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# **REAL ESTATE INSTITUTE OF AUSTRALIA'S SUBMISSION TO THE HOUSE OF REPRESENTATIVES ECONOMICS COMMITTEE INQUIRY INTO THE *NATIONAL CONSUMER CREDIT PROTECTION AMENDMENT (HOME LOANS AND CREDIT CARDS) BILL 2011***

## **BACKGROUND**

The House of Representatives Economics Committee will inquire into and report on the *National Consumer Credit Protection Amendment (Home Loans and Credit Cards) Bill 2011*. The provisions contained within Part 32A introduce a requirement for lenders to provide a Key Facts Sheet for standard home loans.

The Explanatory Memorandum to the Bill states that this will summarise the key facts about a given home loan, which may include: the interest rate; the all-in rate, that is, the total cost including interest plus fees; the total cost of the home loan; particular product features; fees; and an explanation of how monthly repayments will be affected if interest rates increase.

The Real Estate Institute of Australia (REIA) is the peak national association for the real estate profession in Australia. The REIA's members are the State and Territory Real Estate Institutes, through which around 80% of real estate agencies are collectively represented. The real estate industry employs approximately 77,000 persons with most agencies having less than 10 employees. The REIA represents an important element of the broader property and construction sector which together makes a significant contribution to Australia's social climate and economic development. Property contributes \$300 billion annually in economic activity.

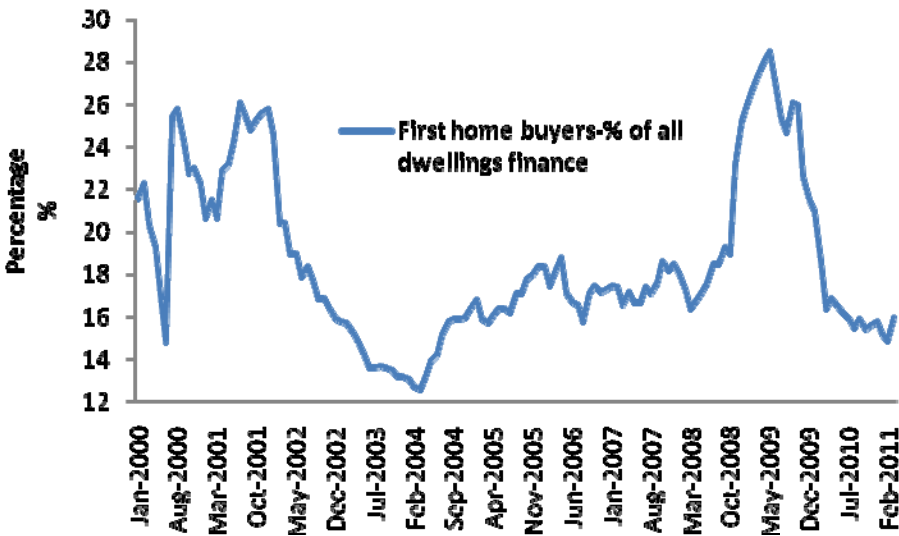
In the context of this inquiry REIA is concerned about the decline in the number of first home buyers seeking loans to purchase property.

## **NUMBER of FIRST HOME BUYERS**

As seen in Chart 1, during the last decade, the proportion of all finance approvals to first home buyers has been extremely variable but declining. The downward trend was arrested by the introduction of the first home owners grant boost in October 2008. In June 2008, 17.2 percent all finance approvals were to first home buyers. In June 2009 this was up to 27.9 percent. However, the phase down of the boost during 2009 and its cessation

in December 2009, along with a tighter monetary policy, caused a dramatic decrease in the participation of first home buyers from December 2009. The latest available for March 2011 has the percentage of first home buyers as 16.0 per cent. This is well down on the average since July 1991 of 21.3 per cent.

**Chart 1: Proportion of total finance approvals to first home buyers**



Source: ABS

## **PROPOSED AMENDMENTS TO THE NATIONAL CONSUMER CREDIT PROTECTION AMENDMENT (HOME LOANS AND CREDIT CARDS) BILL 2011**

Whilst the proposed amendments to the *National Consumer Credit Protection Amendment (Home Loans and Credit Cards) Bill 2011* cannot be expected to have any measurable impact on the proportion of first home buyers it will mean that potential buyers are better informed and can enter the market place with a better understanding of their obligations. The REIA is thus supportive of the Amendment proposed to Part 32A.

### **SUMMARY**

The REIA is supportive of the proposed Amendment to Part 32A of the *National Consumer Credit Protection Amendment (Home Loans and Credit Cards) Bill 2011*.

### **PREPARED BY**

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