Banks Slash Loan Approval Times

The big four banks have significantly reduced home loan approval times, with the major lenders claiming turnaround times of two days or less for straightforward loans.

The increased pace of decision-making is allowing more first-home owners to enter the market and contrasts with bottlenecks in the approval process following the Hayne royal commission.

The banks say their processes have been streamlined and they can make decisions much faster. ANZ, Commonwealth Bank, National Australia Bank and Westpac have revealed that their turnaround times for home loan approvals had dropped to as low as a day for an existing customer earning regular income.

National Australia Bank CEO Ross McEwan says NAB can approve a "vanilla" home loan in as little as 24 hours.

"For a simple home loan through one of our branches, 50% are approved in less than a day and the other 50% are less than five days," McEwan says.

Rising Market Pleases Fed Govt

The Federal Government says it is "very pleased" that high consumer confidence is leading to a "strong housing market" and remains unconcerned about rising debt levels.

The Reserve Bank has warned that optimistic borrowers may lead to a debt blowout. But Assistant Treasurer and Minister for Housing Michael Sukkar says the Federal Government is pleased that high confidence levels, the strength of the economy and the improving unemployment rate are leading to a strong housing market - with first-home buyers are at 15- year highs and owner-occupiers dominant.

"On average, we're looking at affordability being at 20- year highs, which is why first-home buyers are at such high levels and why owner-occupiers are nearly threequarters of the market," Sukkar says.

He says owner-occupiers are in "an absolutely dominate position" because $220 billion has been saved by business and households during the pandemic. "A lot of that $220 billion is now finding its way into investment in housing," Sukkar says.

Vacancies Tight In Most Cities

Rental vacancies remained low in March and rents continued to rise in the smaller capital cities and in regional Australia, according to figures published by SQM Research.

Vacancy rates are below 1% in five of the eight capital cities and 1.5% in Brisbane, after vacancies fell in March in Melbourne, Canberra and Darwin, and remained unchanged in Brisbane, Perth and Hobart.

SQM says that, overall, the national residential rental vacancy rate rose to 2.1% in March from 2.0% in February. The rise was driven by an increase in vacancies in Sydney, from 3.3% to 3.4%.

With vacancy rates tight in most locations other than Sydney and Melbourne, house rents have risen 14.7% nationally in the past 12 months, while unit rents rose 6.5%, pushed up by strong growth in regional locations.

House rents rose 2% or more in Adelaide, Perth and Brisbane over the month to 12 April, while unit rents also rose. Over the year, rents have shown strong growth in the smaller cities, including rises of 25% for houses and 11% for units in Darwin.

Banks Ease Lending Criteria

Leading mortgage brokers say banks are cautiously taking the brakes off home lending and removing extra checks on borrowers that were introduced at the height of the pandemic.

The trend comes amid an ongoing surge in new lending, but brokers say they are not seeing a rise in high-risk borrowing, and nor do they believe regulatory caps on home lending will be introduced any time soon.

Several brokers including Aussie Home Loans and its merger partner Lendi say banks have become less conservative compared with the height of the pandemic last year.

Aussie chief executive James Symond says banks had “pulled in their horns” during the peak of the pandemic, but are now taking a more “commercial” approach to credit assessments. “We are seeing a more balanced approach by the banks,” he says.

Lendi says the proportion of loan applications where lenders are requesting more information from the customer has dropped from 48% in March 2020 to 28% this year