Comments and Questions Relating to APRA's Blunt Intervention in the Property Market as it Relates to Property Investors.

My submission is intended to prompt discussion and resolution/s to the treatment of property investors as a result of APRA's instructions to the Banks to increase interest rates for property investors.

Firstly, I must say I was relieved to hear the Productivity Commission's statement relating to the perverse situation brought about by APRA's directions to the financial institutions as they relate to the treatment of housing investors. When I first heard this APRA announcement, I came to the same conclusions that you have outlined and was gob smacked that it appeared as if there was no one "awake at the wheel".

Given that the intention of APRA's intervention was to "cool" the current housing market, I am also very disgruntled that this action was retrospective and not limited to new investment loans. As stated in the draft report, this action further increased the amount of "cream" that the banks have received at the tax payers' expense.

There is an as yet unexplored outcome that has yet to eventuate but one that will come into play in the near future and that is, what happens when the Reserve Bank starts to raise the cash rate or the overseas borrowing rates begin to rise ?

Based on the current situation, the investor market that has been targeted may well be able to endure these rate rises if they were being treated as they were prior to APRA's impost but now they will be at greater risk of becoming distressed borrowers. (A cynical person may argue that this is APRA's long term plan to force more properties on to the market).

Are investors and entrepreneurs within the real estate market to be actively discouraged / discriminated against for their participation ?

Whilst the underlying intention of this misguided strategy is to allow first home buyers access to the "market", how does APRA intend to maintain and grow the housing market for the temporary international students / workers who require short to medium term rental accommodation and new immigrants who are not yet in a position to purchase their own home ?

So my key question is, going forward how should investor loans be treated ? If rates rise, should investment loan interest rates be kept on hold until such time as they equalise with the true market rate or is the status quo to be maintained such that investors continue to be discriminated against to their detriment ? If the latter is true, the banks will still increase their profits, the tax payers will still be contributing to these profits but there may well be a great number of investors who will be placed into hardship, distress and mortgage delinquency possibly resulting in bankruptcy whilst yet again, the banks profit at the expense of distressed investors.

One has to wonder why the ACCC can allow APRA to establish such an anti-competitive / discriminative environment for these consumers ?

This doesn’t just affect negatively geared investors, it affects all investors. Those who are positively geared will be somewhat better insulated against interest rate rises and whilst it reduces the disposable income they earn. It also reduces the tax that they pay but increases their contribution to their financial institution’s profits at both their own and the tax payers’ expense.