

QUARTERLY QUESTION

Have we missed the property investment boat?

Mortgage brokers around Australia report confusion amongst the property buying public in the wake of recent changes to property investment loans. Has it all become too hard?

A simple explanation could be the key to avoiding the confusion. We explore the changes below:

Q. Why has everything changed?

In May 2015 APRA (the Australian Prudential Regulation Authority) pressured banks and other lenders to make it more difficult to finance a property investment loan. The reason? APRA set a benchmark of 10% maximum growth for residential investment mortgages and most of the big banks were beginning to exceed this benchmark level so APRA took action.

By enforcing these measures APRA is **attempting to make property market conditions safer for consumers**. Rapid growth in property investment lending can be perceived as risky if investors are placing 'all their eggs in one basket' rather than having investment diversification.

Q. I've been inundated with letters from my bank. Interest rates, special offers - it seems harder than it was.

Various lenders have announced different policies but a general overview of the key measures that have been introduced are:

- generally **stricter criteria** to approve investor loans
- **cuts to interest rate discounts** for investment loans
- **deposits increased by up to 20%** (previously as low as 5% for investment loans)
- reduction in amount of rental income taken into consideration when assessing an applicant's income

Q. So does this mean I'm shut out of the property investment market?

Not at all! Probably the biggest impact is that **property investors will now require larger deposits** as banks restrict LVR (loan to value ratio).

It is still important to remember **interest rates are at their lowest level in history**.

With so much media attention on property investment it's easy to get caught up in the hype and overlook the positives. Depending on your personal circumstances it may still be a good time to invest in property - despite the tightened lending criteria and larger deposit required.

Q. When every lender seems to have a slightly different offer how can I choose my best loan option?

That's a great question. And we can understand your confusion. Remember your financial institution will only offer **information on their own products**.

A more complex lending environment makes it more important than ever for us, as your finance specialist, to guide you through the confusion around the regulatory changes and how they may affect you.

If the changes have prompted you to think about switching to another loan or even another lender **PLEASE CONTACT US FIRST**.

Whether you are seeking a new loan, refinancing, switching loans - or just seeking reassurance that the loan you have is still fine - the process should include a review of your financial situation and explore the range of available products **to suit your particular situation**. There are still some lenders outside the BIG 4 who have not changed their investment loan criteria and restrictions. That's a BIG reason to contact us to access those lenders. It's our job to stay well informed on the changing landscape of lending so that we can continue to offer you up to date information. We do the research for you then help you assess your options. Although your interest rate may have gone up, it still may not be in your best interest at this time to change your loan(s). Please allow us to explore this for you.

Q. We bought our investment property a long time ago and now live in it. Could this affect us?

For the first time since the 1990s investor rates are now higher than owner occupier rates. If you are now living in a property that was previously rented you could be sitting on an interest rate that is higher than it should be. Talk to us NOW and we can explore your options and even negotiate with your lender on your behalf.



Q. We'd just like to own a home - to live in! What does it mean for people like us?

In an effort to expand their owner occupier home loan base many lenders have announced a raft of changes to new owner occupier loans. These include lower interest rates, cashback offers and the waiving of annual fees amongst others. The winner could be YOU!

If you have an interest in the property investment market - all is not lost. There are solutions. If you have any questions we would be only too pleased to have a chat. Feel free to contact the office to arrange a time to discuss your needs.



Call the office...

for our article 'Tips to getting started on the property investment ladder'.