

Good Afternoon

I wanted to provide a perspective on the policy changes that are open to APRA which could better serve the community while still maintaining a prudential standard around loan serviceability.

The current regime of changes since 2014 has resulted in a significant tightening of credit which in part has contributed to the current down turn that is taking effect in Australia. APG223 is an opportunity to significantly contribute to the slowing economy without impacting credit risk.

While we have a number of banking options open to Australians there is a real lack of competition between them due to how credit policies work. While we see Banks competing on interest rates in the market there is a real lack of portability of loans which in part is due to the credit assessment processes.

Suggested Consideration:

Allow special portability provisions of previously 'credit assessed' mortgages where gating has already taken place. This would provide for significantly increased rate competition between funders and avoid home purchasers being 'locked' into an existing funder. This would provide for significant improvement in cashflow control of mortgage holders and potentially provide improved spread across ADI's.

The changes made in 2014 targeted investment and interest-only loans aimed in part at slowing the market (which has significantly been achieved). Assessing loans that have been used for 'business' purposes as P+I plus margin does heavily impact those individuals that invest in property or income producing assets and an assessment on this basis will continue to hamper the economy without providing significant financial stability benefit.

Financial stability is much more at risk from a first home buyers in a falling market or PAYE earners whom only mortgage is against there place of residence – in these cases it is prudent for P+I to be the assessment criteria given the need that these loans do need to be paid back at some point.

Suggested Consideration:

Provide a mechanism that is lighter touch on loans that are primarily secured for income generating assets, particularly where the sale of assets would payback such loans without the need to sell the primary property of residence.

Allow easy switch between P+I and IO for loans procured for purchasing income generating assets.

APRA has a significant role in the current stabilisation of the Australian economy. Without any meaningful adaption of policy the role will fall squarely on the RBA whom have diminishing ammunition to address our economy sluggishness. The reality is that interest rate drops will not lead to improvements as this does not increase funding availability which often provides confidence to spend.

I am happy to talk further to these points.

Regards

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