

Getting a home loan just keeps getting harder

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Australians are finding it more difficult to obtain housing finance as home lenders battle to deal with the global economic slowdown, a new survey has found.

An online poll in June conducted by Loan Market Group's X Inc Finance, Australia's fastest growing mortgage broker, found 60 per cent of respondents felt they were finding it harder to get a home loan in the wake of the credit crunch.

Of those surveyed, 32 per cent said they considered themselves a "safe bet" for lenders but were unable to obtain finance.

Another 28 per cent said previous finance issues meant lenders "won't even look at me".

However, there were some positives with 40 per cent of respondents reporting they had no problems obtaining finance.

X Inc Finance Chief Executive Jennifer Nielsen said the results showed interest rate rises by the Reserve Bank of Australia and the global credit crunch after the US subprime crisis had taken a heavy toll on both consumers and lenders.

She said the RBA's decision to leave official rates on hold this month at 7.25 per cent was a relief as consumers continued to battle high fuel and grocery prices.

"No one is any doubt that the Australian economy has certainly hit the brakes and that is being felt particularly hard in the housing sector," Ms Nielsen said.

She said most banks and non-bank lenders had tightened their rules on who qualifies for housing loans in recent months, with credit costs increasing in the wake of the US subprime crisis.

"Lenders are clearly updating their policies and are looking to reduce their exposure to risk," she said.

Ms Nielsen said the survey also highlighted the need for a Federal Government review into the banking sector to closely examine ways of keeping competition alive among lenders with borrowers increasingly struggling to secure finance.

She said entire consumer groups such as mature people (reverse mortgages and non-conforming loans) and small businesses (lo-doc loans and non conforming loans) have simply lost the opportunity to borrow funds.

Ms Nielsen said that the dominance of major lenders was exacerbating the situation and the review by the Federal Parliament's House Economic Committee, announced last month, needed to focus as much as competition as on fees and charges.

“Specialist lenders and building societies are leaving the market in droves, unable to secure liquidity with the credit crunch having pretty much shut down the mortgage-backed securities market,” she said.

“As more lenders exit the industry, market power will further concentrate in the hands of the biggest four or five lenders, making it even harder for deserving applicants to secure a loan.”

Ms Nielsen said figures from the Australian Bureau of Statistics showed the big four banks financed almost 90 per cent of all home loans by value in February, the highest rate in 13 years.

The July online survey looks at whether people believe they have found they have been hit hardest financially by interest rate hikes, credit card debt, petrol price increases or grocery prices rises. People can participate in the survey by visiting www.xinc.net.au
X Inc Finance June survey results:

Q: After the credit crunch, are you finding it harder to get a home loan?

I'm a safe bet but can't get one anymore - 32%

Not at all - 40%

Previous finance issues mean lenders won't even look at me - 28%