

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2014 - 2015

Department/Agency: Australian Securities and Investment Commission

Question: BET 239 - 244

Topic: Housing Bubble

Reference: written - 15 June 2015

Senator: Dastyari, Sam

Question:

239. Mr Medcraft, briefly can we give you the opportunity to explain what the long term implications could be for investors, current home owners, and first home buyers?
240. What could possibly happen – what would trigger large scale foreclosures?
241. Presumably an increase in the cash-rate would have an immediate impact, what other likely or possible factors could cause ‘the bubble to burst’?
242. Do banks have any responsibility for lending?
243. What policy options (theoretically) does the government have to cool the market?
244. Assistant Treasurer Josh Frydenberg has advised the federal government will restrict borrowing by self-managed superannuation funds to buy investment properties, but will not follow a FSI recommendation to ban it outright: Mr Medcraft, as a statutory officer, what would you do if you were Assistant Treasurer?

Answer:

239. Mr Medcraft, briefly can we give you the opportunity to explain what the long term implications could be for investors, current home owners, and first home buyers?
 - These are subjects on which Treasury and the RBA would be better placed to comment on.
240. What could possibly happen – what would trigger large scale foreclosures?
 - ASIC will not speculate on what could trigger future foreclosures as there are so many general and idiosyncratic factors. These are subjects on which Treasury and the RBA would be better placed to comment on.
241. Presumably an increase in the cash-rate would have an immediate impact, what other likely or possible factors could cause ‘the bubble to burst’?
 - These are subjects on which Treasury and the RBA would be better placed to comment on.

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242. Do banks have any responsibility for lending?

- Banks are required to lend responsibly in relation to consumer loans including home loans and loans in relation to residential investment properties. This statutory obligation is set out in the National Consumer Credit Protection Act (NCCP Act) which commenced in July 2010.
- The responsible lending obligations require credit licensees (including lenders such as banks and credit intermediaries such as mortgage brokers) to make inquiries into a consumer's objectives and financial situation and verify their financial situation. Credit licensees must assess this information and not provide a loan or suggest a loan to a consumer if that loan will not meet the consumer's objectives or if the consumer will not be able to meet their financial obligations without substantial hardship.
- ASIC has been active in surveilling and enforcing the responsible lending obligations. Most recently, ASIC announced a review of the provision of interest-only home loans. This review is currently underway.

243. What policy options (theoretically) does the government have to cool the market?

- Macroeconomic and macro-prudential policy are subjects on which Treasury, the RBA and APRA would be better placed to comment on.

244. Assistant Treasurer Josh Frydenberg has advised the federal government will restrict borrowing by self-managed superannuation funds to buy investment properties, but will not follow a FSI recommendation to ban it outright: Mr Medcraft, as a statutory officer, what would you do if you were Assistant Treasurer?

- This is a matter for the Government.