

**6 October, 2021**

### **UDIA cautions against using a heavy stick to credit availability**

The announcement today by The Australian Prudential Regulation Authority (APRA) to increase the minimum interest rate buffer it expects banks to use when assessing the serviceability of home loan applications, was received by the Urban Development Institute of Australia (UDIA) with some caution.

The move could have the negative effect of pushing people out of home ownership particularly as recent evidence of tightening also shows that it has only a very small impact on stabilising house prices, at a time when there is increasing pressure to make housing more affordable.

Whilst UDIA recognises that there are affordability challenges in the residential market, these are greatly influenced by dysfunctional planning systems, a complex maze of red and green tape, especially with the application of the EPBC Act and an enormous burden of state and local government taxes on the property industry, all contributing to a lessening of supply and negative impacts to affordability.

Prior efforts to curb perceived risks in lending practices had the effect of substantially stalling the availability of finance for new projects, stifling supply with the negative impact to affordability following. An alternative approach would be to increase bank's equity requirements to ensure financial stability instead. The flow of reliable and dependable credit is the lifeblood of the economy. It sustains economic growth, jobs and home ownership.

The need to closely monitor, mortgage arrears and defaults is understandable, however they have remained at low levels even with the increase in recent activity. The Reserve Bank has made clear it expects the cash rate to remain unmoved until 2024, which is welcome news for mortgage holders, and people seeking to purchase a house.

UDIA cautions regulators in taking a heavy stick to credit availability and not to put at risk the economic recovery from the pandemic that the property industry has demonstrated before and will into the future enable an economic bridge for recovery.

“Our industry employs over 750,000 people and contributes enormously to the economic fabric of the nation.”

“We urge financial regulators to take a cautious approach to any further intervention in housing lending, to avoid the unintended risk of choking developer finance, stifling consumer credit and housing supply and having unintended consequences on overall affordability and home ownership for thousands of Australians.” said Simon Basheer, UDIA National President.

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