

SUBMISSION ON 'AUSTRALIAN CONSUMERS AND MONEY – A Discussion Paper by the Consumer and Financial Literacy Task Force – by the MORTGAGE INDUSTRY ASSOCIATION OF AUSTRALIA (MIAA)

In the past decade or so, the availability of mortgage finance, the way it is retailed to the community and the range of products have changed dramatically. Much of this is not sufficiently understood by many commentators and media let alone potential borrowers.

Before the banking industry was deregulated consumers had little choice in mortgage products and mortgage finance providers. But in the late 80s and 90's Australia's mortgage marketplace has changed for the better. As the result of non bank operators entering the market interest rate margins have dropped by around 400 basis points and there are now a vast range of mortgage products available such that the Australian mortgage market is probably the most competitive in the world both as to rates and product availability. Further the entry of brokers into the market in the mid to late 90s has considerably sharpened the industry's customer focus, which has been historically lacking.

The problem is that neither regulators nor educators have kept pace with this rapidly changing market.

The MIAA, while adopting its own industry regulatory mechanisms and advice to consumer via its website (www.miaa.com.au) and publications is actively pursuing better regulation of the industry in the consumer's interest.

Consistent with that approach, MIAA enthusiastically endorses measures to ensure much better financial literacy in the community, starting from schools.

This is essential as for most people, obtaining a mortgage is the largest and probably most emotional financial transaction they will ever make.

In 2004, almost 50% of home loans are transacted at a retail level by other than traditional banks. Mortgage brokers now have in excess of 30% market share and non bank lenders and mortgage managers have around 15%. Yet there seems to be very little understanding about these different sources and the services they provide, notwithstanding the best endeavours of MIAA.

The publicity about new players in the industry is often ill-informed comment by sections of the media or comment designed to suggest isolated unethical operations are widespread in the industry.

Better financial literacy will ensure that consumers understand how the industry works and what questions to ask their mortgage providers. In many ways a more informed public will be more affective than regulations in ensuring an orderly and ethical mortgage market.

Accordingly MIAA enthusiastically endorses any measures which both broaden and deepen the community's understanding of the financial industry (and in particular the mortgage industry).

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