

CBA says number of customers with deferred loans is plummeting



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Oct 12, 2020 – 10.41am

The number of borrowers with deferred loan repayments at Commonwealth Bank of Australia continues to plummet and chief executive Matt Comyn says the bank expects "further significant reductions" this month.

CBA said on Monday morning 26 per cent fewer customers have deferred loan repayments at the end of September, compared to August. The total number of loan repayment deferrals is 129,000, down from 174,000 in August, and 210,000 in June.

The bank said there are still \$42 billion of loans where repayments are not being made – as borrowers continue to reel from the coronavirus crisis – but this is down from \$59 billion in August and \$67 billion in June.

Before he fronts shareholders at Tuesday's virtual AGM, Mr Comyn described the "encouraging trend" and said "further significant reductions are expected as initial temporary repayment deferrals continue to expire through October".

This comes despite many Victorian customers requesting extensions to loan deferrals as the state's strict and prolonged shutdown of businesses continues to bite.

CBA said data for September shows a monthly net reduction in deferred loans of 45,000, with deferred balances down \$17 billion. This comprises around 21,000 home loan customers with loans of \$8 billion; and 23,000 SME borrowers with a monthly net reduction in balances of \$8 billion.

Ahead of its annual meeting, when chairman Catherine Livingstone and Mr Comyn will detail the bank's response to the crisis, CBA said it remains cautious about Victoria, where many customers continue to struggle.

"While these trends are encouraging, we are conscious that many of our customers still require our ongoing support, particularly in regions most affected by COVID-19, such as Victoria, which is reflected in requests for deferral extensions," Mr Comyn said.

The Australian Prudential Regulation Authority said on September 30 that \$229 billion of loans remained deferred at the end of August, representing 8.5 per cent of all loans. The number has been gradually falling after peaking in May.

Graphics attached to CBA's ASX release on Monday show of the home loan deferrals, 29 per cent by balance are in Victoria, lower than the 34 per cent in NSW. However, with so many

businesses crunched by the lockdown imposed by Victorian Premier Daniel Andrews, 29 per cent of deferred SME loans by balance in Victoria, higher than the 25 per cent in NSW.

Of the 93,000 home loans which remain on deferral at the end September, with balances of \$37 billion, CBA said 52,000 are due to expire and exit in October, worth \$20 billion, subject to potential extension.

And of the 31,000 SME loans in deferral, worth \$4 billion at the end of September, CBA said 28,000 are due to expire and exit in October, with balances of \$2.8 billion. These are also subject to possible extension, it said.

CBA said of 25,100 September deferral arrangements exited in September, 1400 have been granted an extension of the arrangement for up to four months.

Mr Comyn said the bank's recent focus had been on contacting customers as they approach the end of their initial deferral periods, to talk with them about their options, after top financial regulators earlier this month warned borrowers with deferred loans to stop screening calls from their lenders.

CBA, which has dropped the colour black from its corporate logo in a rebranding, said on Monday that 67,000 customers in September have allowed deferrals to expire or exited them, representing balances of \$25.8 billion.

The new data comes after the Reserve Bank of Australia on Friday highlighted rising levels of financial stress in households and the risk of borrowers defaulting on home loans as a potential weight on property prices.

That came as ABS figures showed a 12.6 per cent jump in new home loans, excluding refinancing of existing mortgages, the largest month-on-month increase since the current data series began in 2002 and the first time first home buyer loans exceeded investor loans since May 2009.

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