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100% home loans return

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DESPERATE homebuyers are signing up to mortgage products with little or no deposit saved — and in some cases taking out loans of more than 100 per cent.

In what some experts fear is a return to dangerous ways, some lenders are luring customers with no savings to take on hefty loans and become swamped with debt.

Analysis of the nation's home loan market by financial comparison website Mozo found dozens of products available to customers where they need virtually no money behind them to purchase, raising concerns of whether they could repay the loan.

The maximum borrowing capacity is 120 per cent — more than the value of the property, allowing borrowers to consolidate other debts.

But some lenders do require guarantors to secure the loan.

Mozo spokeswoman Kirsty Lamont said there were mortgage products on offer that required no deposit.

"The highest loan-to-value ratio (amount borrowed compared to value of the property) that most lenders will go to is generally 95 per cent," she said.

"However there are some that allow borrowers to capitalise the lenders' mortgage insurance on top of the loan amount instead of paying the lenders' mortgage insurance up front, which brings the total to 97 or 98 per cent."

Lenders' mortgage insurance (LMI) — taken out to protect institutions in case a borrower defaults — allows customers to borrow close to 100 per cent in some instances.

Some loans on the market offer customers a maximum loan amount of 100 per cent including insurance costs. RAMS fast-track loan offers customers up to a 120 per cent maximum loan amount with mortgage insurance, but a guarantor is required. Customers can also consolidate their existing debts with the loan.

ANZ has multiple home loan products allowing 100 per cent loans, but requires a guarantor. Mortgage House offers a 105 per cent loan with no guarantor.

Tom Godfrey, a spokesman for consumer watchdog Choice, said he was concerned that lenders were returning to the bad old ways of before the global financial crisis.

"We've heard of banks lending up to 15 per cent or 20 per cent over the value of the actual home, a state of over-gearing that can be a formula for disaster," he said.

"It's especially worrying in the context of a hot property market and millions of young Australians forced to live in insecure and expensive rentals.

"With little or no equity required, many may be tempted to get in over their heads."

Australian Bankers' Association chief executive Steven Munchenberg said banks were not taking on riskier customers and responsible lending was in full force.

"If banks had taken on higher-risk customers, you would expect to see higher levels of loan defaults and missed loan repayments," he said.

"For banks, loan arrears are at low levels. Australian banks lend responsibly and are required by law to do so."

He said customers who applied for 95 per cent or higher loans did not always get them.

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