

## **THE IMPACT OF APRA's ACTIONS**

by Harry Pontikis

The Banking Regulator – APRA, has recently acted to take the ‘froth’ off property prices by increasing the buffer rate used by banks from 2.5% to 3%. This works to reduce the size of the loan borrowers qualify for, as well as having the intended flow-on impact of lowering property prices.

The loan sizes are forecast to decrease by approximately 5%, meaning that people can afford properties which are 5% cheaper than they would have otherwise been able to afford.

The reality is that money has been plentiful and very cheap! Lending policies have been more liberal than they have been for many years highlighting a perceived threat of borrowers defaulting should the economic conditions worsen, inflation rises or people lose their jobs.

This policy negatively impacts first home buyers as they usually need every cent they can borrow to compete against the more mature property purchasers or professional investors.

Either way, this change to the lending parameters comes into force by the end of October 2021 so if you are considering applying for a loan, it may be a good idea to do it sooner than later.