

# CABONNE COUNCIL

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14 October 2003

Inquiry into first home ownership  
Productivity Commission  
LB2 Collins Street East  
**MELBOURNE VIC 8003**

Dear Sir/Madam,

## **SUBMISSION TO INQUIRY INTO FIRST HOME OWNERSHIP**

Cabonne Council wishes to make a submission to the Inquiry into first home ownership based on the inability of potential home buyers in rural areas to secure mortgages in most cases without deposits of more than 10% of the purchase price.

### The Cabonne Area

The Council has an area of 6,017 square kilometres with a growing population of around 13,000, and surrounds the booming regional centre of Orange. The Cabonne region is approximately three hours drive from Sydney and Canberra.

The Cabonne Council area extends from Eugowra in the west, Ophir in the East, South to Canowindra and north to the village of Yeoval. It also includes the town of Molong and the villages of Cargo, Cumnock, Manildra and Cudal.

Adjoining Councils include Orange, Blayney, Forbes, Parkes, Cowra, Mudgee, Dubbo, Evans and Wellington.

Cabonne is a true rural based Council owing its development and sustainability to rich and established agricultural pursuits.

### Home ownership difficulties within the Cabonne area

Potential residents of the Cabonne area have previously contacted Council in relation to the difficulties that they have experienced in obtaining mortgages for proposed property purchases in the towns and villages of Cabonne.

The major hurdle being encountered by the majority of people raising concerns relates to the amount of deposit being required in the smaller towns and villages as opposed to larger regional centres.

In preliminary discussions with financial institutions, they have indicated that this is due to the level of Mortgage Insurance Cover that they are able to obtain in relation to the smaller centres.

### Recommendation

That the amount of borrowings against a property should be standardised to at least 95% of the property's value regardless of where the property is located.

OR

The Government underwrites the value of Mortgage insurance for home purchases as illustrated below:

The banks have indicated that smaller deposits could be required if another party (say Government) was willing to provide "gap" insurance to cover the difference between the amount of Mortgage Insurance Cover and the amount borrowed. That is to say that if Mortgage Insurance was available up to 95% of the value of a property in Orange, but only 85% for a property in Cargo, then the Government should guarantee the 10% difference and be required to make up any shortfall should there be a default on the loan and an amount be left outstanding not covered by the Mortgage Insurance.

If you wish to discuss this matter further, please contact Council's Administration Manager, Ms Joanne Smith on 63 923200.

Thankyou for providing Cabonne Council with an opportunity to make a submission.

Yours faithfully

**J. Harding**  
**Director of Finance and Corporate Services**