



Australian Citizens Party

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MEDIA RELEASE

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APRA blatantly props up housing bubble to rescue the crooked banks

For the last fortnight the Citizens Electoral Council has displayed a banner outside of the Banking Royal Commission hearings in Melbourne that reads: "Investigate the banks' accomplice APRA!" APRA's latest action proves why it is absolutely necessary the Royal Commission investigate its practices and so-called "macroprudential" policies, if the causes of the extensive criminality in Australia's banking system are to be fully exposed and expunged.

UBS analyst Jonathan Mott reportedly triggered a crash in the banks' share prices yesterday, 26 April, by recommending a "sell" on Westpac shares, based on information provided to the Royal Commission. Mott's UBS unit is well known for its analysis of the mortgage market, and its recent warning that the banks have issued \$500 billion in so-called Liar Loans—mortgage loans to borrowers based on fraudulent income and expense statements. This is \$500 billion in loans to borrowers who actually can't afford them.

Yet upon examination of data that Westpac provided to the Royal Commission on 420 loans, Mott discovered that Westpac customers were carrying more debt than he expected. Significantly, Mott called into question 70 per cent of all of Westpac's mortgage loans! This figure is way above the usual estimates, but it is in the ballpark of Banking and Finance Consumers Support Association President Denise Brailey's estimate that 80 per cent of all bank mortgage lending is "sub-prime", which Mrs Brailey revealed in an interview on the [22 March episode of The CEC Report](#).

These revelations sent the banks tumbling on the stock market, which is to be expected: the Royal Commission is exposing the crimes and misconduct that for too long have fuelled the banks' profits and driven up their share price. If the banks are forced to change, their profits will fall—and that's just the beginning.

So what was the response of APRA, the bank supervisor which has ignored all of this criminality, fraud and misconduct?

With the banks reeling, APRA announced it is lifting the 10 per cent cap on growth in the banks' mortgage lending to investors. This is a blatant, shameless attempt to rescue the property bubble, which in Sydney is starting to wobble, so a property crash doesn't cause a banking collapse in Australia that could spread around the world. APRA isn't acting to protect Australians, but the international too-big-to-fail banks.

Along with the Howard-Costello government, APRA created Australia's housing bubble in the first place. In the early 2000s APRA allowed the banks to lower their lending standards, and it made mortgages more profitable for the banks than any other loans. Not only did these measures create the bubble, but they provided the banks incentives to commit the mortgage fraud that is now being exposed in the Royal Commission.

Every time the bubble has started to look shaky, APRA has intervened with adjustments to its prudential rules to encourage the banks to find more ways to keep herding borrowers into the mortgage market. In recent years as the bubble has got out of control APRA has had to look like it is acting against excessive lending to investors, or to interest-only borrowers, with half-hearted measures. Lifting this cap now betrays how desperate it is to keep the bubble and banks propped up.

APRA knows exactly what will happen by lifting the 10 per cent cap. As the 26 April *Courier-Mail* headline blared: "Australian property investors are set to storm back into the market after APRA announced it would scrap its cap on investor loan growth."

Investigate APRA!

From when the Royal Commission was first called, the CEC exposed that the biggest flaw in Malcolm Turnbull's bank-approved terms of reference was the exclusion of APRA's macroprudential policies from the inquiry. The CEC demanded the terms of reference be expanded to include APRA.

Since the hearings have been under way, many people have called for the Royal Commission to be expanded. The Turnbull government is seen as having protected the banks, so now it is agreeing to

expand the time and resources available to the Royal Commission.

That is not enough, however. The terms of reference must be changed to allow the Royal Commission to dig into every aspect of the regulatory structure that has been so ineffective in stopping the banks' crimes, starting with APRA and its macroprudential policies.

Glass-Steagall

In the meantime, while the Royal Commission has led to everyone talking about breaking up the banks, the CEC and Bob Katter are doing it, with draft legislation for a Glass-Steagall banking separation that Bob Katter will introduce into Parliament. The very real possibility that the banks, having been exposed as rotting hulks of fraud, could soon collapse, makes this Bill urgent.

Join with the CEC and Bob Katter in campaigning for Parliament to pass Australian Glass-Steagall legislation.

What you can do:

1. [Sign the CEC's new change.org petition](#): *To the Commonwealth Parliament: Pass Australian Glass-Steagall Bill to break up the banks!* Every signature generates an email to leading MPs informing them of the public's support for Glass-Steagall.
2. Get a copy of this bill to your Federal Member of Parliament plus any Senator/s you can. Urge them to not only read it themselves, but press them to second Bob Katter's call for Glass-Steagall. The very best way is to make an appointment and go and see the MP in person—MPs really want to know what their constituents think and this will make a big impression on them. If that's not possible, email or mail the document with a personal cover note asking them to support the bill in Parliament, and to let you know whether they will.
3. [Share copies with others](#): State MPs, any media you can contact, councils, unions, church leaders, community groups, etc. and get any concerned people you know to visit their MP as well; and on Facebook etc., or with your email address book, urging everyone you know to get involved.