

PAYING CAPITAL GAINS FORWARD IS CREATING THE NEW ECONOMIC POOR

CAPITAL GAINS FINANCED BY THE COMMBANK OVER 4 YEARS IS ASTOUNDING !

| | START JAN 21 | START JAN 22 | START JAN 23 | START JAN 24 | 4 year total |
|--|---------------------------|------------------|------------------|------------------|------------------------|
| SELLING PRICE 1 JAN EACH YEAR | \$500,000 | \$530,000 | \$561,800 | \$595,508 | \$500,000 |
| ANNUAL PRICE INCREASE 6.00% | \$30,000 | \$31,800 | \$33,708 | \$35,730 | \$131,238 |
| NEW SALE PRICE | \$530,000 | \$561,800 | \$595,508 | \$631,238 | \$631,238 |
| Maximum loan 80% without LMI | \$400,000 | \$449,440 | \$476,406 | \$504,991 | \$504,991 |
| PRICE INCREASE IN 4 YEARS (CAPITAL GAIN) | 6.00% | 12.36% | 19.10% | 26.25% | 26.25% |
| Deposit required | \$100,000 | \$112,360 | \$119,102 | \$126,248 | \$126,248 |
| LOAN REQUIRED | \$400,000 | \$449,440 | \$476,406 | \$504,991 | \$504,991 |
| | millions | millions | millions | millions | millions |
| COMMBANK TOTAL MORTGAGE LOANS. | \$485,795 | \$516,217 | \$556,499 | \$583,827 | \$596,346 |
| ESTIMATED CAPITAL GAINS PAID FORWARD | | \$30,422 | \$70,704 | \$98,032 | \$110,551 |
| WHEN HOUSE PRICES RISE CAPITAL GAINS COMPOUND | | 6.26% | 14.55% | 20.18% | 22.76% |
| ESTIMATED CAPITAL GAINS FINANCED IN 4 YEARS | Total capital gain | | | | \$110.5 BILLION |

The chart compares the banks mortgage roll growth to house price increases over a 4 year period.

The banks mortgage roll and profits grow as it finances the capital gains of the previous owner which is **PAYING CAPITAL GAINS FORWARD**

The total CAPITAL GAINS FINANCED OVER A 4 YEAR PERIOD is a significant 110 BILLION dollars and that is only 1 bank \$110.5 BILLION

The Commonwealth banks mortgage roll has grown 22.76% over 4 years and aligns to house prices over the same period.

Although the RBA targeted band for inflation is 2% to 3% banks valuations have exceeded 6% per year. Despite wages growth being flat over the 4 year period.

Banks have relaxed their lending criteria knowing that should things go bad for the home buyer the Government guarantee or LMI will pay the bank.

Banks irresponsibly provide pre approval letters for home loans that create competition in the market place and drive prices upwards at no risk to the bank .

The SOLUTION : A 5% Government Guarantee with a kick start for 1st home buyers

An examination of risk reveals that a responsible banking business with well administered lending policies is able to loan to 95 % LVR to purchase a home to live in for a first home buyer

at the lending banks 60% LVR interest rate less the banks provision for loss . The Guarantee to expire in 4 years when the loan reverts to the lenders current LVR rates and conditions.

Govt to authorise licensed valuers to issue valuation certificates to builders and developers , banks and vendors to confirm eligibility for first home owner loans.

Upon presentation of the certificate a bank may loan up to 90% and 95% of the certified valuation and the 5% Govt guarantee will remove the banks risk of loss by default.

A Government guarantee of 5% of the properties certified valuation for 4 years protects the bank.

and provides a kick start for the home owner . The home must be owner occupied , not be in a flood zone and covered by building insurance .

The Treasurer and the head of The Treasury department need to explain to the people of AUSTRALIA why they have provided a 15% guarantee for a loan secured by a property that is valued secretly by the provider of the loan and that guarantee is twice the banks disclosed risk of providing such loan.?

In 4 years house prices have increased from \$500,000 to \$631,238 that is \$32809 per year. Such increases going forward are not sustainable. The BIG 4 BANKS are driven by greed and abuse their corporate responsibility . A large mining company supports communities and cleans up the land that it disturbs. Who is going to clean up the mess the banks have created.

The non economic paper profits financed by the banks is huge and is destroying the AUSSIE WAY OF LIFE let's bring back FAIR GO MATE !

The capital gain of 110 billion dollars is the estimate of only 1 bank .It is reasonable to assume the total of all capital gains financed is 400 billion dollars or 100 billion dollars every year.

That 100 billion dollars < paper profits of no economic value) is paid for by hard working AUSTRALIANS . Those wages should be invested in solid Australian companies like

Coles and Woolies plus emerging companies,infrastructure and Govt services. Including high speed rail connecting regional and capital cities and a modern electric grid .

Problem with LMI and Government Guarantee :The bank continues to charge the home owner for the risk that insurance removes : PRICE GOUGING !

