

Submission to the Productivity Commission Inquiry into Housing Affordability

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In a radio interview recently, Senator Amanda Vanstone pointed to a solution which Singapore has adopted to address the issue of affordable home ownership.

The Senator also repeated her observation on the Property and You program, which is widely distributed on CD throughout the Melbourne metropolitan area.

A DVD copy of the interview will be submitted for your perusal.

Singapore's Central Provident Fund is the national retirement saving scheme, which serves the same purpose as Australia's Superannuation Guarantee Levy.

Singaporeans are able to borrow funds from their Central Provident Fund account for use as a deposit in Public Housing projects.

The system has worked well in Singapore. Singapore has a home ownership rate in excess of 90 per cent. By way of comparison, Australia has a home ownership rate of 66 per cent.

Under a similar type of scheme to Singapore's, Australian first homebuyers would have access to their superannuation to supplement their existing equity to form a deposit.

Security for the superannuation funds would be by way of a mortgage over the home.

The superannuation portion of the deposit would be payable to the superannuation fund at a future date which could be as long as 10 years hence. It would be reasonable to expect the home's value, to an amount equal to the superannuation deposit contribution, will have increased over this time.

The repayment to the superannuation amount with interest would be by way of a redraw facility on the home. Alternatively, the homeowner could save the required repayment amount from increased wages and salaries over the term.

A mechanism would be attached to the loan to ensure that the homeowner did not withdraw home equity from the property by virtue of refinancing before the superannuation liability was repaid.

Limits could be placed on qualification for the scheme by way of age, loans to value ratios, debt to servicing ratios and income protection insurances.

A scheme similar to Singapore should be examined as young Australian's housing needs supersede superannuation funds invested in the equities market.