INDUSTRY STATEMENT

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SMSF residential lending ban will hurt retirement savings of working Australians

Australia's non-bank residential mortgage lenders are concerned the Government's decision to ban new limited recourse borrowing arrangements (LRBAs) for residential property within self-managed superannuation funds (SMSFs) will disadvantage ordinary Australians, undermine retirement saving strategies and weaken competition in lending markets.

The industry says the measure is rushed, blunt, and inconsistent with the Government's stated objectives to support housing affordability and promote retirement savings. The ban was agreed without consultation and includes a transition period of just 45 days after Royal Assent, leaving borrowers, lenders, brokers and advisers scrambling to manage the implications.

While existing arrangements will be grandfathered, urgent clarity is needed on pipeline transactions and whether refinancing will remain viable and workable in practice.

The latest data shows SMSFs currently hold around $75 billion in LRBA-supported assets, backed by $28.9 billion in debt, which equates to average gearing of just 39%. This is much lower than residential property lending outside superannuation. The Government has also acknowledged these arrangements represent less than 1% of total residential property lending and less than 0.5% of new residential property lending each year.

Importance of ensuring evidence-based policy

The policy revisits a recommendation made more than a decade ago, prior to significant reforms to superannuation governance, SMSF oversight, macroprudential settings and lending standards.

"This change by the Government is not based on current evidence. It responds to yesterday's market, not today's. The system has evolved, the guardrails are stronger, and the rationale for a blanket ban does not stack up. This change does not target residential property speculation and will not move the dial on housing affordability," said **Mario Rehayem, CEO of Pepper Money**.

"What this does is shut down a tightly regulated and important financial service with a long record of safe operation. While it's a small part of the broader lending market, for working Australians with an SMSF it has a really important role in their retirement savings strategy. Preventing the use of modest borrowing for residential property will disadvantage many Australians and limit their ability to maintain a diversified portfolio, particularly in times of global and market uncertainty," said **James Boyle, CEO of Liberty Financial**.

Importance of understanding SMSF lending

The industry said those most affected will not be wealthy speculators or professional investors, but working Australians using SMSFs as part of a disciplined, long-term retirement strategy.

"The premise that SMSF residential property borrowers are wealthy is far from the truth. Our portfolio reflects a broad range of Australians, many using relatively modest SMSF balances as a pathway to a form of home ownership," said **Pete Lirantzis, CEO of Resimac**.

"For many SMSF trustees, this is not about speculation, it is about using their superannuation as a practical pathway to own property for retirement and build long-term financial security. Removing that option risks locking Australians out of the property market and leaving them facing a lifetime of renting in retirement. This also runs counter to the Government's stated objectives and, in practice, property within SMSFs will now only be accessible to those wealthy enough to purchase outright, rather than ordinary Australians in their thirties, forties and fifties planning for retirement," said **Marie Mortimer, CEO of Firstmac**.

"SMSFs are not just for wealthy or older Australians. Many younger Australians are actively engaging with their retirement savings. This policy risks penalising those Australians taking responsibility for their financial future and removes a viable pathway for building retirement security," said **Mark Jones, CEO of Bluestone**.

Importance of supporting superannuation diversification and choice

The industry also warns the ban may create asset and risk management challenges for SMSF trustees by making it harder to maintain appropriate diversification.

"Diversification is a core principle of prudent retirement planning, yet this measure makes it more difficult for SMSF trustees to maintain a balanced mix of assets across shares, fixed income, cash and property; just as other super funds do and will continue to be able to do. For many SMSF trustees, residential property is not speculative — it is central to how they manage risk and plan for the long-term," said **Jonathan Street, CEO of Thinktank**.

The industry said the practical effect of the ban would be to significantly limit the role of residential property in future SMSF strategies, even while other superannuation vehicles retain flexibility to invest in property.

An outright ban will effectively remove residential property from SMSFs for many Australians, regardless of whether it is appropriate for their circumstances. SMSFs already operate within strong guardrails, including trustee duties, balance constraints and structural safeguards that distinguish them from speculative investment.

"This is not unchecked activity — residential property is a legitimate part of a diversified retirement portfolio. Rather than applying targeted, calibrated settings, the Government has chosen a blanket approach. Removing residential SMSF borrowing does not eliminate demand for property investment within superannuation," said **Andrew Chepul, CEO of ColCap Financial Group**.

Importance of promoting competition in lending markets

The impact of this policy is also expected to fall disproportionately on the non-bank lending sector, which has supported competition following the major banks' withdrawal from SMSF lending over the past decade.

"This is another setback for the segment of the market that drives competition, innovation and choice. The major banks exited this space years ago. Non-bank lenders have since developed expertise and served borrowers responsibly," said **Calvin Cordle, CEO of RedZed**.

The 45-day transition period was described as unworkable for borrowers and businesses with transactions already underway.

"There are pipeline deals, signed contracts, approved loans and scheduled settlements now facing a 45-day deadline. These are not speculative — they involve real people who have already incurred costs in reliance on a well-established framework. The Government must urgently clarify how these borrowers will be treated," Mr Cordle said.

Recommendation: Implementing a proportionate and targeted policy

The industry said that if the Government proceeds, a more balanced alternative would be to allow limited recourse borrowing for one residential property within an SMSF.

"If the Government is determined to act, a more proportionate approach would be to allow borrowing for a single residential property within an SMSF. This would preserve diversification, maintain appropriate guardrails, support trustee choice, and better align with the Government's stated objectives," Mr Rehayem said.

Further, the industry is calling on the Government to urgently clarify the treatment of pipeline transactions, confirm that refinancing of existing residential LRBAs remains permitted, and provide clear operational guidance to borrowers, lenders, brokers and advisers.

"This policy was introduced without consultation, detailed modelling or evidence of systemic risk. It should be reconsidered before it materially reduces Australians' capacity to build sustainable retirement savings," Mr Rehayem said.

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