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Lenders launch 50 repossession notices a week

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Craig Binnie and Rachel Hewitt
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SPECIAL REPORT: BANKS say they are not at fault for more than 50 homeowners a week being hit with repossession notices, some after missing a few repayments.

Association chief David Bell said non-bank lenders were "irresponsible" and their lending practices had been behind the increase, and major banks comprised only a small proportion of delinquencies, he told 3AW radio today.

"The major difference between banks and other lenders is that banks are very careful about lending money.

"We want to make sure that our customers pay that money back.

More than 50 Victorians every week are being hit by repossession notices, with action taken on 707 properties in the past three months, the *Herald Sun* revealed today.

Banks have launched action to take 707 properties, worth more than \$200 million, in the past three months.

Homeowners are being served with repossession orders in some cases when they are only \$2000 or just a few weeks behind in repayments.

Melbourne's western and outer-eastern suburbs are among the hardest hit.

And wealthier suburbs are not immune. The latest figures reveal repossession claims in areas including Kew, Ivanhoe and Surrey Hills.

And worse may be ahead. The most recent rate rises are yet to bite and further increases are forecast this year.

The full extent of Victoria's mortgage pain is revealed in an extensive *Herald Sun* analysis of Supreme Court repossession writs, which found:

MELTON is the home repossession capital of Victoria.

REPOSESSION applications reached a record of 3001 last year, after 12 interest rate rises over six years.

HALF of all claims involved owners who had their homes for less than two years, and two out of 10 involved borrowers who had owned their home for less than 12 months.

BORROWERS who don't pay on time are being charged penalty interest, double the original rate. Some are being charged 20 per cent on loans and default rates of up to 40 per cent.

SOME borrowers who default have to repay more than they borrowed in the first place.

The average loan being called in was \$244,000, on which repayments have risen by \$460 a month since 2002.

A loan of this size, taken out at today's average rate of 8.95 per cent, would cost an extra \$138,000 in interest over 25 years when compared with 2002's interest rate.

Homeowners have told of repayments rising above their income and financial stress leading to ruined relationships.

Former Croydon homeowner Rodney said he was just \$3000 behind on his mortgage when he found the locks had been changed by his bank.

A Narre Warren family said their non-bank lender refused to give them time to catch up on repayments, and told them it wanted to sell their house before property prices fell.

Supreme Court files show many homeowners are falling behind on repayments within months of buying. Some do not even make the first repayment.

Fears are growing that a fire sale of properties will leave lenders out of pocket and borrowers being hounded for years to repay shortfalls.

Unregulated mortgage brokers, who are paid for every loan they organise even if the borrower defaults, organised loans for more than half of the evicted homeowners.

Mortgage industry analyst Denis Orrick said lenders were evicting borrowers faster than ever, especially in new housing estates.

"The lenders don't want to be last in the suburb to sell," Mr Orrick said.

"They expect a percentage to be sold and they want to get their money back before the market goes down."

Supreme Court files show lenders claiming a record 57 homes a week, triple the level of five years ago.

The number – 14,596 since 2001 – has risen in line with interest rates.

While the western and outer-eastern suburbs are the worst affected, defaults in country Victoria are also high.

Melton had the highest number of repossession claims (17) in the past three months.

But repossession claims were the most concentrated in outer-suburban growth corridors including Narre Warren, Cranbourne and Berwick.

National Australia Bank was the nation's single most aggressive lender, applying to seize 1431 homes – more than four a week – in the past seven years.

Repossession writs do not always result in evictions; NAB repossessed 278 properties in the past 3 1/2 years.

The Commonwealth Bank, which has almost 24 per cent of the mortgage market compared with NAB's 18 per cent, applied to repossess 1052 homes – more than three a week – in the same period.

But non-bank lenders and mortgage brokers caused the greatest hardship.

High-priced lender of last resort Secure Funding (formerly Liberty Financial) sought 479 repossessions despite a small customer base.

Non-bank lenders initiated more than half of all repossessions despite having less than 25 per cent of the market.

Research by Datamonitor found 15 per cent of mortgagees had no deposit.

Financial planner David Strybosch, of MyLife Financial Planning, said rising defaults were caused by lenders giving money to people who probably should not have been given loans.

"A lot more lenders have come into the market and they relaxed who they gave money to to capture market share," Mr Strybosch said.

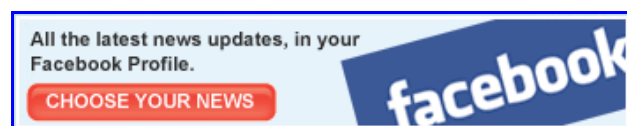
"And these are people who probably shouldn't have been able to get loans.

"Some of them borrowed 100 per cent of their property's value, even though they had no savings record, and when interest rates went up, they couldn't cope."

with Matthew Schulz and Alice Coster

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