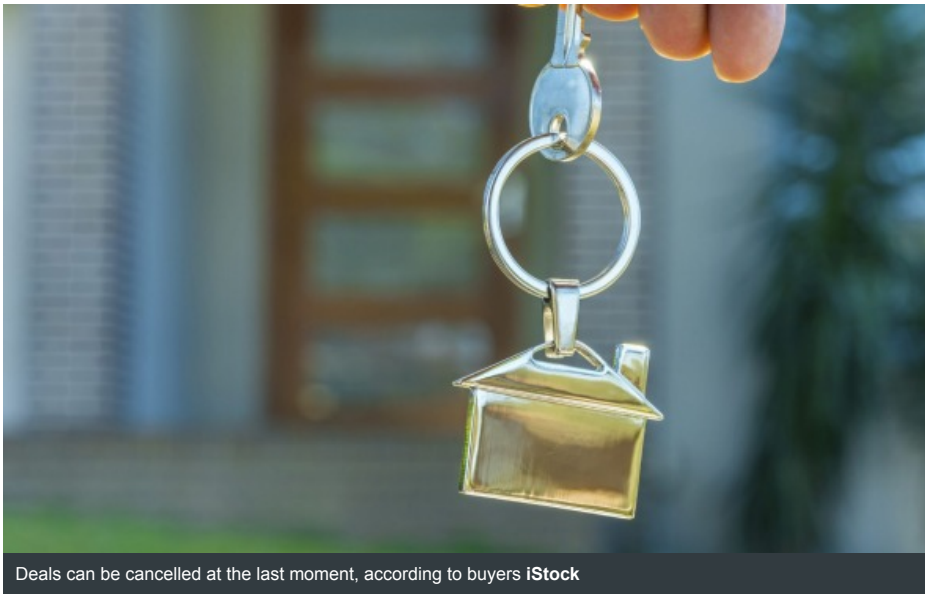


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# Property buyers face new threat from lenders

Deals can be cancelled at the last moment, according to buyers [iStock](#)by [Duncan Hughes](#)

Property buyers are being let down because lenders are increasingly pulling out of deals at the last moment, forcing loan renegotiations on worse terms or the need to start looking for another loan.

Prudent buyers getting pre-approvals up to six months before finding the property they want to buy are being told that the rates, terms and conditions have changed for the worse, claim mortgage brokers.

The spurning of buyers at completion is a common experience for off-the-plan purchases, where completion of the building and contract settlement can take years, routinely resulting in changing property values forcing loan renegotiations.

But the number of snubs to short-term agreements is increasing because lenders are discreetly changing loan conditions, imposing new borrowing terms, changing rates or reducing the amount a buyer qualifies for by thousands of dollars.



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## Best mortgage deals

### Lowest advertised home loan rates on Canstar (%)

Institution	Product	Advertised rate (%)	Comparison rate* (%)
<b>VARIABLE</b>			
Reduce Home Loans	Rate Buster	3.59	3.57
Homestar	Basic Refinance	3.61	3.67
Mortgage House	Easy Start	3.44	4.32
<b>1-YR FIXED</b>			
Catalyst Money	Fixed for	3.50	4.09
Illawarra Credit Union	Fixed for	3.50	4.16
Newcastle Permanent	Premium Plus	3.59	5.26
<b>2-YR FIXED</b>			
FreedomLend	Freedom	3.74	3.73
AMO	Residential	3.74	3.93
Newcastle Permanent	Residential	3.64	5.14
<b>3-YR FIXED</b>			
UBank	UHomeloan	3.69	4.00
MyState	Residential	3.74	4.84
Teachers Mutual Bank	Option	3.74	4.88
<b>5-YR FIXED</b>			
UBank	UHomeloan	4.27	4.18
Teachers Mutual Bank	Option	3.99	4.76
UniBank	Option	3.99	4.76

\* Rate based on a credit of \$150,000 and a loan term of 25 years.

SOURCE: CANSTAR

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"It is forcing a lot of buyers out of the market. They have to look for another place to buy, or find another lender," says Jessica Darnbrough, a spokesperson for Mortgage Choice, who says mortgage brokers are regularly reporting it happening.

Lenders under the watchful eye of the Australian Prudential Regulation Authority are being told they have to keep loan growth under 10 per cent a year in a bid to control demand and keep a lid on prices.

## Lenders' speed limit

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For example, Teachers Mutual Bank and subsidiary UniBank, which have more than \$5.4 billion in assets and 175,000 members, are temporarily withdrawing from new investment lending to reduce annual growth from about 15 per cent after breaching the limit by 60 per cent.

In other cases, [criteria used to assess a property loan are being tightened](#) so that living expenses are increased, assessable incomes reduced and maximum borrowing caps,

says Mortgage Choice.

Borrowers who sought pre-approval for a loan six months ago before looking for a new property are being told their home loan application has expired and no longer qualifies.

For example, six months ago a couple earning net income of about \$116,000 could have qualified for a loan of about \$1.1 million, according to Mortgage Choice.

Under the new rules they would qualify for about \$70,000 less. During this period variable rates have dropped by up to 25 basis points.

## Stress test rates raised

"You are between a rock and a hard place," says Christopher Foster-Ramsay, director of Foster-Ramsay Finance, referring to buyers caught by changes to loan conditions.

Living expenses used to qualify for loans are routinely being increased by 20 per cent and assessment rates – which is a "stress test" rate to assess whether the borrower can cope with successive rate increases – are being raised by 15 basis points.

This is regularly resulting in maximum loans offered being reduced by 10 per cent.

Other lenders are not taking into account certain types of income. For example, overtime, bonuses, commission payments are either being excluded, or only a percentage considered in calculating eligibility.

[Some lenders, such as P&N Bank, one of the nation's largest lenders, is making it tougher for applicants with "less dependable" jobs to qualify for loans.](#)

Foster-Ramsay recommends that borrowers try to make sure that – where possible – their financial circumstances do not change.

In addition, he suggests borrowers keep saving so that they are attractive to other lenders.

## Ban on discretionary pricing

"If there is a policy change at lender A that excludes a borrower, there is always B, C, D and E that might suit," he adds.

It is even tougher for some temporary and provisional visa holders who are being excluded from special borrowing and saving packages.

For example, ANZ has written to mortgage brokers warning its "appetite for discretionary pricing" for the borrowers has changed.

The ban on discretionary pricing means eligible foreign applicants will be charge 5.37 per cent for a variable rate home loan and 5.64 per cent for a residential investment loan.

Borrowers are also barred from special savings and investment accounts that allow lenders to draw down equity in their property.

Last month ANZ announced tough new measures intended to tackle fraudulent applications, such as authorising documents missing pages, untraceable employer

references and suspicious income statements.

The big four banks, Adelaide and Bendigo Bank, Macquarie Bank, Citi and ME Bank have either banned new loans to foreign buyers, imposed currency restrictions, or stricter terms.



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