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APRA could target postcodes

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and Duncan Hughes

Suburbs that major banks no longer lend to will be targeted if new legislation is enacted to extend the Australian Prudential Regulation Authority's ability to control the non-bank sector, mortgage brokers and lenders say.

In Tuesday night's budget speech the Treasurer said new legislation could allow APRA to "differentiate the application of loan controls by location".

At first glance, non-ADI or private loans to suburbs with mortgage delinquencies – still very low at 1.29 per cent according to Standard & Poor's in January – would be APRA's focus, private lender Development Finance Partners' Matthew Royal said.

"But non-ADI's would also be disinterested in those suburbs, but they may be getting strong inquiries from borrowers who have fallen out of favour with banks," he said.

"Those postcodes would be those which could be overheated . . . had a lot of borrowing."

To see where APRA could target, the first place to look was the blacklist of suburbs issued by major lenders such as National Australia Bank, Macquarie or AMP, ASX-listed mortgage broker N1 Holdings chief executive Ren Wong said.

He said those suburbs had similar characteristics – newly established, high-density suburbs with a large pipeline of developments.

NAB's confidential blacklist of 120 suburbs issued last year included Sydney areas including the CBD, Homebush and Parramatta, the Melbourne CBD, the Brisbane CBD and regional WA and Queensland.

AMP's blacklist suburbs were similar to NAB and included Waterloo and Zetland in Sydney's south.

Macquarie also said no to similar suburbs and excluded Rhodes in Sydney, Melbourne's Docklands and the Gold Coast.

By implementing these rules, the Treasurer and APRA assumed non-ADIs or private lenders didn't already govern themselves or had lax screening protocols for loans, mortgage broking group Finsure's John Kolenda said.

"The non-ADIs are not stupid, there won't be too much differential between the two streams [of lending] that will cause any concerns," he said.

"They [borrowers] would still have to present their case and if they can't they won't get a loan."

Mr Kolenda said he hadn't seen any evidence of "irresponsible" lending by non-ADI's and "rogue" ADIs were not rampant.

Additionally, non-ADIs such as Pepper already have their own suburbs "watch list".

On the flipside, non-ADI FirstMac's chief executive Kim Cannon was concerned the extension of APRA's powers to non-ADI's would stifle competition, having done that in the past.

"We already report to the RBA on what we do. My biggest concern is that APRA will stifle competition. That's after the recommendation in the recent Commonwealth banking inquiry that ASIC should promote competition in the banking sector," he said.