

MEDIA RELEASE

Friday, 5 July 2019

CHANGES TO HOME LOAN ASSESSMENT RULES WELCOMED

The Urban Development Institute of Australia (UDIA) has welcomed new rules that will change how lenders assess the ability of borrowers to service a housing loan.

The Australian Prudential Regulation Authority (APRA) today confirmed banks will be able to set their own minimum interest floor rate for serviceability assessments – instead setting a minimum 2.5 percent buffer.

UDIA National's submission to APRA endorsed giving banks flexibility to set their own floor rates – though recommended a lower buffer of 2 percent, given there is scant history of rapid rate rises outside the range.

“The switch makes sense given we're now in an era of unprecedented low interest rates,” says Connie Kirk, UDIA National Executive Director.

“APRA is right to recognise the old benchmark of seven percent did not reflect changes in housing markets and interest rates since it was set – leading to a squeeze on credit and stifling of residential property markets.

“Housing markets need a boost in the face of fragile consumer confidence, decreased lending, softening prices and falling building approvals.

“The new serviceability requirements are sensible and can work in tandem with lower interest rates and policy initiatives being pursued by the Federal Government to trigger a recovery in housing markets.

“The changes should help more people access the credit they need to buy residential property and set the foundation for a more stable and sustainable housing market.

“Housing construction will be a central pillar to a broader economic lift given the investment, jobs, wages and growth it provides.”

UDIA strongly advocated for these proposed changes in order to address housing affordability, which is a core policy aspect of UDIA National Priorities Policy. For a copy of UDIA's submission visit <http://www.udia.com.au/reports-and-submissions/reports-and-submissions-2019> and for further information on the National Priorities Policy visit <https://www.udiapriorities.com.au/priorities>.

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