Question: aet 49

Topic: **Funding for Investment in Residential Mortgage Backed Securities**

Hansard Page: **E64-65 (25 February 2009)**

Senator PAYNE asked:

Senator PAYNE—You will have no trouble from me, but my colleagues might ask you to break other golden rules later. Can I ask questions on shared equity mortgages and seek some information from the department on the funding that has been set aside by government for investment in residential mortgage backed securities? Can you indicate the amount of that funding?

Mr Ray—It is up to $8 billion.

Senator PAYNE—What expenditure has been made of that to date?

Mr Ray—I might have that or, if I do not, someone else might. I am advised that it is around $2 billion.

Senator PAYNE—I know that one of my colleagues in the other place, the member for Cook, and others have made submissions to the Treasurer suggesting that some of these funds, perhaps up to $500 million, could be allocated to the shared equity mortgage sector in the hope that private lending institutions will continue to offer and expand their participation in shared equity loan products. Do you know whether there is any contemplation of that proposition?

Mr Ray—This is the wrong outcome.

Senator PAYNE—I am sorry.

Mr Ray—They have already been on. We will take that on notice and refer it to our Markets Group colleagues.

Senator PAYNE—Thank you very much.

Answer:

On 26 September 2008 the Treasurer announced that the AOFM will purchase residential mortgage-backed securities (RMBS) to support competition in Australia's mortgage markets. Up to $8 billion is available for investment, with at least $4 billion to be allocated to issuers/originators that are non-authorised deposit taking institutions.

The Australian Office of Financial Management (AOFM) has set out a number of eligibility requirements for participation in the initiative, consistent with the Treasurers' direction. These requirements are detailed in AOFM Operational Notice No. 10/2008 of 13 October 2008 and Operational Notice No. 17/2008 of 18 December 2008 which are available on the AOFM web site (www.aofm.gov.au).

Only lenders whose RMBS and underlying mortgages meet the eligibility criteria will be considered for participation in the initiative.

The Government has not specifically set aside any of the funds allocated for the investment in RMBS for the shared equity mortgage sector.