Bankwest under fire for lending changes

BankWest under fire for axing negative gearing. **Andrew De La Rue**

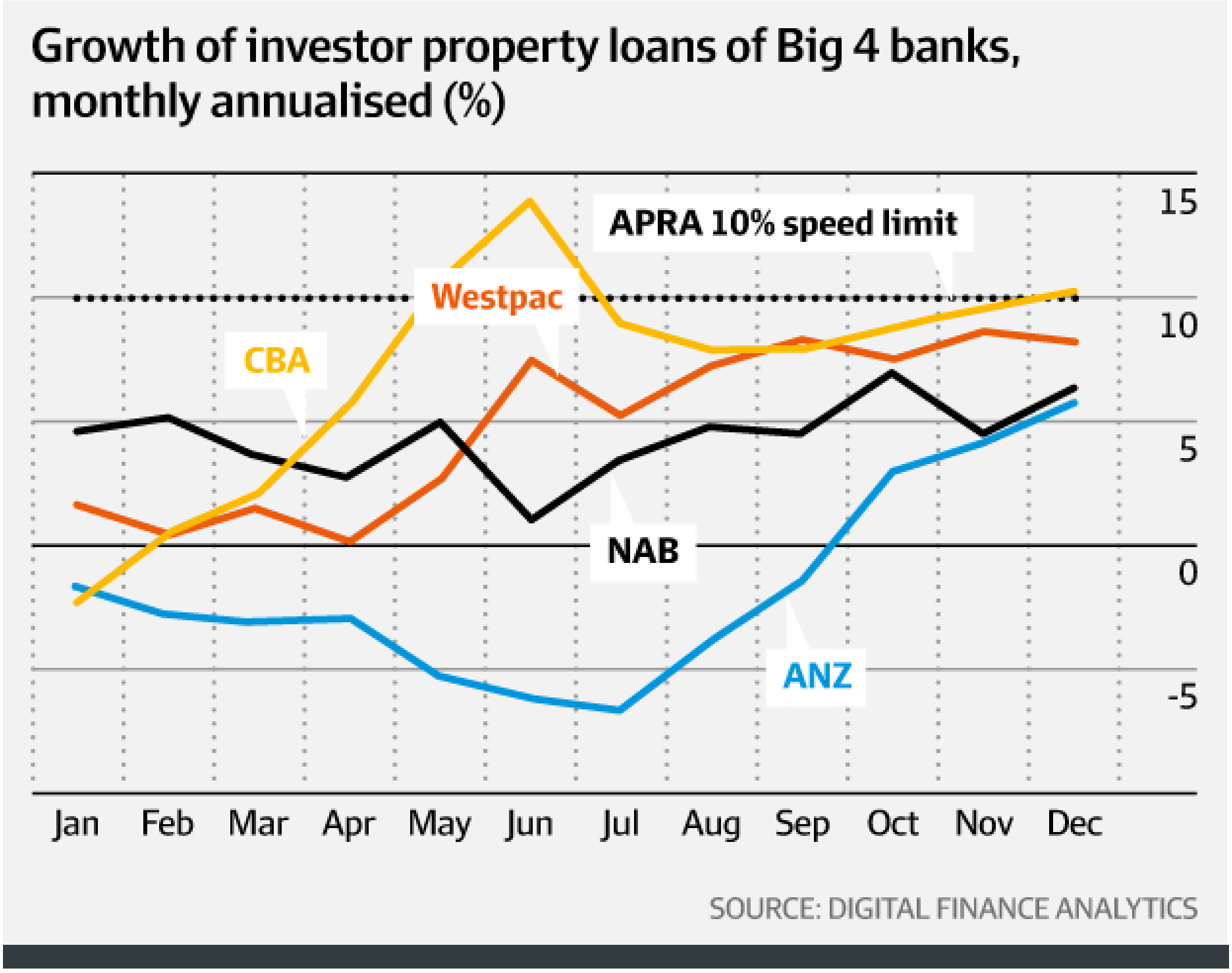
by **Duncan Hughes**

Bankwest's axing of negative gearing benefits for new – and some existing – investor housing loans is being used by Australia and New Zealand Banking Group and National Australia Bank as a marketing opportunity to attract disaffected borrowers looking for alternatives.

The bank, owned by Commonwealth Bank of Australia, confirmed on Monday that the generous tax breaks would not be allowed for calculating loan eligibility for new borrowers leading to a lower amount that a borrower can get.

Now ANZ has written to mortgage brokers, who act as intermediaries between lenders and borrowers, offering a $1200 rebate for new home or residential investment loans in an attempt to win over new customers who won't be able to use negative gearing as part of their loan calculation.

Property investors, such as Charlotte Jover, 27, and her partner, Lloyd Lamberti, 27, who are relying on negative gearing to boost their borrowing capacity, claim Bankwest's changes are creating "uncertainty" and are "unfair".



"We have meticulously planned our finances to build a deposit for our first home," said Ms Jover about their plans to build capital from investing in an investment property.

"It's not fair and we will be looking for another lender."

The bank's decision not to include negative gearing in assessing the size of a loan and lowering borrowing capacity will not impact Australian Taxation Office deductions that can be made at the end of the tax year, such as rates and maintenance.

Most major listed banks include negative gearing in assessing a loan.

Credit Union of Australia, the nation's largest customer-owned financial institution, does not.

A confidential Bankwest statement said the changes impact "all new applications and existing deals that require reassessment".

Mirian Sandkuhler, chief executive of buyer's agency Property Maven, said: "This sudden change is brutal. If Bankwest reviews approved loans in their pipeline then the implications to investors are substantial and far reaching."

For example, investors that have received in principal approval to buy at an auction could find it revoked or revised, "at the eleventh hour".

CPA Australia chief executive Alex Malley said: "We understand that financial institutions need to manage their risk profile but is it part of a bank's remit to take a selective stand on negative gearing, which is a central tenet of the tax system?"

It follows earlier announcements by Bankwest and Commonwealth Bank of Australia, its parent, to cut back on some investor loans.

Neither bank has provided detailed reasons for their decisions other than to refer to satisfying Australian Prudential Regulation Authority's guidelines, which is understood to mean the 10 per cent speed limit.

APRA applies a confidential methodology to determine each lender's investor lending growth rate.

Annualising monthly net movements in investment loans during December shows CBA and BankWest were growing at 10.3 per cent, according to analysis by Digital Finance Analytics.

Westpac, ANZ and National Australia Bank are about 7 per cent based on the annualised analysis.

Westpac said its rate is 6.4 per cent. NAB said its rate was "below the cap" but refused to state the number.

CBA announces its interim results on Wednesday.

Analysts claim it is prepared to lose housing investment market share because of concerns about the market outlook and rising wholesale funding and regulatory costs.