

# Affordable Housing for All

An evolutionary incremental proposal for Affordable Housing for ALL Australians including low income and the disadvantaged. There will be NO NET Increase in COST to the government and the government will get a return on any investments it chooses to make to kick-start the process.

[Ross Gittins \(CT March 8th\)](#) points out why most government efforts to make housing affordable do not work. They fail, not because the homes are unaffordable, but because the money market that provides the money to buy a home favours those who already have assets.

A way to address the problem is to provide an alternative to the money market to provide the money to buy a home. Mutual credit schemes and building societies used to do it. They now operate as mini-banks and use money debt rather than mutual credit.

A way for the government to make housing affordable is to encourage mutual credit institutions by allowing low interest loans from Commercial Banks who could source the money from the Reserve Bank. The loans would be low interest because the money is low risk. The Mutual Credit Bodies can provide loans to members with this money or with savings from members and, at the same time, provide high return annuities to long-term investors like superannuation funds. Members with loans repay the money at 5% of the inflation adjusted loan amount per year. They repay over 30 years so giving investors a return on their funds of 50% over 30 years.

Low Income people who cannot afford the repayments can get low interest loans from banks. The loans are backed by the properties and so they are low risk. Using loans means it takes longer to build equity.

A borrower of long term loans has to live in the home. The title of the home could be held by the buyer or held in Trust by a Public Trustee. Either way the buyer and the Mutual Credit own a mortgage. The buyer purchases the mortgage from the Trust with

periodic payments. If the home is sold then the Mutual Credit Body and the buyer share in the Capital Gain in proportion to their share of the mortgage.

The investors get an inflation adjusted annuity of 5% over 30 years or the equivalent percentage over a shorter period. Investors never get more money than the 50% amount paid by buyers unless the home increases in value over inflation. Investors looking for Capital Gains are less likely to participate in this market because it is a market in homes not a market in Capital.

Different Mutual Credit groups can set their rules for their circumstances. A Mutual Credit group with buyers from Public Housing may differ from a Mutual Credit group with buyers of multi-million dollar homes. A Mutual Credit group based on a body corporate will differ from a Mutual Credit religious group.

The housing market for new homes will have more buyers, and this will stimulate the home building industry which will increase supply to meet the demand.

For Public Bank and Local Currency advocates the approach has all the advantages of removing debt and replacing it with credit without the effort of creating a public bank. For governments, it has the advantage of providing a way for the whole population to gain equity in their home if they so desire. It is likely that most rental properties will move to a mutual credit model because the returns on investment are more certain and do not depend on capital appreciation.

Banks fit into mutual credit in two ways. First they can offer loans directly with their own mutual credit loans and second they still create money to provide other mutual credit borrowers with funds.

Competition is provided because any regulated organisation can offer mutual credit. Each mutual credit organisation can have its own rules, within regulated limits. Individuals can easily move between the systems because the software is designed so that an individual's loans are linked and easily transferred between organisations. This is possible because money tokens have no value without reference to the property or properties to which they are linked.

[Here is a moqup of what an end user would see.](#)

## Other Uses of the Approach

Any expenditure of funds can use the approach to eliminate the cost of interest. In the long term it is expected the system will evolve so the Reserve Bank will issue money at zero interest to mutual credit organisations. What is typically thought of as social welfare can be viewed as investment in an individual or family and the investment will be repaid through taxes or other charges for government services.

The system works by removing the cost of money tokens loan by loan. Giving money a value over time is unnecessary. The approach is incremental and it will evolve as it comes into wider use. [Here is another description](#) of what is happening.

Money is information. The approach to loans distributes control of the information across autonomous entities and is an example of an electronic complex adaptive system. The approach can be applied to any information and enables us to connect existing systems to make other [electronic complex adaptive systems for other purposes](#).

Another way of thinking about these electronic complex adaptive systems is to think of them as forming an electronic prefrontal cortex to an electronic brain for autonomous entities. The autonomous entities have reptilian sensing brains which are existing computer applications. The complex adaptive systems are built on top of the existing applications.

Technically we have invented an electronic way to connect unstructured information for any electronic entity. Deploying these systems will cost a great deal of money and effort but the approach provides the money through the generation of savings as shown in affordable housing above.