Notice to the The Prime Minister the Federal Treasurer and the RBA

The total of all mortgages held by the banks is around $2 trillion dollars.
One percent is $20 billion dollars..that is $20,000,000,0000

Each RBA cash rate increase of 25 basis points sends $5 billion dollars interest in cash to fatten the banks mortgage roll ,increase profits and fund new loans that also pay the previous owners capital gain. [paper profit of no economic value].
The new owner has not been able to save enough from wages (economic value) to pay for the paper profits of the previous owner . So the bank is happy to oblige and value the property sufficiently to justify a loan including the paper profits that will be repaid to the bank over the term of the loan .
Is that not a Ponzi scheme that pays vendors with funds collected from new home owners.
The scheme fails when the mortgagee can no longer afford to pay down the capital gain .
When house prices rise well above the 3 % per annum inflation target of the RBA the problem of PAYING CAPITAL GAINS FORWARD creates is devastating and unless wages are quickly increased mortgage defaults will be huge and house prices will collapse.
It is evident that the RBA is holding off on rate reductions which may soften the basis for negotiating current wage rises above 3% needed to repay capital gains well above 3%.
In my notes re capital gain of 3% RBA target per annum for 10 years it results in 30% of the mortgage is to PAY CAPITAL GAINS FORWARD and that is why we often hear up to 40% of a home owners wages go to repay the bank .

Do the sums

The total of all mortgages held by the banks is around $2 trillion dollars.
Conservatively for the exercise say 25% of the total mortgage roll $250 billion is to pay Capital gains forward = $250 billion $250,000,000,000.
That $250 billion is repaid to the banks from the hard earned income of many Australians who are struggling to keep a roof over their heads.
That is $250 billion dollars of economic value squandered on paper profits that should be driving the economy and invested in infrastructure and Australian companies including Coles and Woolies.

We hear all the time it is the shortage of housing supply that is driving prices upwards.
What is your Government and the Banks doing to limit housing price rises and the problem of paying capital gains forward ?
Here is a simple mans solution : no masters degree required .
Reduce RBA rate by 25 basis points.
Replace with HOUSING AFFORDABILITY LEVY 25 basis points (fixed and permanent)
Note : The levy will be independent of the RBA cash rate
The levy to be a cash charge on all housing mortgages , collected by the Banks and remitted to the Australian Tax Office and added to the Housing Affordability Fund to fund infrastructure and land required to build social and affordable housing .
NOTE : The levy simply diverts $5 billion dollars from the Bank to the ATO it has no impact on the banks ability to trade competitively in the banking industry.

Refer to notes at   www.rentersunite.net   Rental property and the RBA cash rate .
Note re capital gain and inflation
Notice to the Federal treasurer.

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