Australian Finance Industry Association

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New industry data reveals scale of SMSF residential lending ban far exceeds Government estimates

New data from Australia's specialist non-bank lenders reveals the Government's ban on new residential limited recourse borrowing arrangements (LRBAs) for self-managed superannuation funds (SMSFs) will affect a market significantly larger than official estimates suggest, with major implications for housing supply and competition in the mortgage market.

Preliminary data provided by members of the Australian Finance Industry Association (AFIA) shows over 16,000 new residential SMSF loans were written in FY26, with total security of $10.3 billion. As AFIA members do not represent the full market, the true figure is likely higher.

This is approximately four to five times the ATO's average yearly estimate of 4,000 new LRBAs, and suggests the scale of this market, and the impact of the ban, may not have been fully understood when the amendment was passed without consultation.

AFIA chief executive Diane Tate said the data painted a very different picture of the market than the one on which the policy was based.

"This is not a small or marginal segment of the lending market. Our members alone wrote over 16,000 new residential SMSF loans in FY26. The ATO estimate of 4,000 per year is based on data that Treasury officials have acknowledged is around three years old. The policy was designed around an incomplete picture and supposedly a review conducted well over a decade ago."

The member data also shows that residential SMSF lending is written at an average loan to value ratio (LVR) of approximately 67 per cent, significantly below the 70 to 80 per cent LVR typical of mainstream residential investment lending. This directly addresses the systemic risk rationale cited in support of the ban.

"At an average LVR of 67 per cent, with substantial member equity contributions and a heavily supervised regulatory structure, the systemic risk argument does not stack up against the evidence," Ms Tate said.

AFIA is not calling for the ban to be reversed. AFIA is recommending a targeted exemption for new residential dwellings, using the existing definition in section 26-160 of the Income Tax Assessment Act 1997 already legislated as part of the Government's own tax reform package.

"The Government has already drawn a principled distinction between new and established residential dwellings in its CGT and negative gearing reforms, preserving full concessions for new dwellings to encourage housing supply. Applying that same logic to SMSF borrowing is internally consistent, uses the Government's own drafting, and does not reopen the core policy agreement," Ms Tate said.

"A significant portion of our members' SMSF lending is already directed toward new build residential dwellings. A new dwelling exemption would preserve this private capital contribution to housing supply at exactly the time the Government is trying to build more homes. Residential property held in an SMSF is rental stock, so this form of property ownership is not only good for supporting new housing, but critical for underpinning the rental market."

"Non-bank lenders stepped into this market when the major banks withdrew in 2018, and they have driven genuine competition, innovation and choice for SMSF trustees ever since. Removing this segment does not just affect SMSF trustees, it weakens competition in the broader mortgage market, and directly and adversely impacts housing supply and affordability across markets."

AFIA is also calling on the Government to provide urgent clarification ahead of the August 10, 2026 commencement date on the treatment of exchanged contracts, off-the-plan purchases and refinancing arrangements, to ensure an orderly transition for borrowers who acted in good faith under existing law.

AFIA and its members remain committed to working constructively with the Government and Parliament to ensure the measure is implemented in a way that supports housing supply, protects competition, innovation and choice, and does not create unintended harm for working Australians entering home ownership and planning for their retirement wellbeing.

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MEDIA CONTACT

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ABOUT AFIA

AFIA is the only peak body representing the entire finance industry in Australia.

We represent over 150 members, including banks, finance companies, fintechs, providers of vehicle and equipment finance, car rental and fleet providers, and service providers in the finance industry. We are the voice for advancing a world-class finance industry and our members are at the forefront of innovation in consumer and business finance in Australia. Our members finance Australia's future.

We collaborate with our members, governments, regulators, and customer representatives to promote competition and innovation, deliver better customer outcomes and create a resilient, inclusive and sustainable future. We provide new policy, data and insights to support our advocacy in building a more prosperous Australia.