

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 31 May to 2 June 2005

Question: Bud 73

Topic: ABS – Loans Secured Against Mortgages

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Senator Sherry asked:

Senator SHERRY—I will give you the title. My office downloads every press release from the ABS. You are one of the more prolific releasers of material. It is titled 'Mortgages up and people borrowing more' and was released on 23 February. It comments:

More owner-occupied dwellings had a mortgage or loan secured against them in 2002-03 than seven years ago.

I was particularly interested in 'loan secured against them'. You may not be able to answer this now. This may have been in the data and I may have been unable to find it. You may be aware that what are called equity drawdown loans have grown in use and popularity, it seems to me, enormously in recent times, and are a way of obviously increasing consumption expenditure by borrowing against your home.

You are much more readily able to do that now than, say, 10-20 years ago, when this did not seem to exist. I could not find detailed information on loans secured against mortgages. Does that exist? There is data about the proportion of owner-occupiers, median mortgages, the costs in real terms and all those sorts of things. But I could not find the data on loans secured against your home.

Mr Trewin—We will have to take that one on notice.

Senator SHERRY—Can you come back to me with an historical overview of this area?

Mr Trewin—Yes.

Answer:

The media release referred to compared results of surveys conducted in 1995-96 and 2002-03. Of all mortgage amounts outstanding in 1995-96, 8.3% were reported as primarily for purposes other than housing. The corresponding figure from the 2000-01 survey was 12.6% and the figure in 2002-03 was 12.1%. While this suggests a small drop over the two years between 2000-01 and 2002-03, the fall is not statistically significant.

No information was collected to determine whether mortgages primarily for non-housing purposes were to finance consumption or to finance investment activity.

The Reserve Bank of Australia monitors net injections and withdrawals of equity of the household sector in housing. The results are published in periodic monetary policy and financial stability reviews, most recently in the October 2005 RBA Bulletin. Use of mortgages for purposes other than housing causes a withdrawal of

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equity. When repayments on mortgages are exceeded by drawdowns for non-housing purposes, there is a withdrawal of equity. The periods during which this has occurred is shown in the following graph. Again, the Reserve Bank of Australia does not release information on whether mortgage equity withdrawal is used to finance consumption or finance investment activity.

