Response to Current Draft

The purpose of this writing is to express concern regarding the exposure draft in the National Housing and Finance and Investment Corporation Investment Mandate Amendment, section 29C,2,f.

Section 29C,2,f requires loans on land to be included in the area price cap of an overall land/build purchase scenario. The reasoning explained in the Exposure Draft Explanatory Statement, Page 6 point 3, and "modest home" on page 8 is that this supports the building and construction of modest homes. Furthermore, we believe this is too specific of a scope in classification of dwellings.

The policy as drafted has three identified problems with section 29C,2,f:

1. It puts too much demand from eligible buyers and too little initial supply from builders/developers at a specific land/value price-point maximum, and functions disjointedly with other various regional first time home owner land/home programs. An oversupply of demand at these pricepoints will cause bottom prices to come to regional limit, thus causing ownership debt servicability to increase out of reach of the lower income earners, individuals, or households.
2. The policy favors the progeny of top 1% of households by allowing the maximum cap to be utilized – for a qualified applicant who already owns the land outright or who is paying for the land in cash. This drafted policy has the effect of unmeritoriously rewarding eligibles who already own land or have the means to own land with cash payment, as is. We believe the scope of the benefit too narrowly benefits the lowest of incomes for a short window of time, and unintentionally rewards the progeny of those with high net wealth, thus exacerbating future inequality.
3. The earnings thresholds set by region, at todays interest rates, are primed most optimally for Sydney but not for other regional areas. Joint income earners at $200k annual earnings per year, can approach servicing a loan near $1M with current competitive interest rates.

Possible Solutions:

First we acknowledge the economic calculation is by no means simple; and we believe the solution is to broaden the scope of "modest" homes so as to increase economic growth across a wider spectrum of eligible buyers, supply builders, and developers, thus creating opportunity for a wider working cross section of people as reflected by the contemporary debt servicing capacity of earning caps as set forth in the drafted document.

Furthermore, we believe caps should not be limited to earnings, but also limits should be applied to net asset holdings on land or land being purchased with cash, that an eligible buyer intends to use for their new home build.

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