

First-home buyers swamping banks

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LENDERS are struggling to keep pace with an unexpected increase in applications from first-home buyers, taking as long as a month to approve loans, which has led to some buyers missing settlement dates.

Strict new lending criteria are adding to delays, as is the inexperience of new home buyers having trouble navigating a maze of paperwork.

Banks are being forced to add staff to mortgage processing divisions, which they had previously run down.

In a recent note to mortgage brokers, seen by the *Herald*, St George Bank's head of intermediary distribution, Steve Heavey, said the bank had hired additional staff to cope.

"Our processing area continues to be under increased pressure as we clear our pipeline following our recent campaigns," he wrote. "We ask for your patience during this period and request that you manage your customers' expectations during this difficult time."

Mr Heavey also raised the issue of borrowers missing settlement dates if documents were signed incorrectly.

"The additional time required to reissue and re-check documents can inhibit the bank's ability to meet a customer's required settlement date, and in some instances result in settlement dates being missed."

First-home buyers have until June 30 to qualify for the increased first-home owners grant, worth up to \$24,000 in NSW for a new home and \$14,000 for an established one.

A spokesman for the Commonwealth Bank, Steve Batten, said the bank had also taken on extra staff in its mortgage processing division.

He said about half of all applications received by the bank for the first-home buyers grant in NSW required "a rework" because of insufficient or incorrect information provided on the forms, adding to delays. The figure was 90 per cent in Queensland.

"There is a massive volume at the moment of people trying to get into the market," Mr Batten said. Staff were working at weekends to clear the backlog, and waiting times for approval had been reduced from 20 days to 10.

Citibank recently told brokers it would no longer be granting pre-approved loans, where a property has not been secured. RAMS has warned that loan approvals will take up to 28 days.

The principal broker at Citieast Finance, Peter Howe, said one lender had taken an entire month just to start looking at an application.

"The process of organising finance and buying a property can be quite daunting for some first-home buyers," he said.

"A good broker will do everything possible to have your finance approved and ready for settlement. This is not so easy at the moment; there are a couple of banks with products that are very attractive to first-home buyers that are struggling to process the volume of applications they have received in the last months.

"In the current market, processing time should be as important [a criteria for borrowers] as available interest rates."

An adviser at Ward Finance, Roger Ward, said the flight to the safety of the big banks had caused a logjam in their mortgage approval sections: "It's taking about three to four weeks to get loans priced and approved."

The principal broker at The Home Loan Office in Bankstown, Murat Bayari, said lenders had been caught out by the first-home buyers rush.

"When there was a downturn last year, the banks may have cut back on their lending staff. When the rush actually hit, they weren't prepared."