

TASSIE HOME LOANS PTY. LTD.

Submission to the Senate Select Committee on Housing Affordability in Australia.

Reasons why singles, couples and families are finding it unaffordable to borrow money to purchase a home of their own in the present climate of increasing interest rates and the high price of housing in Australia.

- Existing financial commitments, e.g. credit cards, store cards, motor vehicle loans and personal loans at much higher interest rates than housing loans.
- Impaired credit history reported through Veda Advantage, a national Credit Reporting Agency, e.g. an unpaid debt or even a paid debt makes them ineligible to borrow high loan to valuation ratio home loans.
- Loan approval criteria by lending institutions take into consideration the applicants living allowance.
To explain a loan applicants 'Living Allowance' – Gross Income, less income tax = Net Income, less the housing loan repayment and all other debt repayments, less the Living Allowance based on the Henderson Poverty Index – as per examples attached.
- Lending institutions are unable to borrow funds from the securitised market at attractive interest rates and still be competitive. It has become very difficult for financial institution to attract the volume of deposits from the public and corporate organisations to meet their demand for housing loans.
- In the current climate there have been a number of non-bank lenders that have exited from the market, i.e. Macquarie Bank, Maxis, Bluestone Mortgages to name a few.
- With the demise of a number of non-bank and non-conforming lenders in the housing loan market, intending borrowers are finding it very difficult to obtain a loan when they are unable to comply with the current strict credit policy of some lending institutions which have tightened even further over the last 6 months.
- We could be heading back to the days before the mortgage broking industry commenced in the early 1990's where the Bank had a monopoly in the housing loan market. This will in fact restrict the number of players in the market place and provide fewer options for people borrowing for the purchase of a home of their own.
- Already the mortgage broking industry is seeing a reduction in up-front fees and trailer commissions by Westpac and other lending institutions which could spread to all Banks and other lenders. This could have a detrimental affect on the mortgage broking industry with a number of smaller players being forced out of the market thus reducing the number of options the public will have when sourcing their home loan.

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Improving Housing Affordability for Tasmanian Families.

- The Federal Government should provide more funds under the Commonwealth/States Housing Agreement for the construction of suitable affordable housing for rental by low income earners
- The Federal Government should consider not charging interest on the State's current CSHA debt.
- The Federal Government should consider not requiring the current balance of the CSHA debt to be repaid or a moratorium for at least 10 years until the current housing affordability crisis has eased.
- The CSHA funds should be used to provide more suitable housing accommodation, such as; cluster housing for more efficient use of land, motel style hostel accommodation for single persons with a community kitchen and dining area.
- Housing Tasmania should develop housing loan products for low to moderate income families similar to those currently being made available in South Australia under their Home Start Program which has been very successful in that State. The funding should be made available under the CSHA and should be outsourced to the private sector to manage.
- The Tasmanian State Government over the last four financial years has received an average of \$116 million in stamp duty from residential property and mortgage transactions. The State Government should be encouraged to plough back a portion of this income into providing suitable housing accommodation for low to moderate income earners. These funds could be utilised to construct additional public or community based housing projects.
- Because of a very low take up over the last few years, the terms and conditions of the State Government's Home Ownership Assistance Program (HOAP) need to be completely reviewed to encourage couples and families in the low to moderate income bracket to purchase a home of their own. Consideration should be given to incorporate a Top-Up Loan of up to \$35,000 at no interest for the first 5 years, and thereafter for the next 5 years the interest rate should be the CPI increase. After the 10th year the balance of the Top-Up Loan would be transferred to the main HOAP Loan where the current interest rate would be charged. There also should not be an income restriction placed on eligible borrowers. The term of the HOAP Loan should be extended to 45 years.
- Housing Tasmania should abandon the tenure-for-life principle, with a grandfather clause applying to new and existing tenants. The rental term should be 5 years with an income review to ensure they still qualify for housing assistance for a further 5 year period. This would free up public rental housing for more urgent and needy cases.

- The State Government should also give consideration to outsourcing to the private sector, the collection of rents from Housing Tasmania's public rental clients. The private sector would be able to perform this task more efficiently, would be more cost effective and be more accountable. The savings could be ploughed back into the continued maintenance of public rental housing that is lacking at the present time.

ATTACHMENTS.

Genworth Financial Servicing Calculator – Version 2007.7

The interest rate is based on 10.89, which is 1.5% above their current housing loan interest rate. This is normal with housing loan repayment calculations to ensure borrowers can manage with a 1.5% increase in interest rates.

They have also taken into consideration a credit card debt of \$5,000.

The calculations are based on an annual income of \$60,000.

• Couple	Maximum loan borrowing capacity:	\$236,000
• Couple with 1 child		\$197,000
• Couple with 2 children		\$159,000
• Couple with 3 children		\$121,000

You can see from the above serviceability calculator the decreasing amount of money families can afford to borrow relative to the number of children in the household.

TASSIE HOME LOANS PTY. LTD.

Representative: John Phillips, Managing Director.

Dated: 5th May, 2008.

Servicing Calculator Version 2007.7

BORROWER				Effective from 21 April 2008			
Applicant Name	Bill Smith						
LMI Product	0						
New Loan Amount	\$200,000	Interest Rate:	10.89%				
No. of Single Adults	0	Loan Term:	30				
No. of Couples	1	Repay:	\$1,889				
No. of Children	0	Living Costs:	\$17,917				
Total Credit Card Limit	\$5,000	@ 3% :	\$150				
Any Other Repays p.m.	\$0						

INCOME	Gross Annual	100% Gross Rental *	Total	Tax	Net
Applicant 1	\$60,000	\$0	\$60,000	\$13,500	\$46,500
Applicant 2	\$0	\$0	\$0	\$0	\$0
Applicant 3	\$0	\$0	\$0	\$0	\$0
Applicant 4	\$0	\$0	\$0	\$0	\$0
Applicant 5	\$0	\$0	\$0	\$0	\$0
Applicant 6	\$0	\$0	\$0	\$0	\$0
Untaxed Allowable Income	\$0	\$0	\$0		\$0
Business NPBT	\$0	\$0	\$0	\$0	\$0
Calculation Results	\$60,000	\$0	Total Net Income:		\$46,500

LESS: Living Costs:	\$17,917
Net Disposable Income:	\$28,583

Living Costs	
Single Adult (no dependants)	\$12,324
Couple (or single with partner)	\$17,917
Each Additional Adult	\$12,324
Each Additional Couple	\$17,917
Each Dependant Child	\$4,354

Proposed Annual Repayments:	\$22,668
Other Repayments:	\$1,800
Total Commitments:	\$24,468
DSR:	40.8%

NDI RATIO: 1.17 :1

Maximum Loan Amount: **\$236,000**

NDI Ratio must be at least 1.00:1

If your borrower doesn't meet our requirements, and you support this application, please fax the application to your **Genworth Financial** Account Manager for individual assessment.

Important - Please Note:

This Servicing Calculator was prepared by Genworth Financial Mortgage Insurance Pty Limited to provide you with an initial view as to whether a loan application meets Genworth Financial servicing criteria. It sets out the methodology by which Genworth Financial arrives at this conclusion. It is provided to you on the basis that you acknowledge that:

- You are not relying on this Servicing Calculator when determining a customer's loan serviceability, credit worthiness, or in any respect as part of the credit approval process.
- This Servicing Calculator does not take the place of your own credit policy and prudent lending guidelines.
- A positive outcome under this Servicing Calculator does not guarantee that your own credit policy and lending guidelines will have been met and does not constitute any representation or warranty on the part of Genworth Financial that the loan applicant represents an acceptable credit risk for the customer.
- You shall ensure that, for regulated loans, you comply in all respects with the Uniform Consumer Credit Code when considering the loan application and entering into the loan.
- Genworth Financial reserves the right to determine whether or not it is prepared to grant insurance in respect of a loan application irrespective of whether or not a positive outcome is arrived at under the Servicing Calculator.

Servicing Calculator Version 2007.7

BORROWER		Effective from 21 April 2008	
Applicant Name	Bill Smith		
LMI Product	0		
New Loan Amount	\$200,000	Interest Rate:	10.89%
No. of Single Adults	0	Loan Term:	30
No. of Couples	1	Repays:	\$1,889
No. of Children	1	Living Costs:	\$22,271
Total Credit Card Limit	\$5,000	@ 3% :	\$150
Any Other Repays p.m.	\$0		

INCOME	Gross Annual	100% Gross Rental *	Total	Tax	Net
Applicant 1	\$60,000	\$0	\$60,000	\$13,500	\$46,500
Applicant 2	\$0	\$0	\$0	\$0	\$0
Applicant 3	\$0	\$0	\$0	\$0	\$0
Applicant 4	\$0	\$0	\$0	\$0	\$0
Applicant 5	\$0	\$0	\$0	\$0	\$0
Applicant 6	\$0	\$0	\$0	\$0	\$0
Untaxed Allowable Income	\$0	\$0	\$0		\$0
Business NPBT	\$0	\$0	\$0	\$0	\$0
Calculation Results	\$60,000	\$0	Total Net Income:		\$46,500
			LESS: Living Costs:		\$22,271
			Net Disposable Income:		\$24,229

Living Costs	
Single Adult (no dependants)	\$12,324
Couple (or single with partner)	\$17,917
Each Additional Adult	\$12,324
Each Additional Couple	\$17,917
Each Dependant Child	\$4,354
Maximum Loan Amount:	\$197,000

Proposed Annual Repayments:	\$22,668
Other Repayments:	\$1,800
Total Commitments:	\$24,468
DSR:	40.8%
NDI RATIO:	0.99 :1

NDI Ratio must be at least 1.00:1

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Servicing Calculator Version 2007.7

BORROWER		Effective from 21 April 2008	
Applicant Name	Bill Smith		
LMI Product	0		
New Loan Amount	\$200,000	Interest Rate:	10.89%
No. of Single Adults	0	Loan Term:	30
No. of Couples	1	Repays:	\$1,889
No. of Children	2	Living Costs:	\$26,625
Total Credit Card Limit	\$5,000	@ 3% :	\$150
Any Other Repays p.m.	\$0		

INCOME	Gross Annual	100% Gross Rental *	Total	Tax	Net
Applicant 1	\$60,000	\$0	\$60,000	\$13,500	\$46,500
Applicant 2	\$0	\$0	\$0	\$0	\$0
Applicant 3	\$0	\$0	\$0	\$0	\$0
Applicant 4	\$0	\$0	\$0	\$0	\$0
Applicant 5	\$0	\$0	\$0	\$0	\$0
Applicant 6	\$0	\$0	\$0	\$0	\$0
Untaxed Allowable Income	\$0	\$0	\$0		\$0
Business NPBT	\$0	\$0	\$0	\$0	\$0
Calculation Results	\$60,000	\$0	Total Net Income:		\$46,500
			LESS: Living Costs:		\$26,625
			Net Disposable Income:		\$19,875

Living Costs	
Single Adult (no dependants)	\$12,324
Couple (or single with partner)	\$17,917
Each Additional Adult	\$12,324
Each Additional Couple	\$17,917
Each Dependant Child	\$4,354

Proposed Annual Repayments:	\$22,668
Other Repayments:	\$1,800
Total Commitments:	\$24,468
DSR:	40.8%
NDI RATIO:	0.81 :1

Maximum Loan Amount: **\$159,000**

NDI Ratio must be at least 1.00:1

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BORROWER				Effective from 21 April 2008			
Applicant Name	Bill Smith						
LMI Product	0						
New Loan Amount	\$200,000	Interest Rate:	10.89%				
No. of Single Adults	0	Loan Term:	30				
No. of Couples	1	Repay:	\$1,889				
No. of Children	3	Living Costs:	\$30,979				
Total Credit Card Limit	\$5,000	@ 3% :	\$150				
Any Other Repays p.m.	\$0						

INCOME	Gross Annual	100% Gross Rental *	Total	Tax	Net
Applicant 1	\$60,000	\$0	\$60,000	\$13,500	\$46,500
Applicant 2	\$0	\$0	\$0	\$0	\$0
Applicant 3	\$0	\$0	\$0	\$0	\$0
Applicant 4	\$0	\$0	\$0	\$0	\$0
Applicant 5	\$0	\$0	\$0	\$0	\$0
Applicant 6	\$0	\$0	\$0	\$0	\$0
Untaxed Allowable Income	\$0	\$0	\$0		\$0
Business NPBT	\$0	\$0	\$0	\$0	\$0
Calculation Results	\$60,000	\$0	Total Net Income:		\$46,500
			LESS: Living Costs:		\$30,979
			Net Disposable Income:		\$15,521

Living Costs	
Single Adult (no dependants)	\$12,324
Couple (or single with partner)	\$17,917
Each Additional Adult	\$12,324
Each Additional Couple	\$17,917
Each Dependant Child	\$4,354

Proposed Annual Repayments:	\$22,668
Other Repayments:	\$1,800
Total Commitments:	\$24,468
DSR:	40.8%

NDI RATIO: **0.63 :1**

Maximum Loan Amount: **\$121,000**

NDI Ratio must be at least 1.00:1

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