Has the property investment market become *too confusing?*

Changes to property investment loans in Australia have dominated finance news over the past few months. Barely a week goes by without yet another financial institution announcing changes to their investment loan interest rates or lending criteria.

So what does this mean for YOU, a current or potential consumer of finance products? Well if feedback across the industry is anything to go by it would seem it is mostly **CONFUSION!**

Let's take a look at the changes that have occurred and break it down into simple language.

What has changed?

In recent months APRA (the Australian Prudential Regulation Authority) pressured banks and other lenders to make it more difficult to finance a property investment loan. The reason for this move is that APRA set a benchmark of 10% maximum growth for residential investment mortgages. The big banks were beginning to exceed this benchmark level – hence the action by APRA.

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

While banks and other non bank lenders have announced varying policies here is an overview of some of the measures that have been put in place:

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

What do the changes mean for investors?

Probably the biggest impact is that property investors will now require bigger deposits as banks restrict LVR (loan to value ratio).

If you are a potential investor it is important to remember that **interest rates are still at their lowest level in history.** With the property investment market constantly in the news it is easy to get caught up in the hype and overlook the positives that may still make it a prudent time to take the step onto the property investment ladder - despite tightened lending criteria and the larger deposit required.

Many lenders are aggressively marketing to existing customers with updates and news on how the changes affect them and the range of finance products they offer. Certainly most people with a current **investment** or **interest only loan** will have already had a letter from their lender regarding changes to their loan.

It is important to note some lenders are only 'penalising' Sydney and Melbourne investors with stricter criteria due to the higher investment activity in these cities. Remember you will only be given an overview of YOUR current lender's products in any communication.

Some lenders are not allowing investors with a current investment property to use the existing equity in that property to leverage for further investments where the LVR falls under the 80% LVR benchmark - effectively forcing them to refinance.

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

Refinancing or switching loans should include consideration of your full financial situation and explore the full range of available products to suit your particular situation.

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Had your investor home loan a while?

Lenders are also reporting an increase in customers changing investor home loans to owner occupied[1]. Investor rates are now higher than owner occupier rates for the first time since the 1990s. Are you now living in a property that may have previously been rented out? If so, you could be sitting on an interest rate that is higher than it should be. Make sure you talk to us NOW and we can help you explore your options.

What do the changes mean for owner-occupier buyers?

Predictions are that the owner-occupier market will increase as a result of tightened criteria for property investment loans. Many lenders have recently announced a raft of changes to new owner-occupier loans including lower interest rates, cashback offers and the waiving of annual fees.

1. mpamagazine.com.au – 3 September 2015

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.

We stay well informed on the changing landscape of lending so that we can continue to offer you up to date information.

Remember there are some lenders outside the BIG 4 who have not made any changes to their investment loans.

As your finance specialist we can tap into a variety of finance options that you may not be aware are available to you. That's why you should call us first!

If you are interested in taking the next step, contact us for our article '**Steps to successful property investment**'.

When you're ready to explore your finance options, we're here to help.