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Time for Fresh Approach on Banking and Finance Says HIA

Action is required to create a banking environment where pressure on business loan rates is reduced and small and medium sized businesses can obtain adequate finance, says the Housing Industry Association, the voice of Australia's residential building industry.

"Small business loan rates are on average over 5 percentage points higher than the cash rate, meaning they are already over a percentage point higher than their decade average. These businesses aren't operating in a resource boom environment, many are still struggling to recover from the debilitating impact of the Global Financial Crisis," says HIA Managing Director, Mr Shane Goodwin.

"Small and medium sized businesses who are unable to tap into equity continue to struggle to obtain finance for viable and necessary residential development projects," Mr Goodwin said.

"Clearly this is an untenable situation. Action is required to engender greater competition in the banking sector, which necessarily includes exploring avenues to provide a more favourable operating environment for smaller, non-bank lenders."

"Such action is also required to ensure mortgage holders don't continue to get stung by excessive and unjustified rate hikes."

"HIA is supportive of Treasurer Wayne Swan's initial investment of \$16 billion for new residential mortgage backed securities and welcomes emerging evidence of bipartisan support for further commitment in this regard."

"The antagonism and criticism of Australia's trading banks is not the latest round of some 'bank bashing' exercise, the nation has moved well beyond that. It is clear a new banking paradigm is required to ensure access to funds and economic stability into the future," Mr Goodwin said.

"The current situation of high borrowing costs and lack of available finance merely exacerbates Australia's dwelling shortage and therefore adds to the housing affordability challenge," Mr Goodwin added.

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