

# Bank 'blacklist' puts floor under risk

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September 12, 2011

The big four banks are said to keep a list of apartment projects for which they will not give money to borrowers. *Photo: Tamara Voninski*

**It's a reminder that prospective buyers should always sign contracts only 'subject to finance'.**

As if getting a loan and finding the right property were not difficult enough for most home hunters, apartment buyers now face another hurdle - banks are keeping a "blacklist" of buildings on which they refuse to lend finance.

According to mortgage brokers, the big four banks keep a tightly held list of apartment projects for which they will not give money to borrowers because of the type of building, the quality of construction or because of investors turning over units in the building too quickly.

A list of "unacceptable" buildings obtained by *BusinessDay*, circulated by one of the big four banks to its mortgage brokers late in 2010, bars finance for all developments associated with the federal government's National Rental Affordability Scheme, an initiative designed to boost housing for low-income earners around the country.

Most other banks have also refused to finance investors or buyers for NRAS properties, apart from St George, which accepts borrowers for one project in Queensland.

The list of unacceptable properties also bars or severely restricts finance for at least 146 projects in Victoria, 100 in New South Wales and the ACT and a further 127 in Queensland, most of which are serviced apartments, resorts or student accommodation. The list also includes inner-city apartments, cottages on the coast west of Melbourne and a resort south-east of the city near Western Port Bay.

A development in Forster, between Newcastle and Port Macquarie, is tagged "No lending. Refer to credit hotline" on the list. Another entry on the list in Pymble, in Sydney's north, cites the developer as having difficulty obtaining an occupation certificate.

*BusinessDay* cannot identify the buildings for legal reasons.

The list serves as a warning to developers to avoid projects where purchasers face stringent investment hurdles, and to buyers to be wary of entering a contract without checking if finance will be available.

Catherine Cashmore from JPP Buyer Advocates said anyone buying an apartment without a "subject to finance" clause in the contract faced the "hefty risk" they might default on the sale and lose their deposit because the bank's blacklist would mean they were unable to get finance.

Mortgage brokers say lenders are also refusing to provide finance for buyers on many apartment buildings once they reach banks' pre-set "exposure limits", commonly when 15 to 25 per cent of the total number of apartments are already financed by the one lender. "To be safe, this would mean every deal needs to be submitted 'subject to finance' or the buyer risks defaulting on the purchase," Ms Cashmore said.

Shape Home Loans mortgage broker Michael Chan said the big four banks' traditional lending restrictions on apartments of less than 50 square metres were crumbling in the face of a flood of smaller apartments coming on to the Melbourne market.

NAB and Macquarie Bank will consider lending on units down to 40 square metres in size if they are in a high demand - generally inner-city - location, said Mr Chan.

ANZ will now consider any size down to 30 square metres on a significantly reduced loan-to-value ratio of under 60 per cent.

Determined buyers can get around the financial roadblocks put in place by the big banks on certain developments if they want, said Mr Chan. But buyers should be aware of the risks. The big banks refuse finance for sound reasons.

Most smaller banks do not have the resources or past experience to check and rank all developments. Shopping around or getting a broker to do the work for you can also help.

Offsetting the risk for the bank by offering an extremely low loan-to-value ratio, under 50 per cent, can also change your bank manager's mind.

A spokeswoman for CBA said the bank had a "watch list" of developments that required extra care for credit and valuations but did not have a black list of buildings it would not finance "in Victoria or elsewhere".

A spokeswoman for NAB said: "NAB does not keep a list of buildings that the bank will not finance. We look at every inquiry on its merits and make a decision on a case-by-case basis."

Mr Chan said apartment buyers should check with their bank or mortgage broker as to whether the building in which they wanted to buy was acceptable for finance before seeking pre-approval for a loan.

Westpac and ANZ were approached for comment but did not respond.

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Read more: <http://www.smh.com.au/business/property/bank-blacklist-puts-floor-under-risk-20110911-1k455.html#ixzz1pU0njZQQ>