



House Economics Committee Recommends Commonwealth Regulation of Credit

The House of Representatives Economics Committee today released its report on home loan lending practices and the processes used to deal with people in financial difficulty.

The committee's key recommendation is that the Commonwealth Government takes over the regulation of credit from the states and territories. This includes the regulation of mortgage brokers and non-bank lenders.

Evidence to the inquiry raised concerns about the operation of 'predatory' lenders and brokers, who prey on people facing financial hardship. The committee heard that the current regulatory framework is not sufficient to deal with these practices.

Committee Chair Bruce Baird today said "it is clear to the committee that something needs to be done to stop predatory practices. The states have been trying to come up with a regime to regulate mortgage brokers since around 2002. It is still not in place."

Mr Baird added "there is this arbitrary division where most financial products are regulated by the Commonwealth, but credit is a state responsibility. It is logical that credit regulation should move to the Commonwealth. As a starting point, the Corporations Act has some existing structures in place which could help to eliminate predatory conduct."

The committee also examined the evolution of the Australian lending market, including the change to lending standards and the proliferation of non-bank lenders. Generally speaking, credit has become more readily available, reflecting the ongoing strength of the domestic and international economies. Mortgage arrears rates have increased in recent times, but remain very low by historical and international standards, suggesting that the majority of housing credit is being provided responsibly.

Mr Baird said "Australian households' balance sheets are in very good shape. Debt levels have increased, but asset values have increased even more. The net worth of households is now on average 640 per cent of disposable income."

The committee makes two other recommendations. It recommends that:

- The Australian Bureau of Statistics begin collecting data on housing repossessions; and
- The Banking and Financial Services Ombudsman increase its scheme limit to \$500,000.

An electronic copy of the report is available online at:

www.aph.gov.au/house/committee/efpa/banklending/report.htm.

Hard copies of the report are available from the committee secretariat. To obtain a hard copy please email efpa.reps@aph.gov.au or phone (02) 6277 4587.

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