



Speech by

Mr BRUCE LAMING

MEMBER FOR MOOLOOLAH

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STATE HOUSING AMENDMENT BILL

Mr LAMING (Mooloolah—LP) (5.07 p.m.): It gives me pleasure to respond on behalf of the Opposition to the State Housing Amendment Bill. Recent figures being quoted indicate that the percentage of Queenslanders owning or buying their own homes has fallen slightly in recent years and that Queensland's level is lower than the national average. There are, of course, a number of contributing factors to this fall in addition to the affordability aspects of a few years ago related to unacceptably high interest rates. Notwithstanding those factors, in an egalitarian society home ownership is a privilege that should be facilitated and all those who desire it and are prepared to take on the responsibility and make the necessary commitment should be encouraged to do so.

Schemes such as that being put forward by the Government, while not making a substantial contribution to home ownership in general, can fulfil a role in the scheme of things. In fact, the coalition was working on such a scheme prior to losing office. It is still unclear whether the aim of the scheme as put forward is to provide less expensive access to home ownership by low income earners or to address the current misalignment and average age of the public housing stock.

In the Minister's second-reading speech, the primary aim was stated as "providing flexibility to offer a broader range of housing loans", but I am afraid that this is a method rather than an aim. If, of course, the aim is to achieve both, certain compromises on both aims must be made. It is clear that those two aims are quite different. It is a question of whether the aim is to provide affordable homes to low income earners or whether it is a more physical approach of looking at the housing stock with a view to realigning it. Both aims are very important. If both aims are valid, it is necessary to establish which is the more important aim in order to establish a guideline.

We will encounter some of these considerations as we proceed. Although the Opposition will not be opposing the Bill, we will have a number of points that need clarification before we give our support to the Bill.

One of the difficulties with this legislation is that it is an amendment to an Act and, by itself, does not go into any detail as to how the scheme will work. I am, of course, in possession of the document entitled Financial Assistance to Purchase State Housing Rental Properties. I have also, along with my Bills committee, had the benefit of a briefing from departmental officers. The briefing was useful and I acknowledge the assistance of those officers. Without such briefings, of course, it would be very difficult to respond to Bills—particularly a Bill of this nature which is enabling legislation. The detail of the actual scheme lies elsewhere and is not spelt out chapter and verse in the Bill. It is not the sort of Bill to which one can go clause by clause and follow the scheme.

It is therefore necessary for me to go through some of the less clear areas and raise some of the Opposition's concerns. I am quite prepared to accept simple points of clarification from the Minister as the debate proceeds. To this end, I did provide the Minister with a list of some of the more straightforward questions in order to assist the House in its deliberations. I trust that those questions were not too complex. The answers were provided promptly and will, no doubt, save the time of the House. I thank the Minister for providing me with those answers. They were adequate for my purposes and will assist in the debate.

The concept of existing tenants being able to purchase their existing rental dwellings, if available for sale, raises two basic questions—which homes and which tenants? I come firstly to the dwellings.

Although the document lists some categories of dwellings that are not available, this would indicate that the majority are available. If such is not the case, it must be clearly stated so as to avoid confusion and disappointment—particularly in light of the fact that, as I understand it, there will only be 200 or 300 homes available for sale each year.

It would be a pity if all people who occupied public housing assume that their houses will be available for sale to them. The case might be that a particular tenant's house might not be on the list of houses for sale. The tenant's hopes might be raised, only to find that their house might not be available. That is not to say that that tenant could not purchase another house that would be available. It would be a pity if a tenant, who was desirous of purchasing the house which he has called home for a few years, was told that the house is not for sale. This matter must be clarified up front.

As I understand it, the New South Wales model is mainly intended to facilitate housing stock realignment. The New South Wales department will only sell properties that are no longer useful for public housing. Properties that the New South Wales department is likely to sell are: those that are uneconomical to maintain or repair; those that are located where there is a high concentration of Department of Housing ownership; those that are in a poor location; those that have a high market value without a high strategic value; and those that no longer suit the demand in the area. For example, there may be a surplus of three-bedroom homes where the demand is for two or four-bedroom homes.

Those sorts of considerations seem to be common in Queensland. It is a problem in all States where we have an ageing stock, a changing lifestyle and a change in the type of home that people require. The three-bedroom home that just about everyone lived in a decade or two ago is quite often not the sort of home that is sought after by a lot of people who are looking for public housing these days. People looking for public housing and people looking for housing in the private sector are often looking for one or two-bedroom homes, units, duplexes and other sorts of accommodation.

I asked the Minister whether the Queensland model is intended to follow the New South Wales model and was advised in the negative. I was advised that the product had been specifically designed to meet the needs of the target group in purchasing former departmental properties. This, in part, could contribute to the answer to my initial question about the primary aim of the scheme. It lends support to the view that it is a tenants' purchase scheme rather than a scheme primarily aimed at a realignment of stock. I am sure the Minister will respond to that particular aspect in his reply.

I would like to address the issue of which tenants would be eligible. The \$55,000 per annum gross income for non-tenants seems to be a figure that would qualify a group of applicants for a Government loan. These people would be well above the income limit of the average tenant. My inquiries from private lenders have indicated that such a limit could be described as being somewhat generous. Bearing in mind that the maximum amount of a loan will be \$115,000 under the scheme, I am informed that on a \$55,000 per annum income a borrower would qualify for a private loan of \$150,000, and that is assuming an 8.8% interest rate.

I contacted another bank in order to get a second opinion. I asked the same question and I was advised that a person on \$55,000 would qualify for a loan of about \$156,000. I suppose one can assume that different banks make their assessments in different ways. I think the two figures are close enough to indicate that \$55,000 appeared to be somewhat generous in the circumstances.

Mr Schwarten: They aren't forced to take a loan.

Mr LAMING: I know they are not forced to take a loan. This gets back to the question I asked initially as to the purpose of the scheme. Is it for realignment of stock or is it—

Mr Schwarten: If someone wants to go and get a private loan, they can do it.

Mr LAMING: Yes, but if—

Mr Schwarten: This is to help the people you don't want to know about.

Mr LAMING: That is an unfair and an unkind cut, and the Minister knows that as well as I do. If there is a limit on the amount of funds available, and if there is a limit on the number of homes that are going to be available for sale, and if the income limit is set at an unnecessarily high amount—bearing in mind that the average income in Queensland is a little over \$30,000 and a ceiling of \$55,000 is made available for people to take advantage of what appears to be a good loan prospect—that could impact on low income people. Those people might miss out when people who can well afford a private loan are able to access the scheme. I am sure the Minister will respond in more detail to this matter a little later.

Looking at it from another perspective, on a \$110,000 loan the private sector would favourably consider a borrower who is earning as little as \$30,000 for a single person and up to \$45,000 for a couple with two children. This is a long way short of the \$55,000 cap for those who are already in public housing or who are on the waiting list.

I realise that we are looking at—and this is the Minister's point—maximum allowable incomes rather than minimum incomes for affordability. However, if the gap is too wide, it would seriously question whether the tenant or the other applicant should be seeking funds from the private sector.

The situation for existing tenants where the \$55,000 cap does not apply is even more significant. Assuming that there is limited finance and a limited number of homes available, I would assume that such a scheme should be targeted at those who could afford to make the commitment but could not afford private finance.

Such considerations regarding the possible affordability of private sector loans highlights the next issue, and that is to do with the requirement for applicants who are not tenants or eligible for assistance under rental programs to provide evidence that they have been previously rejected for finance by a private sector lender. Firstly, I would ask why such a provision does not apply to existing tenants, as without the \$55,000 income cap some of them might be well able to access finance privately and service the loan, thus freeing up funds to assist others who, while on lower incomes, could still service a departmental loan. Indeed, as I said earlier, there is a huge difference between \$55,000 and the average annual earnings in Queensland of just over \$30,000.

One of my written questions to the Minister asked the following: how recently does "previously rejected for private finance" mean? Does it refer explicitly to the dwelling under consideration? Does it have to be in writing? Must reasons be given for the rejection? I am advised that the department will require written evidence in the form of a letter, or other documentation from the private sector lender, which states that the finance has been declined and that it would need to be for the same amount as that being sought from the department for a property in that area, but not necessarily the same property. The rejection must also state the reasons, and this is an important clarification of that point.

Supplementary questions on this issue are: if this person did not get a rejection from the private sector, could he or she purchase the same house using that private loan for which the person applied and did not get a rejection? Would they be able to purchase the house using the private loan? Whether or not this is the case, the value of a rejection slip, which could be due to a number of factors, is quite high when one considers the interest-setting benefits of the Department of Housing finance package. I understand that loan repayments will commence at 25% or less of the borrower's assessed gross income. I asked the Minister whether that percentage could be subsequently reduced and, if so, under what circumstances. I am advised that if the borrower requested a reduction in their repayment, which would still repay the loan within the term, then the percentage would decrease.

At this point, might I suggest to the Minister that, in such circumstances, the borrower be advised as to the impact on the total loan repayments. I think that that is an important point because in this day and age borrowers are actually advised to try to pay their loans off more quickly than the terms of the loan state. If they did that, the interest savings would be quite significant. This is actually a reverse situation. If a monthly payment is reduced, then the total amount of interest—and therefore the total repayments on the loan—could increase quite dramatically. I hope that the borrower is counselled that that is the case so that they do that only if it is absolutely necessary and, hopefully, go back to their previous level of payment as soon as they can.

I also asked: could the borrower elect to make greater monthly contributions or make lump sum payments? I was advised that this could occur without penalty. Another query was whether or not the monthly payment increases as income levels increase or whether they remain at the original dollar amount. I was advised that the monthly repayments may increase only due to an increase in interest rates to ensure that the loan is repaid within the agreed term. Of course, that is a factor in favour of purchasing rather than renting.

That flows on to the issue of capital improvements. During the briefing, I asked the Minister what type of improvements would be and would not be included. I was advised that taxation precedents would be used to create a schedule. I subsequently asked the Minister to advise in general terms what are some of the typical examples of improvements that would be included and some that would not be. I was advised as follows. As an automatic part of the sale-to-tenant process, the tenant is sent a form on which they are asked to list any improvements of whatever nature they have made to the property. When the independent valuer is instructed to do a valuation of the property, they are also instructed to consider this list and make an allowance for any or all of those improvements which, in the valuer's opinion, have added value to the property. That allowance is deducted from the market value determined by the valuer to provide the price for which the tenant can buy the house.

That means that tenants get a reduction in the purchase price to the extent that the independent valuer determines that those improvements have added to the value of the property. The department does not direct the valuer which items are to be considered and which are not. Examples of improvements that would be included are landscaping and the construction of carports. Examples of improvements that would not be included are items of routine maintenance or other expenditure that does not increase the value of the property.

I note the method of calculating the applicable interest rate and the formula for avoiding the impact of rapidly rising interest charges. I believe that, under a more economically responsible coalition Government in Canberra, rapidly rising interest charges are less likely, but the rate increase formula protects borrowers from the possible effects of any return to the bad old days, and I certainly endorse that.

Mr Swarten: They've gone up pretty good in the last couple of months.

Mr LAMING: Nowhere near the level at which they were under Mr Keating.

Mr Swarten: Not the GST. Of course, you support that, don't you?

Mr LAMING: Yes, and I will remind the Minister about whether he supports it perhaps in 12 months' time when most wage earners are waxing lyrical about their better—

Mr Swarten: Keep talking about it. I want you to keep talking about it.

Mr LAMING: That is fine. The new tax system—

Mr Swarten interjected.

Mr LAMING: That is fine. We will see about that after 1 July, too; we will see who was on the right tram. Madam Deputy Speaker, since we are straying a little from the Bill, I ask that you allow me to respond by saying that perhaps the Labor Party never has been and never will be in favour of tax reform in this country. I can assure the members opposite that that puts them right out of kilter with the vast majority of Australians.

The deposit required is another issue that was discussed at the briefing. According to the document, the deposit is a minimum of 5% of the purchase price. Using an easy example of a purchase price of \$100,000, the deposit would be \$5,000. Together with the scheme's non-repayable deposit assistance grant of 50%, the deposit could be reduced to \$2,500. At the briefing, we were advised that that was to be made up of commitment money, that is, through a genuine savings program. My discussions with the private sector also elucidated that a very important aspect when they were considering loan programs to borrowers was that the applicant had a good savings record. That has also been confirmed by the Minister. I believe that that is a valuable aspect of the scheme.

The Minister also added further comment on what effect the Federal Government's first home buyer's grant of \$7,000—under the new tax system—will have on these arrangements. The Minister responded that he now acknowledges that the first home owner's grant could assist in meeting legal and other start-up costs or reduce the amount of the loan required to purchase the property and that this grant could be very helpful indeed to first home owners. I look forward to a lot of people being involved in that program. I believe that there has been—

Mr Swarten: I think there will be a lot of people who can't get it because they may have been in de facto type situations.

Mr LAMING: Yes.

Mr Swarten: That is going to be a real problem for us.

Mr LAMING: Yes. It is a similar situation, too, with the stamp duty reduction for a person's first principal place of residence.

Mr Swarten: It's going to be a real problem.

Mr LAMING: Yes, it is. I acknowledge that. It is a difficult one in terms of marriages that have split up and people remarrying, that sort of thing. However, there has to be—

Mr Swarten: And it's not means-tested. That is the other thing. You talk about \$55,000. That's the real problem; in a lot of cases, women especially are going to lose out.

Mr LAMING: The fact of the matter is, since the Minister has raised the question regarding it not being means tested, the \$7,000 first home owner's grant is not a welfare payment. It is in recognition of the anticipated extra cost of everybody, particularly young people, buying their first home. It has been worked out that that would be the extra cost on the cost of an average home of about \$150,000. I do not think it should be means tested because everybody, regardless of their means, will be disadvantaged.

Mr Swarten: Why should a woman who has been chased out of a marital relationship because of domestic violence be persecuted for it? Why should she have to pay the \$7,000 start-up costs?

Mr LAMING: Pay the \$7,000?

Mr Swarten: What you are saying is that a millionaire's kid can get the \$7,000 in compensation.

Mr LAMING: I think I covered that, when I said—

Mr Schwarten: You did not.

Mr LAMING: Yes, I did. It is not a welfare payment. It is acknowledgment of the extra cost of a home because of the impacts of the GST. I daresay we will agree to differ on that.

In relation to the \$100 grant towards obtaining compulsory independent financial advice, that is quite all right, although I did assume this advice would be provided by a qualified accountant or another person qualified to give this sort of advice and that it would be in writing. I am now advised that this is not necessarily the case and would like to ask the Minister again to clarify why an accountant or a similar professional is not required for this function. I think the idea of obtaining financial advice is sound and I agree with the concept of providing the funding to assist the person to obtain professional or independent advice. I do not know whether it said professional advice, but having gone that far, to take anybody's advice, whether it is the father-in-law or the brother-in-law or something like that, I think that could be improved and the Minister might like to respond to that suggestion. The loan application fee—

Mr Schwarten: How do you suggest? How do you think we might improve it?

Mr LAMING: When I asked the question I asked whether it would be from an accountant or other professionals who are trained in finance and I think, particularly if \$100 is being paid to people and it is compulsory, that we might as well go the extra inch, if you like, and it is not going to far to say it should be from somebody qualified to give financial advice. I do not think that is unreasonable.

The loan application fee waiver is often given in the private sector and there is no problem with that. I note that in New South Wales participants in such schemes are exempt from paying stamp duty. The principal place of residence discount would probably apply. I asked the Minister whether the total exemption applies as it does, I believe, in New South Wales. The response from the Minister was detailed but I should put it on the record—

"Stamp duty is relevant on both the purchase of a property, and also on the loan to buy the property.

With the purchase of a person's first principal place of residence, there is no duty payable if the property is being purchased for \$80,000 or less as a rebate of \$800 is applied. If the purchase price is \$80,001-\$150,000, then there is no duty on the first \$80,000 but there is duty payable at the rate of 1% of the purchase price over \$80,000 less a rebate of \$500.

If a person is buying their principal place of residence, but it is not the first home they have owned, then stamp duty is payable on the purchase at the rate of 1% of the purchase price up to a value of \$250,000.

Stamp duty on loans is different. For first principal place of residence, no duty is payable on mortgages of up to \$100,000, and in the case of loans over \$100,000 duty is payable at the rate of 40 cents for every hundred dollars advanced in excess of \$100,000. For principal places of residence duty is exempt on the loan up to \$70,000 and the 40 cents per every hundred dollar rate of duty applies for any advance in excess of the \$70,000.

In the case of the Queensland State Housing Loan the Department will be seeking exemptions from duty under the provisions of State Housing Act on both the transfer and the mortgage. The State Housing Act complete exemption may or may not be available on the transfer/purchase, depending upon the outcome of consultation with the Office of State Revenue to take place shortly, but if this is not available the first and principal place of residence exemptions will apply on the purchase."

The Queensland State Housing Loan provides \$1,000 assistance for a borrower's legal costs and will help with stamp duty on the purchase should it be payable. The principal place of residence stamp duty discount would apply normally to reduce the amount of duty payable by departmental borrowers to a lesser amount.

The provision of no requirement for mortgage insurance is all right and I ask what provision there is for purchasers who, for whatever reason, cannot meet their repayments, either temporarily or on a longer term basis. In other words, is the borrower's mortgage insured? I was advised, once again by the Minister, that the mortgage insurance is an underwritten condition of the scheme.

I understand also that there is a provision in the Western Australian model that allows a purchaser to revert to a rental tenant situation in their house if the circumstances arose that they could not continue with the loan. I am wondering whether that is the case under this Bill and the Minister might like to comment on that in his reply.

The matter of valuations, I believe, is always going to be of particular interest. The tenant or prospective owner will want to ensure that he or she does not pay more than the property is worth. On the other hand, it will be necessary to ensure that the Government's and the taxpayers' interests are recognised and protected by ensuring that properties are not sold significantly below valuation. This was

not something that arose at the briefing that I can recall, but I would assume that it would be a valuer from the department or maybe two valuers from the department. At the moment, I have a leaning that perhaps there should be an involvement of the State Valuation Service in this process, because otherwise one has a person who is actually working for the vendor valuing the home, whereas the purchaser might not see that as a completely transparent process.

The question arises as to how the valuations will be arrived at, by whom will they be made, and will this be prior to or after any presale refurbishments. I understand that the home will be brought up to a significant standard and obviously if that is the case the valuation would need to be done subsequent to that. I can see this being an area of considerable dispute if it is not made quite clear and the process needs to be clear up-front. The Minister might like to outline that also in his reply.

I raised the matter of the term of the loan at the briefing and with the Minister, because it had only appeared in the media release as 25 years. I am advised that it could be extended to 30 years in case of hardship and that the department would make an assessment based on the circumstances. I suppose the same comment applies to that as it does to the reduction in the loan payments, because it works out to the same thing. I would hope that the borrower is counselled that the total payments being made on the loan would increase and perhaps increase quite significantly.

This flows logically to the question as to whether the loan transfers to a beneficiary on the death of the purchaser. At the briefing, I was advised that this was not the case and that the loan would be in default. These are the sorts of issues that also need to be made clear prior to tenants signing up. I would appreciate the Minister's further comments on this, as in his written response he outlined that, if there was a joint tenancy, the surviving tenant would continue with the loan. I think it is worth pursuing a little further the situation as it applies to a single borrower or a surviving spouse who passes away subsequently to his or her partner.

During the briefing, we were advised that purchasers would be required to have a good credit rating. If this is so, I ask the Minister: what process will be used to ascertain that? These days most people have credit cards. However, a number of old-fashioned people resist credit cards or see dangers in using them. I have come into contact with people who have found it difficult to get a credit reference because they have not borrowed anything.

Mr Swarten: That's the reason we have this loan.

Mr LAMING: If they are going to be required to have a good credit rating, we need to establish the process for finding that out.

Mr Swarten: One of the things you'd look at is if they're paying rent and they've managed to pay rent at market value for the house for a long time. Do you reckon that's reasonable?

Mr LAMING: At market value?

Mr Swarten: If they've been paying about \$200 a week for 15 years, they would be a fairly good risk, don't you reckon?

Mr LAMING: I will let the Minister expand on that in his—

Mr Swarten: You don't reckon they would be, hey?

Mr LAMING: I will hear what the Minister has to say.

I have raised a number of issues. Some of them have been addressed. I look forward to the Minister's response to them. A lot of them are machinery or administrative. The main issue that I would like expanded in some detail in the Minister's reply concerns the \$55,000 limit. Establishing whether the loan is basically designed to provide affordable housing or is a process for realignment of stock will show us whether the \$55,000 cap is set at too high a level.
