

General Manager  
Policy Development  
Policy and Advice  
Australian Prudential Regulation Authority

Dear Sir,

I thank the APRA to come up with a Public Consultation on the APG 223 as certainly the Community at large has a grief around being unable to refinance their loans to a more competitive 3.5% from 5-5.5% that existed before the regime was introduced in 2014 and revised in 2017.

This has led to the death of competition and also people had to sell properties only for the heck of certain investment companies and overseas people abusing the system.

I plead to the APRA to be reasonable whilst prudent in their approach and think of the impacts of its decision on the overall economy and the competition in the market.

I did complain to ACCC and FOS who have said they do not have power to deal with the issue of the non- competitive position that came up due to policies from a relevant statutory authority such as APRA.

The customer and consumer of the loans are at a receiving end due to this multi agency transcendental issues.

Before we submit to you the changes as against what is proposed by the Consultation paper, we would like to give you a background.

- Between myself and my wife we earn a good PAYG and rent amounts from our three
- When we approached the banks with facts and figures from our PAYG, Expenses Summary, Rent receipts we were told that our refinancing is unserviceable. This is while the current outgo from our salaries is more due to current interest rates in P&I loans and if we were to move into Interest Only Option we will have a better cash flow and savings.
- This has led to an uncompetitive loan when people are on 5% fixed whereas market rates whether for the OO or for the interest only type are just 2% above the RBA cash rate.

We therefore submit as below:

- We request that APRA should nominate an assessment rate as 3% above the RBA Cash Rate.
- We submit that the interest only period is limited to 3 years to avoid carrot games.
- We submit that the rents are considered at a 90% of total gross interest
- We submit that banks and online lenders shall be allowed to factor 2-2.5% as PAYG salary increase for the period of loan and 2.5-3% profit increase for non PAYG income. This will enable level playing field for business borrower and overseas borrower through local contact.
- We submit that the refinance period be fixed at 30/28/26/24 years from age group 45/50/55/60

- We submit that banks and on line lenders are allowed to consider the above irrespective of the number of property one holds.
- We submit that the banks and online lenders are allowed to factor in a standard 25% tax to income due to negative gearing. This will avoid rich people or SMSF taking advantage of negative gearing and normal investor being left out.
- We submit that the banks including the online banking / parallel lending institutions to divulge the formula they are using for all the above calculations. The more the consumers are informed and the more the transparency the better would be economy as a whole.

Many thanks for your cooperation.

Regards  
Hemant Kukde