

Senate Economics Legislation Committee Hearing: National Housing Finance and Investment Corporation Amendment Bill 2019 – Treasury's questions on notice

Question on notice: list of industry organisations and individual lenders

Senator McALLISTER: Thank you, okay. Just working through the kinds of stakeholders who are relevant to this, I want to start with mortgage providers. How many mortgage providers have you engaged with since you commenced work on the program?

Ms Wilkinson: By mortgage providers, my assumption is that you're talking about ADIs and non-ADI lenders?

Senator McALLISTER: Correct.

Ms Wilkinson: We have engaged in a variety of ways, including through peak bodies. It sort of depends a little on your definition, but, obviously, we've engaged with the ABA and with a range of small bank and small lender peak bodies, as well as with individual institutions.

Senator McALLISTER: How many individual institutions?

Ms Wilkinson: I'll have to take the exact number on notice, because, offhand, we have to add them up. But we have engaged with a diverse range of big, medium and small lending institutions.

Senator McALLISTER: Say, 12, 15, 100?

Ms Wilkinson: I think we'd have engaged with 100. We haven't engaged with two!

Senator McALLISTER: Somewhere between two and—

Ms Wilkinson: Again, if you take the Australian Banking Association or you take the smaller associations into account, it's how you want to count those. But I'm definitely happy to come back on that.

Senator McALLISTER: Okay. Could you please provide a list of the industry organisations and individual lenders that have been engaged with by Treasury as targets?

Ms Wilkinson: Yes, we'll take that on notice.

Senator McALLISTER: Any sort of consumer representatives or community people?

Ms Wilkinson: Yes, we've had peak body representatives from consumer bodies

Senator McALLISTER: Like? Help us out, Ms Wilkinson!

Ms Wilkinson: CHOICE—sorry, I was just trying to think of the peak body that we've been speaking to.

CHAIR: Is it possible to get a list of those people on notice, just so that we know who's talking to you?

Ms Wilkinson: Yes, we'll take on notice the list.

Industry bodies

- Australian Banking Association
- Customer Owned Baking Association
- Housing Industry Association
- Insurance Council of Australia
- Mortgage & Finance Association of Australia

- Property Council of Australia
- Real Estate Institute of Australia
- Urban Development Institute of Australia

Lenders

- Australian Finance Group (also a loan aggregator)
- ANZ
- Bank of Queensland
- Bendigo and Adelaide Bank
- Community Sector Banking
- CBA
- Credit Union of Australia
- NAB
- Westpac

Note: NHFIC is engaging with additional lenders as part of its market sounding process

Lenders mortgage insurance providers

- ANZ LMI (through meetings with Insurance Council of Australia) Genworth
- QBE

Consumer advocates

- Choice

Other private sector institutions

- Stockland

Government institutions

- NHFIC
- APRA
- ASIC

Question on notice: proportion of loans that are backed by a parental guarantee.

Senator McDONALD: . . . I've got two last questions. What is the proportion of parental guarantee loans?

Mr Devlin: We'd have to take that on notice. But banks rely on a relatively small number of those. It's not a large part of their book.

Senator GALLACHER: Not 10,000?

Mr Devlin: Again, we'd have to come back.

Ms Wilkinson: We'll take it on notice and see whether we can identify that. I don't know whether the ABA had any figures on that in their hearing.

Senator McDONALD: I didn't ask them.

Treasury has not identified any publicly available data that suggests how many loans are backed by parental guarantees.

Question on notice: How many households there are, in the context of Treasury's reference that about 20 per cent of all Australian households are renters and potentially looking to enter into the housing market.

Senator GALLACHER: Can someone point to me the evidence where we arrived at a need for 10,000 as a total number of first-home buyers to target?

Ms Wilkinson: It was an announcement by the government, during the election campaign, of this program, and 10,000 was announced at that stage.

Senator GALLACHER: I understand what was announced. I understand that we support it. I just want to know if there is any evidence or research in the marketplace which underpins a need for 10,000 places, 5,600 places or 12,200 places.

Ms Wilkinson: That is not something that Treasury has looked at.

Senator GALLACHER: So you really have no idea if there is an unmet need for 10,000 places or not?

Ms Wilkinson: What we know is the number of first home buyers who seek to enter the market per annum. We understand those who are successful in doing that through current mechanisms. We are aware of the desire of others to enter the market who do not have the capacity to save for a deposit in the period of time that they consider reasonable to enter the market.

Senator GALLACHER: What is that number?

Ms Wilkinson: Do we have that?

Mr Devlin: We have an annual figure of first home buyers each year.

Senator GALLACHER: It's 100,000; is that correct?

Mr Devlin: It's 100,000 to 110,000. There is obviously another pool of renters who potentially could enter the housing market. That's a difficult number to arrive at. We think that's about 20 per cent of all households.

Senator McALLISTER: Sorry, could you be a little bit more precise? What does the 20 per cent refer to?

Mr Devlin: Long-term renters who could potentially enter the housing market but have not chosen to do so or are not able to do so.

Senator GALLACHER: How many people are renting?

Mr Devlin: We would have to come back to you on that.

In a research discussion paper¹, the Reserve Bank of Australia (RBA) defines 'potential first home buyers' as renter households that are under the age of 60 years and have never owned a home before. These households account for approximately 20 per cent of all households in a given year.

According to the 2016 Census, there are about 2.6 million renter households in Australia.

¹ Simon & Stone (2017), [The Property Ladder after the Financial Crisis: The First Step is a Stretch but Those Who Make It Are Doing OK](#), Reserve Bank of Australia, Research Discussion Paper 2017-05.

Question on notice: income thresholds

Senator McALLISTER: *Is there an ability for Treasury to provide advice to this committee prior to us reporting about participation thresholds, so that this committee can make an assessment of whether the scheme is likely to develop any kind of additionality whatsoever?*

Ms Wilkinson: *When you say participation thresholds, what do you mean?*

Senator McALLISTER: *I mean the income thresholds for participation. The key evidence before us is that presently the income thresholds sit at around the 80th percentile or thereabouts, and the recommendation from the housing policy experts was almost uniformly that that be reduced so as to generate genuine additionality.*

Ms Wilkinson: *Yes.*

Senator McALLISTER: *Is it possible for this committee to receive advice that is definitive about the income thresholds prior to us making a recommendation about the passage of the legislation?*

Ms Wilkinson: *I think that is a decision of government, and you may wish to refer that to the chair. I'm happy to take it on notice and I'm happy to refer it to the Minister for Housing.*

The Prime Minister announced the First Home Loan Deposit Scheme in the 2019 Federal election campaign. As part of the announcement, the Scheme will be available to individual first home buyers with an annual taxable income of up to \$125,000 or first home buyer couples with a combined annual taxable income of less than \$200,000.

The Australian Bureau of Statistics' 2015-16 Survey of Income and Housing found that, of family units who bought their first home in the three years prior to the survey, around 85 per cent would have had incomes below the income threshold for the scheme.

The Scheme's income caps are only one element of the eligibility criteria. The setting of dwelling price caps will also help to target the scheme. The Government will develop price caps that reflect different property markets. In addition, borrowers will still need to meet the lenders credit and serviceability assessments.