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Australian housing bubble not the greatest risk to the Australian Property Market Crash - banking credit crunch financial crisis trigger to Australian recession

WESTPAC BANK WITHDRAWS FROM AUSTRALIA REAL ESTATE LENDING TO FOREIGNERS

Australia financial crisis credit crunch Australia recession Westpac will no longer lend to offshore customers who are not citizens or residents of Australia with an eligible visa. Reports Elysse Morgan

Westpac Bank and its subsidiaries are no longer lending money to foreigners wanting to buy residential property.

Westpac is the third major bank to clamp down on lending to non-residents, home buyers with foreign self-employed income and those who hold temporary visas in Australia. ANZ and the Commonwealth Bank moved earlier this month.

THE BANKING CREDIT CRUNCH AND FINANCIAL CRISIS COULD TRIGGER AN AUSTRALIAN RECESSION

Westpac's new rules are similar to the other banks. From 26 April it will no longer permit any lending to a non-resident, even if the applicant's income is not relied on to meet serviceability.

Australian and New Zealand citizens and permanent visa holders with foreign income are restricted to loans for new housing only with a maximum loan to value ratio of 70 per cent, down from 80 per cent.



"At Westpac, helping Australians to achieve their goal of owning a home or investment property is core to our purpose," an email to mortgage brokers said. "For these reasons, Westpac will no longer lend to offshore customers who are not citizens or residents of Australia with an eligible visa."

The bank has tightened up rules regarding the documents required to get a loan, including providing original visa, income and passport documents.

The changes come on the back of rising concerns that fraud and money laundering are increasing among foreign buyers in the Australian property market.

Foreign loan crackdown could hit property prices. The changes that ANZ and Westpac in particular have brought in are likely to hurt developers, such as Meriton, who have been targeting Chinese buyers.

Large numbers of Meriton's Chinese buyers fund their purchases locally, with Westpac one of the largest lenders in the space, and could affect their ability to settle off-the-plan contracts that have exploded in the past couple of years.

The banking regulator, APRA, has been pressuring banks to improve the documentation for foreign borrowers and seek higher deposits.

As well as putting developers at risk, the changes could pressure home prices. The Reserve Bank earlier this year noted that property prices could decline and bank losses could rise if Chinese demand were to decline significantly, and the changes in bank lending rules could be the beginning of a downturn.

The move has been welcomed by the Mortgage and Finance Association. "Westpac's policy change ... reflects a prudent decision for a more balanced portfolio at this time and reduced exposure for the bank," its chief executive Siobhan Hayden said.

Read the full article here: <http://mortgageproperty.com/australia-financial-crisis-credit-crunch-australia-recession.html>

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