A Snapshot of the Latest Property Rules

Significant protections are currently still in place for tenants who have reason to be worried about inspections of their property during COVID-19. The virus has not gone away and neither have genuine concerns. In Victoria, tenants can decline to permit access to agents and buyers. This can be challenged at VCAT and there have to be genuine reasons for concern. But protections are available.

On the flip side, other changes to the Residential Tenancies Act, due to take effect from 1st July, have been deferred until next year. This has brought some relief to both owners and agents who were trying to come to terms with significant changes, in the midst of huge disruption already washing through the industry.

For buyers and sellers, the current state of play is that up to 20 people can attend an open inspection. A real concern is the possibly unintended consequence of the ban on evicting tenants during Covid-19, or at least until September 2020. This was primarily meant to protect tenants suffering financial hardship. Normally, when a property is sold with a tenant in place, providing the lease term has finished, the owner can give 60 days' notice to vacate, so that vacant possession can be provided to a buyer. Because of the eviction ban, the normal 60 days' notice can't be enforced without a VCAT order. So, a sale can't be made with any guarantee of vacant possession.

Due to the success of the various strategies implemented by our governments, one of the first groups to come out of the "hibernation" appears to be buyers. Certainly quicker than sellers. As a result, the slide in prices is looking more and more likely to being on the lower end of projections. Whilst we have thought this to be the likely outcome for some time now, there is still unlikely to be a rapid recovery. And prices will probably soften a little bit more first.

First-home Buyers Expect Bargains

Around four in five first-home buyers are hoping to get bargain properties for sale as the economic impacts of COVID-19 continue to worsen, the latest report by ME Bank shows.

The study showed that first-home buyers are eager to break into the market over the next 12 months, particularly those falling under the millennial age group.

Andrew Bartolo, general manager for home loans at ME Bank, said first-home buyers are trying to find a silver lining in the current economic climate. He said with the potential for price falls and the low interest-rate environment, many first home buyers are optimistic about stepping onto the property ladder.

The study also found that first-home buyers are eyeing to target regional areas, with two in three saying they are more likely to consider regional properties to save money and improve their lifestyle.

"New remote and flexible working arrangement brought in to accommodate for COVID-19 have clearly influenced Australians' settlement towards buying in regional areas," Bartolo said. "It's now a more feasible option for many and if prices are lower in those areas and you think it will improve your lifestyle – of course it's an attractive possibility."

Housing grants are also driving first-home buyers. According to the study, over half of first-home buyers are interested in applying for housing assistance schemes like the federal government's HomeBuilder program.

"With strong interest from first home buyers as seen in the report, hopefully, the HomeBuilder grant will help more younger Australians get their foot in the door and increase buying activity in the wider market as a result," Bartolo said.

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Calls for Extension of HomeBuilder Grant

The federal government's HomeBuilder grant should be extended and expanded to be able to support Australian homebuyers who are still in the dark about the scheme's application guidelines, according to KDL Property Group.

Ken Leicester, managing director of KDL, said the time-limited program needs to be extended given the difficulty Australians have to face in the homebuying process.

"I think the program will need to be extended beyond December 31 and also more clarification provided in regards to eligibility," Leicester said. "It's proving to be very difficult for applicants to have everything locked in within such a short time. If people can't lock down a time for construction to start on their new home or renovation, then they could miss out."

The HomeBuilder scheme aims to provide $25,000 in assistance to Australians who are planning to construct a new home or renovate their existing property.

The federal government recently made key changes to the scheme, which initially provided a fixed-three-month timeframe for homebuyers to commence the construction of their home or renovation projects.

Under the new rules, the scheme will now provide the necessary time for homebuyers to arrange their finance approvals, building approvals and meet other legal requirements before work is required to commence.

The current mechanisms in each state and territory will be used to distribute HomeBuilder payments. They are slated to process applications for the scheme until the end of the year. However, there are no updates yet about the commencement of applications.

Lender Ramps Up Home Lending Scrutiny

COVID-induced crackdowns on home loan serviceability have continued with yet another lender reducing its risk appetite.

BOQ group (includes Virgin Money) has revised its credit policy for home loan applications as part of its "ongoing commitment to responsible lending."

The bank has informed brokers that effective immediately, it will undertake "more thorough reviews" of mortgage applications from borrowers with a debt-to-income ration (DTI) – total debts divided by gross income – that exceeds 6.

BOQ is the latest of a number of lenders to lower its DTI threshold, joining the likes of ANZ and Teachers Mutual Bank Ltd (TMBL).

The non-major bank has also made changes to its minimum nominal rental requirements for mortgage applications.

Effective for all home applications (including top-ups) submitted from 20 July, BOQ will include a minimum nominal rental figure of $650 per month in its serviceability assessment.

These changes have come amid growing credit quality concerns linked to the economic fallout from the COVID-19 pandemic.

These changes have come amid growing credit quality concerns linked to the economic fallout from the COVID-19 pandemic.

According to the Australian Banking Association (ABA), COVID-induced uncertainty has pushed approximately 800,000 borrowers into loan deferral arrangements, over 61 per cent of which are mortgage-holders.

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Banks Announce Expanded Loan Deferral Policies

Australian banks have announced that they will support customers with a new phase of COVID-19 support, extending mortgage repayment deferrals by another four months, where appropriate.

The Australian Banking Association (ABA) and the major banks have confirmed that they are implementing a new phase of support for customers impacted by the COVID-19 pandemic.

While many of the 800,000 bank customers who had deferred their repayments have already begun repaying their loans following an initial three-month hiatus, many more will look to do so at the end of their six-month deferral period.

However, following discussions with APRA and ASIC to provide the appropriate regulatory treatment (and with interim authorisation granted by the ACCC), the banks have now agreed to extend this support package on a case-by-case basis for customers who require it.

Customers with reduced incomes and ongoing financial difficulty due to COVID-19 will be contacted by their banks and, if they cannot return to repayments or restructure/ vary their loan to support their current financial situation, they may be able to extend their repayment deferral by another four months (ending no later than 31 March 2021).

For most banks, this will be considered only when the current deferral is expiring.

The ABA has said that banks will work with their customers to determine "the best long-term solution for their individual circumstances" should they continue to be severely impacted and unable to make repayments during or at the end of any deferral.

Quote of the Month

"A deferral extension of up to four months will not be automatic. It will be provided to those who genuinely need some extra time. Many customers may need less than four months to either restructure their loan or get back into full repayments."

Anna Bligh
CEO of Australian Banking Association