PRESS RELEASE

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RBA survey: Stricter lending criteria for certain postcodes, more banks to follow suit

- All 31 experts in the finder.com.au RBA Survey correctly forecasted a cash rate hold at 1.5% this month
- 80% of panellists think rising interest rates may affect consumption
- Majority of experts believe more banks will impose stricter lending criteria for certain postcodes

3 October 2017, Sydney, Australia – The Reserve Bank of Australia has left the cash rate on hold today, but it's likely more lenders will start to impose stricter lending criteria for certain postcodes, according to finder.com.au, the site that compares virtually everything.

Today the cash rate was held at a historic low of 1.5% for October 2017, which marks the 13th consecutive month of no change.

All 31 leading experts in the finder.com.au RBA Survey, the largest of its kind in Australia, accurately predicted this outcome.

Eleven out of 26 economists are now expecting the cash rate to rise in the 2017-2018 financial year.

Statistics from the Australian Bureau of Statistics (ABS) show the level for refinance activity is lower compared to 12 months ago.

A total of 16,339 mortgages were refinanced in July 2017, which is down from 19,615 a year earlier.

Analysis by finder.com.au reveals the number of homeowners who are refinancing their mortgages slumped to 30% of total loans in July 2017, which is the lowest share since July 2010.

About 12 months ago the number of homeowners refinancing was at an all time high at 37% of all mortgages.

Graham Cooke, Insights Manager at finder.com.au, says the refinance volume has been falling over the past year.

“The number of customers refinancing surged from February to September 2016. Mortgage holders switched in record numbers to take advantage of cheaper home loan costs, as it was perceived rates wouldn’t get any lower.

“And it was a gamble which paid off,” he says.

Some lenders have begun to introduce more stringent criteria for home loans based on postcode, and when asked if other banks will follow suit, the vast majority of experts (19 of 20) agreed.

Mr Cooke says this move is designed to minimise risk to lenders.

“So far we’ve seen some banks, like ANZ, enforce lower loan-to-value (LVR) ratios which means borrowers need to show a larger deposit to qualify.

“Mortgage defaults may be more prevalent in some areas, property types, and under certain market conditions, like high-rise apartments in oversupplied markets.

“The restrictions act as a safety net to ensure borrowers can repay the debt,” he says.

Eighty per cent of the panellists believe rising interest rates may affect consumption.

The majority of these panelists (13 of 20) also believe higher rates may have a negative effect on inflation.

“We now live in an Australia with a high level of household debt, primarily in the form of home loans. Any increase in the cash rate could mean households have higher mortgage repayments, thus dampening consumption and slowing inflation,” Mr Cooke says.

Here’s what our experts had to say:

Jordan Eliseo, ABC Bullion (Hold): "The RBA has made it clear that it is in no rush to move on rates. They would be fairly pleased with what they are seeing take place in the economy, though a stubbornly high AUD, the persistent lack of wage growth, and elevated levels of household debt remain major concerns."

Tim Nelson, AGL Energy (Hold): "Nothing substantial has changed from the previous month."

Shane Oliver, AMP Capital (Hold): "Strong business conditions and jobs growth along with the RBA's own forecasts for a rise in growth and inflation point to an eventual rise in interest rates but slowing housing construction, risks around consumer spending including record low wages growth, low inflation and a too high Australian dollar indicate that it's too early to start raising rates now. So the RBA is likely to leave rates on hold for the 14th month in a row."

Alison Booth, ANI (Hold): "The fundamentals of the Australian economy do not currently warrant any change."

john hewson, ANU (Hold): "Insufficient evidence to change - mounting risks and constraints."

Richard Robinson, BIS oxford Economics (Hold): "Although the RBA may want to cut to take pressure off the A$, which is too high, and also because inflation and wages growth is low, it is still concerned that a rate cut would stoke housing markets, which are already overpriced due to poor policies regarding negative gearing and capital gains taxes."

Paul Dales, Capital Economics (Hold): "The outlook for economic growth and inflation has improved in recent months, but not by enough to prompt the RBA to raise interest rates. In fact, I believe that rate hikes are a story for 2019 and not 2017 or 2018."

Michael Blythe, CBA (Hold): "Economy needs no further rates assistance but low inflation means little pressure to lift rates either."

Dr Andrew Wilson, Domain Group (Hold): "Longer-term stable view by RBA reinforced by better jobs data, improved federal budget position and fading Sydney house price growth. Stagnant incomes growth, subdued inflation and over-inflated currency remain the jokers in the pack. Not out of the woods yet."

Peter Gilmore, Gateway Credit Union (Hold): "Whilst Sydney and Melbourne property prices show some moderation, other key fundamentals for full recovery are still fragile, so the RBA will hold again."

Peter Haller, Heritage Bank (Hold): "The recent flow of economic data does not warrant any change to current interest rate settings."

Shane Garrett, Housing Industry Association (Hold): "The balance between growth and inflationary pressures does not require intervention at this point."

Paul Bloxham, HSBC (Hold): "Waiting for CPI [inflation] numbers."

Alex Joiner, IFM Investors (Hold): "No reason to hike on economic grounds."

Michael Witts, ING (Hold): "The economy is heading in the right direction and there is no need for RBA action at this stage."

Leanne Pilkington, Laing+Simmons (Hold): "The situation from month to month remains relatively unchanged. The RBA may be optimistic about the outlook for household income and expenditure, but there are other factors with the potential to temper this optimism. In any event, we see the steady rate environment holding for the remainder of the year and into Q1 2018."

Nicholas Gruen, Lateral Economics (Hold): "They're waiting for a reason to hike the rate but don't yet have it."

Stephen Koukoulas, Market Economics (Hold): "It has signalled it will hold until it sees evidence to make it change its mind."

John Caelli, ME (Hold): "The RBA has clearly signalled that the next move will be up."

Michael Yardney, Metropole (Hold): "Australia's economy is still operating below its potential with economic growth not strong enough to justify an interest rate increase. The positive improvements of falling unemployment and rises in full-time employment are offset by slow growth in household income."

Mark Crosby, Monash Business School (Hold): "Despite signs of a strengthening economy the global rates outlook is still some way from normalising, and the RBA will sit for a while longer before raising."

Jessica Darnbrough, Mortgage Choice (Hold): "The economy is tracking along quite well at the moment, so there is no real need for the Reserve Bank to adjust their current stance on monetary policy. It is clear the Board believe that the current plan of attack is consistent with achieving the inflation target over time."

Saul Eslake, Economist (Hold): "RBA has made it clear it has no appetite for lowering rates any further; but conversely nor is it in any hurry to start raising them. RBA will have drawn some comfort from data releases since the last meeting, but will see them as supporting its current set of forecasts rather than warranting upward revisions to them."

Jonathan Chancellor, Property Observer (Hold): "The economy is only inching its way closer to where the central banks desires."

Matthew Peter, QIC (Hold): "Growth and inflation outlook are still too soft for the RBA to consider hiking rates. Persistent house-market pressure preclude rate cuts."

Noel Whittaker, QUT (Hold): "I don't think they're ready to move just yet. The Aussie dollar is down a little."

Nerida Conisbee, realestate.com.au (Hold): "The economy is too weak to increase rates and the housing market is too sensitive to cuts to decrease them. It is likely the next move is up but it is unlikely to happen soon."

Christine Williams, Smarter Property Investing Pty Ltd (Hold): "From last month to this month our GDP has not moved. Unemployment has leveled out in most states. With some states noting a slight reduction in unemployment."

Brian Parker, Sunsuper (Hold): "Nothing happened in the last month to force them to change policy."

Clement Tisdell, UQ-School of Economics (Hold): "Bank statements [is what we are waiting on]."

Bill Evans, Westpac (Hold): "We still expect the RBA to keep the cash rate on hold through the remainder of 2017; 2018 and to the middle of 2019, predicated on our central call of “flat” house price growth through next year and 2019."

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