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FIRST HOME SAVER ACCOUNTS (FURTHER PROVISIONS) AMENDMENT BILL 2008

Ms GRIERSON (Newcastle) (6.55 p.m.)—I also rise today to support the First Home Saver Accounts (Further Provisions) Amendment Bill 2008 and the First Home Saver Account Providers Supervisory Levy Imposition Bill 2008. These two bills implement additional parts of the government's election commitment to assist people to save for a deposit on their first home. That commitment was a true Labor commitment, a true Labor policy, providing people with practical assistance so that they can participate in the wealth of our society. In fact, it takes me back to the Whitlam days. I remember well the Glebe project and the emphasis on affordable housing. It was a wonderful legacy that the former Prime Minister Gough Whitlam created and it is wonderful to see it live on in the new Rudd Labor government.

To refresh the memory of the House, the first home saver accounts legislation received royal assent on 25 June this year. Under this scheme, the government will provide a 17 per cent matching contribution on personal contributions of up to $5,000 a year. That is an annual maximum contribution of $850 from the government, a real boost for people struggling to save for their first home. Account holders contribute from after-tax salary, and government contributions are not to be taxed. Earnings in the account will be taxed but at 15 per cent, the same as superannuation.

The government will contribute to an account of up to $75,000 but interest may exceed this amount. That certainly contrasts with the bonus first home owners grant that the Howard government gave, without any limits or asset tests at all. I well recall the impact of that grant of pushing up house prices, particularly in Sydney and New South Wales—a most unwelcome development from a poor policy that certainly did not target very well the people who needed it most and that punished everyone in Sydney trying to get into the housing market.

In this policy, account holders must save for part of four financial years, in effect making the minimum period for an account to be open two years and two days. I think that saving experience is very important to prepare people for a mortgage obligation. It is great to think you can save a deposit to buy a house, but that is where all the expenses begin, not end. This is a policy that will assist people to establish a saving pattern that they can continue when they can afford to buy their home and then have to meet their mortgage obligations.

With this scheme we are trying to achieve a real incentive for people to ensure that they also have a good deposit saved when they look to buy their first home and that they are then able to manage a realistic mortgage. We know that mortgage stress is a real problem. One of the reasons for this is that over recent years people have perhaps been taking on mortgages without the necessary financial foundation, borrowing the whole amount of the house price. We saw in the last few years practices where whole-of-house-price loans were extended to some and low-doc loans were made readily available. Of course that had its most extreme manifestation in America, where the subprime crisis finally occurred.

I recall the Governor of the Reserve Bank of Australia being asked and answering questions on the use of low-doc loans and whole-of-asset loans. Both governors over the last few years have expressed their concern, but they also expressed confidence in our banks. I think we are now, having seen this situation in America, feeling some relief that our banks are well regulated, even if there have been areas that we wanted tightened. I congratulate the Reserve Bank. It is a difficult time for it. We are very grateful for the work it does.

It is the case that the smaller the deposit a potential homeowner has the more they will have to borrow and the more they will have to repay. These conditions that we saw over the Howard government's tenure—10 interest rate rises in a row—have been the last straw for many mortgagees, unfortunately including many first home owners. These interest rate rises added about $400 a month to repayments on an average mortgage. It is very hard for people to increase their income, certainly not at a time when their outgoings have been so high.

Earlier this month I drew the House's attention to the growing number of writs of possession issued in my local area. In the Hunter region writs were being issued at the rate of almost one a day over the two years to February this year. That is an indication of a personal tragedy for any family that has their home repossessed. It is certainly a sign of the stress households are under. All of the almost 15,000 households with a mortgage in my electorate would have breathed a sigh of relief after the Reserve Bank's decision to cut rates earlier this month, but it will be only a brief sigh of relief as mortgagees assess the up to $50 a month saving on their repayments against other cost-of-living factors, which we know are also contributing to tough times for many Australians. That is why this First Home Saver Accounts scheme is so important in helping to set potential homebuyers on a more sustainable footing before they make this most important of investment and life decisions.

There are a few points I would make on the details of the legislation. Firstly, the supervisory levy imposition bill, as its name suggests, will establish a levy to recover the regulation costs of the Australian Prudential Regulatory Authority, the Australian Securities and Investments Commission and the Australian Taxation Office. It is cost recovery that I think will be welcome because, if those funds are translated into greater regulation and greater compliance checks, that will benefit everyone. This regime will mirror that which is in place for the current retirement savings account model. It is important that we have a strong and coherent supervisory regime in place, and this user-pays model to levy those institutions offering first home saver accounts is a sensible one.

The further provisions amendment bill also contains a number of provisions to improve the operation of the scheme. We have introduced unclaimed money provisions that will be consistent with those applicable to other financial products. First home saver accounts that have been inactive for seven years and where the provider has been unable to contact the account holder will be paid back to the Commonwealth to hold for any future claims. Obviously, individuals who are later found will be able to make a claim for their money. These provisions will ensure that providers are not required to service small inactive accounts, thus reducing the compliance and administrative burden of the scheme on those providers. Provisions to deal with the exchange of information between various entities have also been included in this bill, simplifying that exchange. These provisions will ensure agencies such as the ATO, ASIC and APRA, as well as the states and territories, can access the information they need while also ensuring the privacy of account holders is absolutely protected.

In the area of family law an amendment is being made to allow individuals to access information about their partner’s first home saver account without the need to formally commence legal proceedings. Amendments are being made to ensure payments under a family law obligation—for example, payments to an account holder’s spouse—receive the same treatment as if paid to the account holder. Other amendments are being made to protect providers who act in good faith in relation to payments made under family law obligations.

Finally, miscellaneous amendments are being made to the withdrawal rules to provide better protection to individuals who are unable to meet the occupancy rules due to circumstances beyond their control. We all know that people’s work and family situations can change dramatically and suddenly, so I am pleased with these amendments that recognise that and do not punish participating individuals when situations arise that are outside their control. Having said that, though, the government is making significant financial contributions to these accounts, so we are rightly moving to ensure that individuals who misuse their account money cannot avoid the misuse tax by recontributing.

These two bills are significant additions to strengthen the legislative regime around the First Home Saver Accounts program—additions I believe will be of significant value to people wanting to buy their first home. The accounts can be offered by banks, superannuation funds, building societies, life offices and credit unions. I understand that there has been significant interest from these institutions in offering first home saver accounts. I am pleased to be able to inform the House that Hunter United Credit Union, in my electorate, will be one of the first, and I am hoping to be able to join them in the launch of this product in Newcastle in the near future. I am sure they will provide an excellent local option for people in my region saving for their first home. I particularly encourage our building societies to sign up for this program.

I take this opportunity, in mentioning building societies, to pay tribute to Steve Porges, the former CEO of Newcastle Permanent Building Society. Steve has been lost to us in

Newcastle; however, we know that he is well placed as the new national CEO of Aussie. I look forward to seeing the work he will do there. He has a real commitment to affordable housing, one that he and I have discussed many times, and I know that he will always be looking for those opportunities to advance affordable housing options to customers. Good luck, Steve, and thank you for your work in Newcastle.

Because the Hunter is a region where many people really do aspire to the financial and relationship stability that can come with owning your own home, it is hoped that other institutions will participate. You can see in fast-growing new areas in my region, like the 5,000-lot Thornton North urban release area that will become the new suburb of Chisholm, that homeowning is something prized by the people of Newcastle and the Hunter.

The Rudd government knows how tough it can be to afford to buy a home, and we believe that these first home saver accounts will help people—often young working families—to achieve this dream. I commend the Minister for Housing for bringing this scheme to fruition. We know that Minister Plibersek is a hardworking minister. I know it because she recently visited Newcastle to talk to the community about this policy and other policies in the housing portfolio. She certainly went beyond the time commitment we would have expected. She had been to many functions and had given so much of her time. It was very generous of her.

We are looking for a suite of very important initiatives to help people in all kinds of housing situations, including first home buyers, the legislation we are currently discussing, and renters and homeless people. I note briefly that the minister and Prime Minister yesterday announced the guidelines for the National Housing Affordability Fund. The Housing Affordability Fund is a Rudd government initiative that invests $512 million over five years to target the planning and infrastructure costs that are incurred when building new housing developments. Tens of thousands of new home buyers are set to directly benefit from the fund, with savings coming from grants of up to $10,000 per home, reduced holding costs and contributions from other levels of government. This policy will encourage the building of much needed housing developments for Australians. Once again, this is an excellent Labor policy. It represents the real, practical policy solutions that were so sadly missing while housing affordability was always off the previous government's political radar.

While in Newcastle Minister Plibersek also talked about the National Rental Affordability Scheme with several stakeholders in my region. It was something that particularly interested property investors and community housing providers in the area. This is the $623 million scheme to encourage the building of up to 50,000 new rental properties across Australia. Under the scheme, the Australian government and state and territory governments will offer incentives to institutional investors and housing providers to build 50,000 new rental properties, which will be rented out at 20 per cent below market rate. In order to stimulate investment, the scheme will offer investors a Commonwealth incentive of $6,000 per dwelling per year refundable tax offset or payment and a state or territory incentive of $2,000 per dwelling per year in direct or in-kind financial support. As I said, the feedback that Minister Plibersek and I received at our Newcastle stakeholder roundtable on this scheme was extremely positive, with many suggesting that the incentives would make all the difference for them in deciding to invest in affordable housing developments.

I note the report on the weekend that the government had received almost 250 proposals under the first round of the scheme. That is a fairly good indication that this policy has a great deal of appeal. I know that affordable rental accommodation is a big issue in my electorate, particularly for young people coming to Newcastle to study at university. Facing vacancy rates of just 1.5 per cent, people are certainly finding it hard to find a place to live. As we know, when vacancies are tight, rents go up. So people are finding it hard to find a place they can afford. That is why this is such good policy. It will make about 1.5 million people eligible to apply for the new affordable housing stock that is being created.

Nearly 50 per cent of people coming to homelessness services are private renters in financial difficulty. We should remember that important figure. The people who are now facing homelessness were perhaps once able to rent and meet their financial commitments. That has certainly changed since rents and house prices have escalated. The National Rental Affordability Scheme will help with the massive homelessness problem we face in this nation. So will the Rudd Government's specific policies in this area, including $150 million over five years to build 600 homes across Australia for families and individuals who are homeless and $100 million for long-term supported accommodation for people with disabilities. While in Newcastle, Minister Plibersek spoke at two forums about these policies and about the government's white paper process, which will include a comprehensive national action plan to reduce homelessness by 2020.

I have outlined some of the government's initiatives in several areas of housing because they are interlinked. Helping homeless Australians, helping renters and helping home buyers are all policies in the great Australian Labor traditions of social justice and nation building. It is important to remember when we are in our electorates that security is extremely important to our constituents. Most people have very little security. The only asset most people own is their home; the only savings they generally have are in the superannuation fund. The only other security they have is a job. These are all issues that we understand and will continue to address with policies like this. I am very proud to support this legislation and I am also pleased to give my support to the First Home Saver Accounts (Further Provisions) Amendment Bill 2008 and the First Home Saver Account Providers Levy Imposition Bill 2008. I commend the bills to the House as a reflection of true Labor policies and the work of the Rudd Labor government.