Senate Economics References Committee

ANSWERS TO QUESTIONS ON NOTICE

Financial Regulatory Framework and Home Ownership

Agency: Australian Prudential Regulation Authority
Question No: 3
Topic: House Prices and Share of New Lending
Reference: Spoken
Senator: Senator Bragg

Question:
Senator BARBARA POCOCK: That's helpful, but I'm actually trying to get at what impact those particular measures had on house prices and on the share of lending to owner-occupiers versus investors. Are you able to answer that, or would you like to take it on notice?
Mr Gower: We will take that on notice for the exact numbers.
Dr Carmody: One thing I will note is that, certainly, once those measures came in place, the share of investor lending relative to owner occupied did drop, which, as my colleague said, was exactly the intended effect. But we can take on notice the flow-through to house prices at the time.

Answer:
APRA conducted a review of its residential mortgage measures in January 2019, including an assessment of the impacts of its investor and interest-only lending restrictions – see paper here: Information paper - Assessment of APRA's measures on residential mortgage risk[1].

Before APRA's December 2014 announcement of a 10 per cent benchmark on annual investor credit growth, investors' share of new housing loan commitments was 45 per cent in the month. It subsequently reached a low of 34 per cent in November 2015. Credit growth for investors was above 10 per cent for the year to December 2014 and declined to below 4 per cent by mid 2016.

Before APRA's March 2017 announcement of a 30 per cent benchmark on the share of new interest-only lending, investors' share of new housing commitments was 40 per cent in the month. It subsequently declined to 30 per cent in December 2018, at the time APRA announced the removal of the interest-only lending benchmark. Credit growth for investors was just above 6 per cent for the year to March 2017 and was below 2 per cent by late 2018.

APRA has not assessed the impact of these measures on house prices.

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[1] https://www.apra.gov.au/sites/default/files/review_of_apras_prudential_measures_for_residential_mortgage_lending_risks_-_january_2019.pdf.