

Senate Select Committee recommends AussieMac model

Friday, June 20, 2008

The Senate Select Committee on Housing Affordability in Australia has explicitly recommended that Treasury examine whether an "AussieMac" initiative would be beneficial to the Australian market and help increase the rate of home ownership:

Recommendations included:

Recommendation 9.2 (p. 150)

The committee recommends that Treasury examine the international experience with a securitised mortgage scheme and its application to Australia with a view to determining whether an 'Aussie Mac' style product would be beneficial in the Australian market.

Mortgage corporation—'AussieMac'

9.38 The creation of 'a public institution that can render liquidity' to the market for securitised mortgages was also proposed to the committee by Mr Joye.³⁸ It is based on a similar institution in Canada, and bears some similarity to the longstanding 'Freddie Mac' and 'Fannie Mae' in the United States.³⁹

9.39 The suggestion was endorsed by John Symond, who was concerned that a drying up of liquidity in the securitised mortgage market risked a return to the situation before the 1990s when a handful of banks were almost the only providers of mortgage finance and the margins charged home buyers and investors were consequently considerably higher.

9.40 He elaborated:

Christopher Joye's suggestion to copy the Canadian mortgage backed security model has a lot of merit. I would probably tend to believe that we need a government supported liquidity initiative. The Canadian model would have been explained to you but they have not been impacted by the global credit crunch. Homeowners in Canada still have affordable interest rates. They are not out of money. We may find that, if funds start to get rationed in this country, it will be a serious problem for everybody not just homeowners... I am fully supportive of a government supported liquidity initiative and I do hope that the government has a hard look at that.

9.41 The mortgage corporation was also supported by the Construction, Forestry, Mining and Energy Union, on the grounds that it would 'preserve competition in the home mortgage market (a critical element in any affordability solution)'.

You can download the report from:

http://www.aph.gov.au/SEnate/committee/hsaf_ctte/report/report.pdf