and borrowers and brokers may find themselves disadvantaged by the moves.

As lenders increasingly slash rates, offer discounts and increase LVRs to draw customers, broker Daniel O'Brien of PFS Financial

Services has commented that banks are showing desperation in the face of shrinking credit demand. O'Brien echoed the sentiments of LJ Hooker general manager Peter Bromley, who recently accused banks of "desperate lending tactics" amid discounting moves, and criticised the banks for wooing customers with irresponsibly high LVRs. O'Brien called the discounts "ridiculous". "The reason I say the discounts are ridiculous is because longer term it will mean skinnier profit margins for the banks. The

banks will then no doubt attempt to seek these losses from out of my pocket or the customer's," he said.

It was recently reported that prudential regulator APRA issued a warning to banks over their pricing wars, cautioning lenders to maintain responsible standards and expressing concern over rising LVRs. Following the reports, CBA subsidiary Bankwest released a WA-exclusive first homeowner loan of up to 97% LVR.

Bromley said such loans skirt the boundaries of suitability. "I think we really have yet to understand if we've recovered from the GFC or not, and there's a whole issue around suitability and responsible lending. I'm probably a bit old school, but I think you have to prove you can afford a deposit," he commented.

Bankwest defended its responsible lending practices following the release of the loan, saying it had put in place credit standards such as a minimum combined income of \$80,000 and a maximum purchase price of \$500,000.

"It is not in our interest to lend to people who cannot afford it. We have grown our share of new lending ahead of the market whilst remaining competitive and without compromising our credit quality standards," Bankwest head of specialist lending Ian Rakhit said.

However, for a first homebuyer couple buying a \$500,000 home at

Page 16 cont. >>



### Rate cut margins

Fixed cutting frenzy delivers fillip for banks

Page 2 >>



### Panel face-off

Aggregators and lenders clash over panel updates

Page 4 >>



### Opening LMI

Fact sheet to make mortgage insurance transparent

Page 8 >>

### ► Inside this issue

**Analysis** 20

Business size vs revenue

**Opinion** 22

Being careful of footprints

**Forum** 23

Brokers on aggregator panels

**Market talk** 24

Melbourne and The Block

**Toolkit** 26

Making CRMs central

**Caught on camera** 28

AFG awards top brokers

**Insider** 30

Clients, not garbage

CAVEAT LOANS CAVEAT LOANS CA

MANGOMEDIA

Brokers can now provide clients with short term lending solutions for business and investment purposes.

1-800-000-0000

1-800-000-0000 6 month loans