

# Low-doc loans dead, says Symond

BY ANTHONY KLAN September 20, 2008 02:39am

AUSTRALIA'S biggest mortgage broker has declared the controversial "low-doc" home loans dead as lenders flee from high-risk products amid the disaster in the financial sector.

Aussie Home Loans founder John Symond said the proportion of low-doc loans - home loans with little or no proof of a borrower's ability to meet repayments - written by the broker had plummeted from 15 per cent to an "insignificant" level below 2 per cent.

"The major lenders still have low-doc loans in their suite of products but it's more for window-dressing because trying to get a loan approved is now virtually impossible," Mr Symond said.

"Our people won't even go there because it's a waste of time. This is the death of the low-doc loan."

But for many lenders - and borrowers who took out low-doc loans - the damage has been done, *The Weekend Australian* reports.

They account for 13 per cent of the loans written by the Bendigo and Adelaide banks, and 38 per cent of homes the group repossessed were bought using the controversial system.

Consumer groups have lobbied against low-doc loans, which entered the system in 2001 as the residential property boom began in the eastern capitals.

Low-doc loans do not require borrowers to provide proof of income, and lenders claim they are favoured by small-business operators who cannot provide proof of a stable income.

But due to their nature - low-doc loans are widely referred to as "liar loans" in the US - they have been widely abused, often by mortgage brokers seeking fat commissions.

Real Estate agent Dara Dhillon - who operates at Ingleburn in Sydney's southwest, one of hardest-hit areas in the property slump - has welcomed the demise of the loans. "The low-doc loan was built on deception and false hope and money for nothing," he said. "It was built on abuse."

Of the major banks, Westpac has the biggest exposure to the low-doc sector, with 5.5 per cent of its loan book estimated to be comprised of those loans.