Momentum builds for loan limits

Two top economists have called on regulators to rein in lending to avoid a housing bubble in a sign of the growing momentum for credit controls on the major banks and other lenders.

Former Reserve Bank of Australia board member Bob Gregory said a property bubble seemed "inevitable" and Melbourne University professor Ross Garnaut said making banks set aside extra capital would be "simple and logical".

Minutes from the last Reserve Bank of Australia board meeting revealed the central bank's concerns about the safety of property investments.

The board members noted that DIY superannuation funds used to invest in property could be "starting to take some risk with their finances", a sign the Reserve Bank is worried low-tax super accounts are contributing to property speculation. The central bank plans to step up vigilance of banks' lending standards in what amounts to an admission of the risk of a housing bubble caused by its record low 2.5 per cent cash rate.

"In the current environment of low interest rates and slow credit growth, members agreed that it was especially important that banks maintained prudent lending standards," the Reserve Bank's board noted at the meeting on September 3.

Prominent SQM Research property analyst Louis Christopher predicted housing prices nationally could rise as much as 18 per cent in 2014 if the economy strengthens.

The RBA appears in part to be pushing on a string — cautious households and businesses are not taking advantage of cheap credit and rising asset prices to significantly boost spending and borrowing, David Borrane p29

The Reserve Bank has highlighted risks in the housing market but has not yet let go of its easing bias, telling the market it is not prepared to close the door on rate cuts, Markets p27

Sydney is "turning into a beast unto itself" with likely increases of between 4 and 7 per cent under SQM's conservative-case scenario only one, or no, further cuts in official interest rates. "Such a rise will create a large dilemma for the RBA, especially if the national economy is still running below average growth," Mr Christopher said.

"Would they lift rates if consumer and business confidence was still in the doldrums?"

Professors Gregory and Garnaut told The Australian Financial Review regulators should consider measures to limit

Truckie seeks super return from 'Toorak of the north'

Danny Calabrese, a 42-year-old truck driver, represents an increasingly popular new type of investor: those using self-managed super funds for property speculation.

The father of two recently bought a $290,000 flat off the plan in the Melbourne suburb of Essendon, which he describes as "the Toorak of the north".

"It ticks all the boxes for an investment and I'm hopeful of growth," he said on Tuesday.

Mr Calabrese has bought three other properties and property market closely.

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