Chapter 9

Current and proposed schemes to increase home ownership

First Home Owner Grant (FHOG) Scheme

9.1 When the FHOG was introduced in July 2000, it paid $14 000 to first home purchasers of new dwellings and $7000 for the purchase of existing dwellings. The scheme now offers $7000 for all first home purchasers. Responsibility for its $1 billion cost has been transferred from the Australian government to the states.[1]

9.2 The Urban Development Institute of Queensland noted that while the FHOG provides substantial assistance to new entrants to the housing market:

> the comparative value of the subsidy…has…been substantially eroded to such an extent that it is now equivalent to less than 2 per cent of the purchase price of an average new home.[2]

9.3 A few representatives of the property sector called for the FHOG to be increased and/or indexed to further rises in house prices.[3]

9.4 The majority of witnesses before the inquiry argued for the FHOG to be restricted. For example, Professor Disney said the FHOG 'should have been means tested or limited to houses of certain value'.[4] ACOSS said 'if the scheme is going to remain, to get the maximum benefit for return it needs to be targeted at low-income and disadvantaged Australians'.[5]

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1 FaHCSIA, *Submission 104,* p. 8.

2 UDIA–Queensland, p. 23.

3 Master Builders Australia, *Submission 30*, p. 11; UDIA (2007, p. 22); Mr P Bushby, Real Estate Institute of Tasmania, *Proof Committee Hansard*, 5 May 2008, p. 17; Mr M Munro, Real Estate Institute of Australia, *Proof Committee Hansard*, 7 May 2008, p. 38.

4 Professor J Disney, *Committee Hansard*, 2 April 2008, p. 30.

5 Mr Johnson, Australian Council of Social Service, *Committee Hansard*, 2 April 2008, p. 79. Other advocates of some form of means testing for the grant include Professor Phibbs (*Committee Hansard*, 3 April 2008, p. 50); Mr T Davies, Northern Rivers Social Development Council, *Committee Hansard*, 15 April 2008, p. 23; Mr J Sutton, CFMEU, *Proof Committee Hansard*, 24 April 2008, p. 7; Shelter WA (*Submission 42*, p. 3); Community Housing Coalition of WA (*Submission 86*) and Mr P Bushby, Real Estate Institute of Tasmania, *Proof Committee Hansard*, 5 May 2008, p. 17. The latter's national body conceded the grant 'possibly could be better targeted'; Mr M Munro, Real Estate Institute of Australia; *Proof Committee Hansard*, 7 May 2008, p. 42.

9.5 Shelter WA thought it unfair that people who had previously owned a house in Australia were ineligible for a FHOG but people who had previously owned a house overseas could still receive it.[6]

9.6 Other concerns about fairness were also raised:

> You are only eligible for that [grant] once. So, if you have experienced a domestic violence situation and have had to leave your home, you are not eligible for another grant. That applies if you are a single person going back into homeownership, part of a family or part of a couple, having gone into another relationship.[7]

9.7 The scheme also rules out the strategy of young adults buying an apartment or smaller property and renting it out for a few years to pay off a portion of the mortgage before moving in.

9.8 Moreover, the FHOG was criticised as driving up house prices, raising questions about its effectiveness. The Productivity Commission has commented:

> Measures that increase purchasing power will tend to increase house prices, particularly if there is limited capacity to augment supply in response to the ensuing increase in demand. This will benefit existing home owners at the expense of those seeking to purchase, including first home buyers – though recipients of assistance will still be better off overall.[8]

9.9 This is also the view of a number of academics who gave evidence to the inquiry, and a diverse range of other witnesses, from the Planning Institute to the Australian Association of Social Workers.[9]

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6 Shelter WA, *Submission 42*, p. 8.

7 Dr S Tually, *Proof Committee Hansard*, 28 April 2008, p. 44.

8 Productivity Commission (2004, p. 214).

9 Professor Atkinson, *Submission 26*; Professor Beer, *Proof Committee Hansard*, 28 April 2008, p. 49; Professors T Burke and K Hulse, *Submission 33*, p. 7.; Professor J Disney (2008, p. 259); Professor P Phibbs, *Committee Hansard*, 3 April 2008, p. 50; Professor T Sorensen, *Submission 50*, pp 7, 9; Professor R Stimson, *Committee Hansard*, 14 April 2009, pp 40–1; Stretton (2005, p. 121); Urban Research Centre of University of Western Sydney, *Submission 32*; Mr N Savery, Planning Institute of Australia, *Proof Committee Hansard*, 1 April 2008, p. 58; Australian Association of Social Workers, *Submission 54*, p. 7; Mr T Davies, Northern Rivers Social Development Council, *Committee Hansard*, 15 April 2008, p. 16; National Shelter, *Submission 57*, p. 12; Dr B Edgerton, *Submission 74*; Mr D van der Klauw, *Submission 80*. It is also the view of the head of the Tasmanian Treasury; Tasmanian Committee on Housing Affordability (2008, p. 96). Under questioning, Mr Harnisch from Master Builders Australia also conceded 'perhaps it has been capitalised into housing prices', *Committee Hansard*, 1 April 2008, p. 24. Even the UDIA conceded 'it could be argued that giving a rebate or a grant to everybody as a first home buyer had an inflationary effect'; Mr M Scott, UDIA, *Committee Hansard*, 1 April 2008, p. 73.

9.10 The Reserve Bank also criticises similar concepts:

> it is now widely accepted that policies that simply give people more money to spend on housing are likely to be capitalised into higher housing prices.[10]

9.11 Economics journalist Ross Gittins explains why increasing the FHOG, and similar schemes, appear an attractive response to affordability problems but would actually be counterproductive:

> All these measures would work if you were the only person who benefited from them. That is why they *sound* like they would help. But because all the other would-be home buyers you are competing against also benefit, the attempt to make prices more affordable ends up pushing them higher.[11]

9.12 The UDIA criticises opponents of the FHOG by alleging that they do not oppose other policies which raise house prices.[12] The Real Estate Institute argues 'you would be hard pressed to argue that a $7000 handout to 14½ per cent of the marketplace has led to a $241 000 price increase'. The committee has not received evidence that it would add $241 000 to house prices. Rather, the issue raised is what it does add to house prices. Under questioning Master Builders Australia acknowledged 'perhaps it has been capitalised into housing prices'.[13]

9.13 The FHOG was introduced at the same time as the new tax system which included the GST. The MBA continues to justify it as 'a compensation for the GST'.[14] However, the GST applies to the construction of *new* houses regardless of who buys them while the FHOG is paid to *first* home buyers, the vast majority of whom buy existing rather than new homes.[15]

9.14 The committee believes there are solid grounds to amend the FHOG, particularly given the added assistance of First Home Saver Accounts (see below). The FHOG would contribute more to improving housing affordability if it provided an incentive to increase the supply of houses rather than just increasing the demand for them. This could be done by reverting to the scheme's original structure, which gave a larger payment to purchasers of new dwellings than purchasers of existing dwellings. This could be achieved by reducing the current amount given to first home buyers of existing dwellings while increasing the current payment to first time purchasers of new dwellings. Given that the vast majority of first home buyers purchase existing

10 Richards (2008).

11 R Gittins, 'Renters can't home in on jackpot', *Sydney Morning Herald*, 19 September 2007, reprinted in Australia Institute, *Submission 56*.

12 UDIA (2007, p. 24).

13 Mr W Harnisch, Master Builders Australia, *Committee Hansard*, 1 April 2008, p. 24.

14 A similar argument was put by Mr M Munro, Real Estate Institute of Australia, *Proof Committee Hansard*, 7 May 2008, p. 41.

15 In 2005–06, 86 per cent of first home buyers bought an established home; ABS (2007a).

houses, this amendment may add to revenue which can help fund the measures to increase affordable housing discussed in chapter 10.

Recommendation 9.1

9.15 The committee recommends that the Australian Government should increase the First Home Owners Grant Scheme for those buying new dwellings and lower it for buyers of existing dwellings. Any funds saved should be directed towards measures to increase the supply of affordable housing.

First home saver account scheme (FHSA)

9.16 In February 2008, the Australian Government announced its intention to introduce a FHSA for those saving to buy a first home. The scheme is intended to be a tax effective way to save a deposit for a first home through a combination of a government contribution and a low tax rate. Under the scheme, the Government will pay a contribution in addition to that paid in by the individual. The investment earnings that accrue in the accounts will be taxed at 15 per cent, while withdrawals will be tax free where they are used to purchase a first home in which to live. The account is capped at a limit of $75 000 (which will be indexed).

9.17 The details of the scheme, announced in the Budget after the committee had completed its hearings, differ somewhat from the initial proposal. Some of the comments the committee received may therefore no longer be applicable. The start of the scheme was deferred to October 2008.

9.18 Some aspects of the scheme are widely praised, such as the encouragement for households to save more and build a deposit. This may help build a culture of saving. As Abacus, representing building societies and credit unions, put it:

> Instilling a savings habit in a prospective borrower is valuable preparation for servicing a loan and any equity for a first home borrower via a deposit provides a buffer against a fall in house values.[16]

9.19 Abacus also hoped that the scheme could smooth house prices:

> The present system of disadvantaged taxation treatment of the accumulation of the first home deposit is likely to encourage impatience at those times when house prices are rising most rapidly. When the aspiring first home-owners can see that in after-tax terms their house deposit accumulations are growing at a healthy annual rate, they might be expected to act with greater patience during periods of over heating in house prices generally. By this means the First Home Saver Policy would then be expected to have some

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16 Abacus, *Submission 52*, p. 8. Similarly, Professor T Sorensen comments, 'the merit lies in encouraging would-be home-purchasers to save for their future and, hopefully, develop a life-long habit'; *Submission 50*, p. 11.

> positive 'smoothing' effect in terms of new residential construction spending and construction activity across the Australian economy.[17]

9.20 There were three concerns expressed about the scheme, two of which have at least partly been addressed by the government's modifications. Firstly, the scheme was criticised for being too complex. Among witnesses calling for it to be simplified were the Australian Bankers' Association, representing the banks which will be expected to administer the accounts.[18] Abacus, representing building societies and credit unions, also warned that:

> Optimising the FHSA initiative will require FHSA products that are attractive to, and understood by, young people. Each additional layer of complexity in the regulatory framework will reduce returns to savers, dampen competition and choice, and slow the arrival of FHSA products to market.[19]

9.21 The changes announced in the Budget go some way to addressing these concerns by simplifying the government contribution, clarifying the rules and providing for a simplified disclosure statement.[20]

9.22 Secondly, it was called unfair, as in the initial formulation the government made larger contributions for savers in higher tax brackets.[21] The final version in the budget addresses this criticism to a degree. Instead of the government contribution being tied to the marginal tax rate (meaning that low income earners received a maximum contribution of $750 a year while high income earners could receive $1500), the government now contributes 17 per cent on the first $5000 of private contributions (a maximum contribution of $850) for all.[22]

9.23 Finally, there were concerns that, similar to the FHOG, it will lead to higher house prices.[23] However, this will not happen immediately. 'No demand stimulation will occur for at least four years, that being the minimum saving period before draw-down of the accumulated savings.'[24] Ideally, this gives time for measures to boost supply to take effect before the demand stimulus from the scheme hits the market.

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17 Abacus, *Submission 52*, p. 9.

18 Mr N Hossack, ABA, *Committee Hansard*, 2 April 2008, p. 16.

19 Abacus, *Submission 52*, p. 8.

20 FaHCSIA, *Submission 104*, p. 8.

21 Among those making this criticism were National Shelter, *Submission 57*, p. 14.

22 Ms A Sampson, 'Budget helps first-home buyers to save a bit faster', *Sydney Morning Herald*, 17 May 2008, p. 49.

23 Dr B Edgerton, *Submission 74*.

24 Mr N Hossack, *Committee Hansard*, 2 April 2008, p. 15.

State government assistance

9.24 State governments' stamp duties are discussed in the first part of Chapter 7. As noted in Table 7.1, the governments mostly offer some concessions on stamp duty to first home buyers.

9.25 Some state governments have concessional loan schemes. For example, Keystart in Western Australia was launched in 1989 to provide home loans to low income earners, and in 2006–07 over 3000 applicants, about a third of which were first home buyers purchasing new homes, shared in $381 million.[25] A list of state lending programmes is given in Australian Institute of Health and Welfare (2008a).

9.26 The ACT government's Land Development Agency makes a portion of its serviced land available to specific sectors of the market, such as first home buyers.

Shared equity schemes

9.27 A recent innovation to help people into home ownership is 'shared equity' schemes, with equity injected either from a private bank or a government agency. It is important that these shared equity models are targeted to only support affordable housing—to prevent applicants merely seeking to bid up to bigger houses.

9.28 A private sector scheme is offered by Rismark International in conjunction with Bendigo & Adelaide Bank. As an example of how it works, a house purchase may be funded with 20 per cent 'equity' (ie deposit) from the homebuyer, 20 per cent equity from a bank and 60 per cent the usual loan from the bank. This means that the bank shares in both capital gains and losses. The Bank described the scheme as follows:[26]

> When that property is then sold, the loan would be discharged, the owner would get their percentage share of the equity in the sale and the bank would take its percentage share of the equity in the sale.[27]

9.29 Mr Christopher Joye, the CEO of Rismark, noted that:

> It is available in all metropolitan areas in mainland Australia. We expect to extend it to Tasmania shortly. The product is targeted right across the life-cycle spectrum, from first home buyers to upgraders, refinancers and

25 WA Government, *Submission 87*.

26 Not necessarily symmetrically; Rismark typically keeps 40 per cent of capital gains but incurs only 20 per cent of capital losses; Mr C Joye, Rismark, *Proof Committee Hansard*, 7 May 2008, p. 27.

27 Mr M Hirst, Bendigo & Adelaide Bank, *Committee Hansard*, 23 April 2008, p. 9. It is described by Rismark as follows: 'It is a zero interest home loan for up to 20 per cent of the value of the property in question. It is a 25-year loan that requires no repayments during that 25-year term. It can be repaid by the homeowner or the borrower at any point in time over the 25 years with no prepayment penalties and no switching costs. It is used in conjunction with a traditional home loan.'; Mr C Joye, Rismark, *Proof Committee Hansard*, 7 May 2008, p. 27.

> those who want to release equity from their homes... the average property value is around $494 000—which is slightly above the median house price in Australia.[28]

9.30 The scheme has not become widespread, and may need the involvement of superannuation funds for this to happen:

> The problem that we have…is that those assets are not really appropriate assets for a bank balance sheet because the cash flow associated with them is lumpy and it comes in at the end when people decide to sell the home…What we really need to be able to continue with those products is access to patient capital that does not have the same cash flow demands as a bank might have.[29]

9.31 Shared equity packages are sometimes offered by governments. The ACT government explains:

> Shared equity is also being sponsored. Housing and Community Services ACT are introducing shared equity…for people whose incomes are rising and who we want to encourage into that stream. Community Housing Canberra is also following that up and we are encouraging private schemes as well.[30]
>
> …a product that will allow them to purchase 70 per cent or more of the property and we will take a second mortgage on the remaining 30 per cent. That makes the title issue easier for the banks to deal with, and certainly that is the financial advice that we have received. The usual borrowing rules would apply, so the bank would come in and make an assessment to see whether the tenants are able to meet the repayment requirements. As the process is gone through, we will just test their income on an annual basis to see whether they should be purchasing more of the property off us. We will not charge them rent on the remaining 30 per cent; however, we will expect them to undertake full property maintenance and to pay all rates and outgoings for the property.[31]

9.32 The WA Government introduced a shared equity programme in April 2007 called 'First Start'. The Government has committed $300 million over three years to the scheme, which will involve equity of up to 40 per cent of the value of the house. The scheme is restricted to households with incomes below $70 000 and houses priced below $365 000.[32] The home owner is allowed to increase their equity share in the home over time by buying it from the government. In its first year of operations 1100 applications were approved.

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28 Mr C Joye, Rismark, *Proof Committee Hansard*, 7 May 2008, pp 27 and 33.

29 Mr M Hirst, Bendigo & Adelaide Bank, *Committee Hansard*, 23 April 2008, p. 9.

30 Mr G Tomlins, ACT Government, *Proof Committee Hansard*, 7 May 2008, p. 17.

31 Mr M Hehir, ACT Government, *Proof Committee Hansard*, 7 May 2008, pp 22-3.

32 WA Government, *Submission 87*.

9.33 Shared equity schemes received some guarded support from the real estate industry:

> We do support the use of shared equity products but to a limited extent. We would say that they can be an important component of the marketplace.… Certainly they are growing, and we think that if those products can help persons who would otherwise not be able to afford to purchase a home get into the market then they have a role to play…we would have concerns if this were to become a mainstream lending product. If anyone could rock along and say, 'I was going to buy a three-bedroom home but instead I am going to buy a four-bedroom home,' and simply increase the amount that they borrow to fund that, we would caution against it. Suddenly there is more demand in the marketplace for larger homes. People are essentially bidding up prices.[33]

9.34 Less enthusiastic was John Symond:

> I do not believe that that is something that will work when you analyse the value and benefits to a consumer. I believe that the lending conditions in this country have been so lax that you really had to be in a desperate credit worthiness state not to be able to borrow money to get into a property. This is going back pre credit crunch. I am not a fan of it and I do not believe it is good value for homeowners. They need to control their own destiny.[34]

9.35 However, there are legitimate concerns that shared equity schemes must abide by this central purpose and should not become a vehicle for home buyers to demand bigger and more extravagant homes. It is important that these shared equity models are targeted to ensure that affordable housing is promoted and to prevent applicants from bidding for bigger houses. This could be achieved by capping the value of the property and/or means testing applicants. It is arguable that these schemes are better suited to public or not-for-profit models, perhaps with the backing of super funds. Various types of limited equity cooperative are used extensively and have worked well in parts of the United States.[35]

Land rent scheme

9.36 The ACT government explained its scheme:

> Land rent is essentially where the government keeps the economic value of the land and rents out the land. If we take a $300 000 house, 45 per cent of households could purchase that. The mortgage that you pay for the land is $260 a week. This was worked out on a slightly different interest rate. The

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33 Mr M Munro, Real Estate Institute of Australia, *Proof Committee Hansard*, 7 May 2008, p. 44. The UDIA's Western Australian division supported the First Start scheme there; *Submission 45*.

34 Mr J Symond, Aussie Home Loans, *Proof Committee Hansard*, 7 May 2008, p. 67.

35 Dr L Crabtree, *Committee Hansard*, 3 April 2008, p. 53. See also Dr L Crabtree, 'Models of perpetually affordable home ownership: report and case studies from the United States of America', Urban Research Centre, University of Western Sydney, June 2008.

> land rent would drop that from $260 to $61 a week and so 70 per cent of households could now buy the same house but rent the land. If we go to our compact product you will see that you need an income of $33 000, so 80 per cent of households can now buy a $100 000 house on a small block. That is, again, attacking this affordability gap.[36]

9.37 The land rent scheme has some similarity with the shared equity scheme, in that 'the ACT government retains the equity in the land, the purchaser takes on the equity in the house'.[37] As the scheme is novel, it will be important that participants understand it. An education programme is being developed with Canberra Institute of Technology to ensure this.

Mortgage corporation—'AussieMac'

9.38 The creation of 'a public institution that can render liquidity' to the market for securitised mortgages was also proposed to the committee by Mr Joye.[38] It is based on a similar institution in Canada, and bears some similarity to the longstanding 'Freddie Mac' and 'Fannie Mae' in the United States.[39]

9.39 The suggestion was endorsed by John Symond, who was concerned that a drying up of liquidity in the securitised mortgage market risked a return to the situation before the 1990s when a handful of banks were almost the only providers of mortgage finance and the margins charged home buyers and investors were consequently considerably higher.

9.40 He elaborated:

> Christopher Joye’s suggestion to copy the Canadian mortgage backed security model has a lot of merit. I would probably tend to believe that we need a government supported liquidity initiative. The Canadian model would have been explained to you but they have not been impacted by the global credit crunch. Homeowners in Canada still have affordable interest rates. They are not out of money. We may find that, if funds start to get rationed in this country, it will be a serious problem for everybody not just

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36 Mr G Tomlins, ACT government, *Proof Committee Hansard*, 7 May 2008, p. 17.

37 Mr M Hehir, ACT Government, *Proof Committee Hansard*, 7 May 2008, p. 23. It also has some similarity to the 'community land bank' scheme proposed by Dr S Turnbull (*Submission 62*) as a means of improving affordability by 'democratising wealth'.

38 Mr C Joye, *Proof Committee Hansard*, 7 May 2008, p. 31.

39 The Canadian model is the Canada Housing Trust. The idea was discussed at the 2020 summit and is being pushed by the Australian Securitisation Forum; *Australian Financial Review*, 30 April 2008, p. 58. It will be examined by the House of Representatives Standing Committee on Economics as part of its recently announced inquiry into competition in the banking sector. http://www.aph.gov.au/house/committee/economics/banking08/index.htm Mr Joye described the proposal in an article in *The Age* on 10 April 2008, p. 10.

> homeowners... I am fully supportive of a government supported liquidity initiative and I do hope that the government has a hard look at that.[40]

9.41 The mortgage corporation was also supported by the Construction, Forestry, Mining and Energy Union, on the grounds that it would 'preserve competition in the home mortgage market (a critical element in any affordability solution)'.[41]

9.42 A critical view was put by Professor Sorensen:

> These are developments of Freddie Mac and Fannie Mae, which exist in the United States. They are mortgage providers. I actually think that the financial side of the housing system that we have is pretty well catered for in Australia. One of the events of the last five years and one which has actually propelled housing prices higher is the advent of a variety of secondary mortgage lenders, who did a very efficient job in forcing down interest rates for home borrowers but, in so doing, enabled them to pay more for housing with the budgets that they had, and that underpinned at least part of the rise in house prices. I am not sure that we need similar agencies to those in the United States.[42]

Recommendation 9.2

9.43 The committee recommends that Treasury examine the international experience with a securitised mortgage scheme and its application to Australia with a view to determining whether an 'Aussie Mac' style product would be beneficial in the Australian market.

Calls for further tax concessions

9.44 The WA division of the Urban Development Institute advocated further tax concessions for housing, namely 'that first home buyers be given full tax relief on their interest payments when they buy a property, established or new, to the value of $450,000 and that the tax deductibility is for the first five years'. The committee is not aware of a costing of this proposal. It could be substantial, especially if it encouraged households to borrow more and put pressure on house prices. Mortgage interest on owner-occupied housing is an allowable tax deduction in Switzerland and the United States, but Switzerland taxes capital gains on owner-occupied housing (Table 4.3).

9.45 John Symond proposed a more targeted plan for interest deductibility, only applying to new dwellings:

> a tax incentive for the first five years of $15 000 per annum of their income; that it would be a tax deduction…During that first five years, it would give a young couple a chance to start a family—they may be one income down

40 Mr J Symond, *Proof Committee Hansard*, 7 May 2008, p. 67.

41 CFMEU, *Submission 36*, p. 8.

42 Professor A Sorensen, *Proof Committee Hansard*, 7 May 2008, p. 56.

> while they have children—and in the five-year period after that initial five years they would repay half of it, in a similar way that HECS works.[43]

9.46 A suggestion was made for a tax concession to facilitate downsizing, as a means of opening up large homes for families:

> At present, the downsizing from a traditional home to a unit, for example, has financial implications, and unless this is addressed many people will simply stay put. However, these existing homes may be affordable and ideal for a young family, hence this could have a domino effect within the community. It is worth considering state and federal taxation initiatives to downsize. Side benefits of reduced energy costs and smaller, smart dwellings would also flow.[44]

9.47 A preferable way of achieving the same goal may be to move from stamp duties towards tax systems that do not tax transactions, as discussed in chapter 7.

Assistance to keep people in home ownership

9.48 There have been calls for more programmes to help people at risk of falling out of home ownership due to changes in income, typically the result of unemployment or relationship breakdown. Professors Burke and Hulse note that 'there is no national programme of assistance in such circumstances yet when they drop back to rental they can, in most circumstances, avail themselves of Commonwealth Rent Assistance.'[45]

9.49 Homeowners struggling to meet mortgage payments to stay in their homes account for about a fifth of families being counselled under the HOME Advice Program, which also provides limited financial assistance. As most of the programme's clients are renters, the scheme is discussed in the following chapter (see recommendations 10.8 and 10.9).

9.50 There have been increasing media reports of families accessing superannuation to meet mortgage repayments.[46] This is a disturbing trend as there is a large risk that households will use up the superannuation in a vain attempt to keep up mortgage payments, just delaying accepting that their mortgage is unsustainable and the home will have to be sold. They then risk entering retirement with neither a home nor superannuation.

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43 Mr J Symond, Aussie Home Loans, *Proof Committee Hansard*, 7 May 2008, pp 65-6. The plan is set out in Symond (2007). The scheme is capped at property prices of $500 000.

44 Mr P Bushby, Real Estate Institute of Tasmania, *Proof Committee Hansard*, 5 May 2008, pp 18–19.

45 Professors Burke and Hulse, *Submission 33*, p. 7.

46 One press report says over 9000 applications for accessing superannuation to forestall home repossession were approved last year; *Herald Sun*, 8 May 2008.

9.51 Professor Sorensen opines that:

> The squandering of such [superannuation] savings in a falling market to keep people in homes they have mistakenly bought at excessive prices is stomach churning.[47]

9.52 A helpful initiative of one credit union which may help some families avoid getting into difficulty is a 'pause feature', under which borrowers can cut repayments by 50 per cent for six months during maternity/paternity leave.[48]

9.53 The Bendigo and Adelaide Bank told the committee that their approach to home loan lending goes beyond the initial loan, working with mortgagees to make repayments throughout the life of their loan:

> We also think about the issue of our role beyond that initial purchase. It is not about completing a sale; it is about a relationship that is likely to endure for a good, long period of time. So the responsibility of preparing ourselves, even in changed circumstances, is equally important. It is not the sale of the product; it is the effectiveness of the product over the life of that product. We have structures—although they have not been tested in the last few years—like mortgage help centres and customer help centres, which are very much about trying to talk to people if stresses emerge so we can actually help them through those difficult times and perhaps develop strategies before the problem becomes more serious. We see banks and their role as being very, very important, particularly those banks that focus very much on relationship and community connections, because this gives us the opportunity to play that larger role in partnership with those communities and customers in achieving their aspirations.[49]

9.54 The committee strongly supports this approach and encourages other lending institutions to adopt a similar approach.

Recommendation 9.3

9.55 The committee recommends that the Commonwealth government increase support for home owners to undertake counselling to improve their financial literacy before they are allowed to access their superannuation to make mortgage repayments.

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47 Professor T Sorensen, *Submission 50*, p. 11.

48 Abacus, *Submission 52*, p.7.

49 Mr R Hunt, *Committee Hansard*, 23 April 2008, p. 3.