

Wondering what's happening in the market? Check out these stories:

- Borrowers hit with loyalty tax
- Keep lending standards high, says RBA
- Property market sets new record
- Government releasing 30,000 grant spots

Following on from point 2 above, here is my layman's take:

A topic I have been talking about for years now is tougher bank criteria. It's still the hardest it's ever been to get money in my 22 years in finance. We had some hope last year when the treasurer announced that essentially; the government had gone too far and made it too hard to get money. They were going to reverse some of the Royal Commission changes and make it easier for people to get money.

We are now halfway through the year and still don't have these promised 'easier credit' policy changes. People's borrowing capacities aren't significantly better. We have had some minor 'crumbs' of positive changes, but nothing life changing. Most people's borrowing capacities reduced by 30-40% via the Royal Commission. The changes that 'some' banks passed on would amount to around a 5-10% increase in borrowing capacity.

One thing I have been saying to people over the last few months is, 'I now have my doubts we will get these proposed positive changes'. If the property market is already going nuts, it will go even more nuts if the government makes money easier to get!

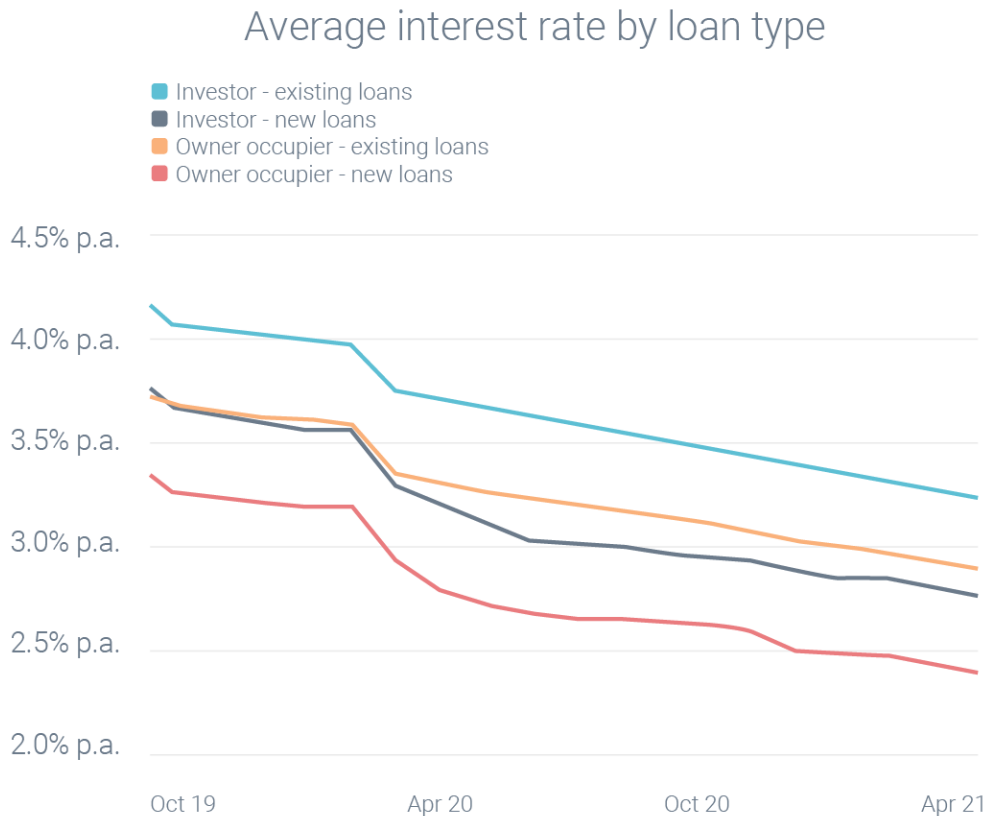
Remember also, the Royal Commission was implemented to eradicate unsavoury behaviour from banks and financial people/institutions. But it was also brought in to slow down a booming housing market. Loosening up now, will surely make the property market go even more crazy! Plus make it even more unattainable for everyday Australians to own their own homes.

In the end, I'm not sure what they will do. But based on what I can see now and knowing what I know, I am very doubtful that the government will allow banks to have softer lending criteria. A week ago, a major bank actually went the opposite way and made its criteria even tougher!

In saying all the above, there has been an amazing change recently! Several banks now require no bank statements or very little bank statements for loan applications! The likes of St George, Bankwest, CBA and Macquarie Bank now need significantly less paperwork! Making it at least a lot easier documentation wise, and a lot faster to process loan applications.

Loyal borrowers pay higher interest rates

Borrowers who stick with the same lender year after year are probably being slugged with a 'loyalty tax', according to new data from CoreLogic.



Source: CoreLogic, RBA

Owner-occupiers who took out new variable loans in April were charged an average interest rate of 2.77% p.a. However, owner-occupiers with existing variable mortgages were charged an average of 3.10% p.a. – forcing them to pay a loyalty tax of 0.33 percentage points.

Investors had to pay an even larger loyalty tax, with variable loans priced at 3.06% for new borrowers and 3.44% for existing borrowers – a gap of 0.38 percentage points.

For a \$500,000 mortgage, those interest rate differentials can add up to a lot of money over the life of the loan:

- You pay \$31,887 less interest over 30 years with a rate of 2.77% p.a. rather than 3.10% p.a.
- You pay \$37,539 less interest over 30 years with a rate of 3.06% p.a rather than 3.44% p.a.

Paying too much for your home loan? Let's talk

RBA urges banks to keep lending standards high

Reserve Bank governor Philip Lowe has reminded banks they need to continue rigorously assessing home loan applications.

“It is important that lending standards remain sound in an environment of low interest rates and rising housing prices,” he said in a recent speech.

“The RBA does not, and should not, target housing prices. We do, though, have a strong interest in trends in household borrowing, especially given the already high level of household debt in Australia.”

What, exactly, are 'high lending standards'? Well, it can differ from lender to lender, but it's based on three core factors:

1. Employment status and income
2. Savings and credit history
3. Existing loans and equity

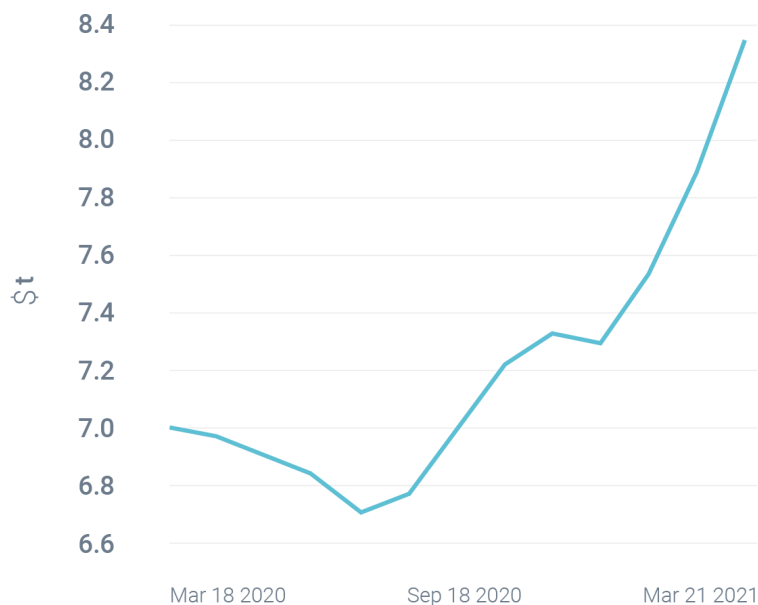
Where it gets tricky is that different lenders assess those factors differently, and so reach different conclusions on who they lend to. As a mortgage broker, I can give you expert advice on which lender would best suit your personal circumstances.

Need trusted home loan advice? Call me

Red-hot property market sets new record

The total value of residential dwellings in Australia has surpassed \$8 trillion for the first time, according to new data from the Australian Bureau of Statistics.

Value of Australian Property: March 2021



Source: ABS

During the March quarter, the total value of Australia's 10.6 million homes rose by \$449.9 billion – the biggest jump on record.

At the same time, national property prices rose 5.4% – the fastest rate of growth since the December 2009 quarter. The breakdown by capital city was:

- Sydney = 6.1%
- Hobart = 6.1%
- Canberra = 5.6%
- Perth = 5.2%
- Melbourne = 5.1%
- Darwin = 4.7%
- Brisbane = 4.0%
- Adelaide = 4.0%

Govt makes it easier for first home buyers and single parents to buy property



Australian Government



National Housing Finance and Investment Corporation

From July 1, the federal government will release a total of 30,000 openings in three different assistance programs aimed at first home buyers and single parents

At the same time, the government will increase the price caps that apply to two of the programs, making them easier to access.

The three schemes allow eligible buyers to purchase a property with a deposit of anywhere from 2% to 5% (depending on the scheme). The government guarantees the 'gap' between that 2-5% deposit and a standard 20% deposit, so the buyer doesn't get charged lender's mortgage insurance (which generally applies when buyers have a deposit under 20%).

- Under the [First Home Loan Deposit Scheme](#), 10,000 first home buyers can purchase existing homes with a 5% deposit.
- Under the [New Home Guarantee](#), 10,000 first home buyers can buy or build new homes with a 5% deposit.
- Under the [Family Home Guarantee](#), single parents (who may or may not be first home buyers) can purchase a property with a 2% deposit.

The schemes have [price caps](#), which vary from region to region. From July 1, the caps will increase for the First Home Loan Deposit Scheme and Family Home Guarantee.

Thanks for reading. Get in touch if you need help.

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Kind Regards,
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