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Australia's biggest bank Commonwealth Bank shuts door on overseas investors, it would no longer be accepting loan applications from temporary residents

AUSTRALIA'S BIGGEST BANK SHUTS DOOR ON AUSTRALIA OVERSEAS PROPERTY INVESTORS

Australia's biggest bank Commonwealth Foreign incomes do not count for temporary residents buying property in Australia THE nation's biggest bank has slammed the door shut on home loan lending to some applicants with foreign incomes as it further tightens its lending standards. Reports Sophie Elsworth, News Corp Australia

The Commonwealth Bank yesterday revealed it would no longer be accepting home loan applications from temporary residents who are not earning an income in Australia. It comes just a month after ANZ reviewed its lending to foreign investors and temporary residents. The CBA crackdown is expected to have a flow-on effect to other lenders and could make it easier for Australian residents to buy property by cutting out applications from temporary residents, experts say.



The Foreign Investment Review Board's report this month revealed \$97 billion of real estate investment by foreigners was authorised in Australia in 2014-15.

Mortgage broking firm Home Loan Experts's managing director Otto Dargan said the shift by CBA was a sign banks were "far less interested in dealing with temporary investors and foreign investors."

"The banks are worried because there's been a large number of borrowers faking an offshore income to get a home loan," he said. "Some banks have tightened their policy and others pulled out of lending to people overseas altogether. "At the moment foreign investors can still buy properties but their choice of lenders is shrinking fast."

However under these latest changes by CBA, foreign currency PAYG income and foreign currency rental incomes will still be acceptable income sources for Australian citizens, Australian permanent residents and New Zealand citizens.

Noting the move will reduce the number of applicants falsifying incomes, a CBA spokesman said only a low number of applicants would be affected by these changes.

"CBA has tightened our requirements for some temporary residents in the areas of self-employed applicants and temporary visas who are seeking to borrow for residential purposes," he said.

"Applications involving these customers represent a significantly low proportion of our total home loan applications and these are verified and assessed in line with Commonwealth Bank's lending policies including requirements for income earned in Australia."

The CBA has also tightened the screws on loan-to-value ratios — the maximum LVR for temporary Australian residents living and working here and being paid in Australian dollars is being reduced from 80 per cent to 70 per cent. The Real Estate Institute of Australia's president Geoff White said it was "good news" for local buyers.

"It's going to make it more difficult (for temporary residents) to obtain finance to buy," he said. "There's no doubt it will have an effect, the question is to what degree." Unlike CBA, a National Australia Bank spokeswoman said the bank continues to lend to temporary residents with foreign incomes.

"All foreign home loan applications are considered on a case-by-case basis and assessed under verification standards for employment and income, and that these settings are continually reviewed," she said.

NAB reduced its maximum loan-to-value ratio from 80 per cent to 70 per cent for foreign applicants.

Westpac said it regularly reviewed its nonresident lending policies to ensure continued responsible lending consistent with the economic landscape. Australia's biggest bank Commonwealth Bank shuts door on overseas investors, it would no longer be accepting loan applications from temporary residents

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