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Major lender swings axe on loans for flammable cladding buildings

Duncan Hughes *Reporter*



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ASX-listed Resimac is set to axe mortgages to apartments known - or suspected - of being clad in combustible materials, the first big lender to publicly take a hardline on lending to borrowers wanting to buy in risky buildings.

The non-bank lender is set to make an announcement despite affected buildings across the nation being kept secret by state governments and developers.

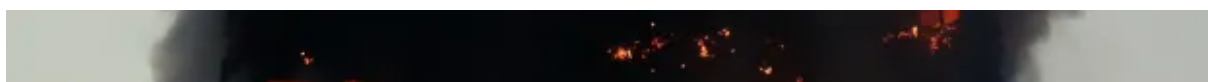
Mortgage brokers warn other lenders are likely to quickly follow and that it will make obtaining credit for apartments “exceptionally difficult”, particularly buyers in large high rise complexes.

Resimac’s new rules will apply to new and pipeline arrangements, which could create problems for off-the-plan borrowers seeking final approval of a loan.

From next Monday Resimac, which has a loan book of about \$13 billion, will stop lending to any unit or apartment within a building or development with non-compliant, or non-conforming external cladding.

The ban will also apply where valuation reports state that the apartment is located with a building or development that “appears” to be clad in combustible materials unless a builder, surveyor, or engineer can certify otherwise.

In addition, where an apartment is located within a complying building there must be evidence the strata insurer was aware of the cladding and that it complied before approving cover.





Flames rise from the Grenfell Tower building on fire in London where 72 people died. **AP**

Tough new lending policies are likely to increase pressure on state governments to publish lists of hundreds of buildings and thousands of apartments that are at risk, particularly in Melbourne, Sydney and Brisbane.

Sales disclosure requirements vary between states. Under current rules, purchases rely on vendors to declare any issues with cladding in sale documents.

Mortgage brokers claim this is not always done.

Other lenders and insurers will be expected to follow in a bid to prevent costly claims and potential problems with mortgage payments.

Industry specialists claim there is increasing nervousness in the industry about the potential scale and cost of the problem, despite reassurance from state governments that action is being taken.

Combustible cladding is a potential safety risk for residents and a reputation risk for developments and their owners, as demonstrated by the publicity surrounding the Neo200 apartment building fire in Melbourne and [London's Grenfell Tower](#).

The value of buildings identified as having combustible cladding fall sharply and are harder to sell, according to real estate agents.

“New lending rules will make it exceptionally difficult for apartment buyers to obtain [credit](#),” warns Christopher Foster-Ramsay, principal of Foster Ramsay Finance, a mortgage broker.

CBA, the nation's largest lender, [is calling for the creation of a searchable public register of buildings](#) with flammable cladding to ensure potential purchasers know what they are buying.

Other lenders, such as Westpac Group, the nation's second largest lender, has publicly panned the idea.

In NSW, owners of buildings with external cladding combustible cladding are required to register their buildings at a government online portal.

In Victoria, the government has a list of affected buildings but has refused to disclose publicly over privacy concerns and fears of arson attacks.



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