Warning to negatively geared investors .

Housing is no longer affordable and it is end game for the banks ponzi !

I am a baby boomer and life has been good for the boomers but I see change and I don't like it :
Australia is now divided and we have 2 classes .The Haves and the Have nots.
Dame Edna saw it coming when she declared in her poetry that the country had 2 classes .
The Pavs and the Pav nots .

But why has it changed ? It really is quite simple. The banks are the culprits .
For years they have been operating a Ponzi scheme.

A PONZI SCHEME is dependent upon new investors providing funds to pay the previous investors promised returns. (The property ladder in the case of the banks ponzi)
The ponzi fails when the fund stops growing and individual investors can no longer afford to invest to pay the promised returns to the previous investor .The fund collapses on the stock market and the investor losses his money .
The banks ponzi is dependent upon a bank providing funds to purchase homes at inflated market prices that include the promised paper profits of the previous owner (The property ladder)
The ponzi fails when house prices rise well above wages growth and the banks are unable to justify providing a loan that will expose the bank and its shareholders to risk of loss. The result is demand is softened and house prices fall and the ponzi fails.

Supply vs demand : The banks and the Government like to talk about a shortage of supply being the driver of prices .While supply is a contributing factor it must be tempered with factors such as travelling time to employment , public transport ,cost of fuel and energy , proximity to schools and sporting facilities. The reality is there are many factors influencing a shortage of supply that can be addressed with responsible Government .

Problem : The banks operate as a cartel and manipulate the demand side of the equation with the following tools :Lenders mortgage insurance and Government 5% deposit (15% loss guarantee) Both designed to enable the bank to extend credit to a customers absolute ability to service a loan and remove any risk of loss to the bank regardless of the contracted sale price of the property.

Letter of pre-approval are misleading and infer that a loan is approved and that is incorrect …. a loan to purchase a property is not approved. .
Pre - approval letters are designed to manipulate the market and encourage closed auctions to drive prices upwards. Sales agents advertise properties for sale at best and highest offer(a closed auction) knowing the bank is under no obligation to provide a certificate of valuation to justify the contracted sale price of the property that secures a potential loan . (That is not an open auction where all bids are public)
Property sales contracts need to state the actual deposit to be paid upon fulfilment of all conditions as the deposit determines the home buyers share of the risk of loss due to default.
Refer to notes re risk B" The risk of doing business"

Conflict of interest : A member of parliament must declare personal investments that may be a conflict of interest when considering to vote for or against legislation presented to parliament. Many members of parliament of all political persuasions and including lower and upper house members and senators invest in property that is negatively geared for the taxation savings and future capital gains. The problem is rife and even the Prime minister and the Governor of the Reserve Bank have invested in rental property for financial gain to the detriment of the struggling PAVNOTS.

Negative gearing is a cancer infecting Australia's banking and financial system and is terminal .

The cure : The banks and the Government to share the risk of doing business and provide loans to 90% and 95% of an independent Government Certified Valuation for owner occupied homes to the value of $1million dollars not in a floods zone and protected by building insurance. No LMI required .
Refer to notes re risk A **3.00%** " The risk of doing business" A 5% Government guarantee is adequate.
But the big 4 banks don't play by the rules. Operate as a cartel and are very bad corporate citizens.

PAYING CAPITAL GAINS FORWARD : The problem of paying capital gains forward is huge.
Tom and his wife consider buying a rental property for sale at $800,000 . The vendor purchased the house 4 years ago for $640,000 and it increased in value to $800,000. Tom does not have the funds to pay the previous owner his capital gain of $160,000 . The bank will loan the funds to pay the vendors capital gain which Tom will repay to the bank over the term of the loan from his wages. That is PAYING CAPITAL GAINS FORWARD and it is destroying housing affordability and why the banks are collecting up to 40% of many hard working Aussies wages to pay the mortgage.