Parliamentary Budget Office

ECR-2025-3381

Legislate a HomeKeeper mortgage product for the 5 major banks	
Party:	Australian Greens

Summary of proposal:

The proposal would lower mortgage costs by legislating a *HomeKeeper* mortgage product, with a default regulatory ceiling at no more than 1.0% above the Reserve Bank of Australia (RBA) cash rate.

- All the big 5 banks would be required by regulations to offer *HomeKeeper* mortgage products.
  - Banks would be able to charge interest rates above the regulatory ceiling for *HomeKeeper* products, but would be required to seek approval from both Australian Prudential Regulation Authority (APRA) and the Australian Competition and Consumer Commission (ACCC) before doing so.
  - ACCC and APRA would have the authority to block banks from imposing unnecessary mortgage price increases.
- The *HomeKeeper* mortgage product would be available to any owner-occupier whether or not they are a first home buyer.
  - People with a current mortgage on their home would be able to transfer into a *HomeKeeper* mortgage product at their own choice.
  - *HomeKeeper* mortgage products would not be available for investment property mortgages, commercial premises or holiday homes.

The big banks could still offer other products and there would be no compulsion on anyone to switch to a *HomeKeeper* mortgage product.

The proposal would start on 1 July 2025.

Additional information (based on further advice provided):

- The proposal would change the authorised deposit-taking institution (ADI) registration requirements for banks, requiring some banks to offer a *HomeKeeper* variable interest mortgage product to homeowners.
  - This amendment to the ADI registration would only apply to banks that are subject to the major bank levy.[1]
- The *HomeKeeper* mortgage product would be provided at an interest rate that reflects the sum of:
  - the financing costs of the ADI, as calculated using a formula approved by APRA, and

[1] The *Major Bank Levy Act 2017* provides for a 0.015% levy on authorised deposit-taking institutions (banks) with total liabilities of greater than $100 billion (indexed to grow in line with GDP). The levy is imposed on certain liabilities of the bank that are reported to APRA on a quarterly basis. There are currently 5 banks captured by the levy: Commonwealth Bank of Australia (CBA), Westpac Banking Corporation (Westpac), Australia and New Zealand Banking Group Limited (ANZ), National Australia Bank (NAB) and Macquarie Bank.

- an additional margin that covers the bank's cost of administering the loan, together with a modest profit margin.

- In assessing applications for a higher interest rate for HomeKeeper mortgage products:
  - APRA would maintain its focus on prudential regulation, and
  - the ACCC would consider an efficient cost base and a reasonable rate of return on capital. The ACCC would take a similar approach to the interest rate cap as it does to the price surveillance framework and would provide regulatory guidance in a similar way as it does to the price notification framework.
- Existing prudential standards would apply to the *HomeKeeper mortgage* product. The ACCC would regularly review the major banks to ensure that they are not imposing requirements that are likely to unreasonably restrict eligibility to the HomeKeeper mortgage product.

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by around $36.4 million over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects an increase in departmental expenses, partially offset by an increase in non-tax revenue.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

Table 1: Legislate a HomeKeeper mortgage product for the 5 major banks – Financial implications ($m)[a][b]

	2025-26	2026-27	2027-28	2028-29	**Total to 2028-29**
Fiscal balance	-11.1	-11.3	-7.0	-7.0	**-36.4**
Underlying cash balance	-11.1	-11.3	-7.0	-7.0	**-36.4**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) PDI impacts are not included in the totals.

Background – regulation of the Australian financial system

A stable and efficient financial system is vital to the effective functioning of an economy. Australia's financial system operates in a regulated market environment. Responsibility for the regulation of Australia's financial system is overseen by agencies such as APRA, the ACCC, the RBA, the Australian Securities and Investments Commission (ASIC), and the Treasury. These agencies each have a different area of focus to ensure that our financial system is stable and efficient.

For example, APRA is Australia's prudential supervisor, responsible for ensuring that our financial system is stable, competitive, and efficient. The ACCC is responsible for making sure that individuals and businesses comply with Australian competition and consumer protection laws. The regulators also cooperate, including through the Council of Financial Regulators (comprised of APRA, ASIC, the RBA, and the Treasury). The Council of Financial Regulators focus on issues that may impinge upon overall financial stability.

In assessing the impacts of this proposal, we have considered the current regulatory environment and the role that each of the regulators performs.

Key assumptions

The Parliamentary Budget Office (PBO) has assumed that the regulatory environment created by the proposal will not change the existing mandates for APRA and the ACCC.

- APRA's objective will continue to be to deliver a safe, stable and resilient financial system, and in doing so will ensure that potential financial products, which offer lower interest rates, do not cause harm to the stability of the banking industry.
- The ACCC will continue to promote competition in financial services. The ACCC will seek to ensure that new policies and mortgage products do not unduly impact the competitiveness of existing mortgage lenders, including non-major banks and non-bank lenders.

Our costing depends on the independence and integrity of the regulatory environment within the proposal, which enables APRA and the ACCC to make their assessments without intervention from executive government, and without 'hard' restrictions on financial products (for example, a legislated cap on interest rates). If this proposal prevented APRA and the ACCC from acting independently in their assessment and approval of *HomeKeeper* mortgage products, significant concerns would be raised around the competition and stability of the financial system. In such circumstances, the PBO would consider that a costing assessment of 'unquantifiable' is appropriate.

The PBO has assumed that APRA and the ACCC will closely monitor the financial environment and appropriately scrutinise alternative products to determine the current appropriateness of both the base *HomeKeeper* rate and applications.

The PBO has not assessed the proposal's impact on interest rates available to consumers, and accordingly does not take a view on whether the proposal would ensure lower interest rates.

Similarly, the PBO does not take a view on the likelihood of approval of financial products with higher interest rates than the *HomeKeeper* rate. Without considering the individual circumstances of each bank, there is a strong likelihood that the banks would seek approval for alternative products with higher interest rates than the *HomeKeeper* mortgage product, and/or restrict eligibility to the *HomeKeeper* mortgage product. The ACCC and APRA would be required to assess each request subject to their mandates, and it is expected that deviations above the specified margin would be approved to ensure market stability. Additionally, the ACCC would regularly review the major banks to ensure that they are not imposing requirements that are likely to unreasonably restrict eligibility to the HomeKeeper product.

In balancing the objectives of financial stability with competition, APRA and the ACCC may regularly approve alternate financial products, or they may rarely approve them, or somewhere in between. The efficiency of the approval process for alternative financial products is a source of uncertainty, as is the impact of delays to approvals.

With the exception of departmental expenses, the proposal is assumed to not change the fiscal or underlying cash balances. The level of consumer uptake of these loan products does not lead to increased departmental costs. As such, we have not assessed the uptake of this proposal.

Consistent with our usual approach to costings, the PBO has not attempted to quantify the potential broader economic impacts of this policy, such as potential benefits or costs to consumers.

The PBO has made the following assumptions in costing this proposal.

- There would be no impact on tax revenue. While we are unable to precisely determine how banks would respond, we have assumed that affected banks would seek to lessen possible impacts on their profitability by amending their return on other products.

- There would be ongoing, additional departmental costs associated with the proposal in relation to administering the change in ADI registration requirements, and ongoing policy responsibility and compliance in relation to *HomeKeeper* mortgage products.
  - For both APRA and the ACCC, this would require around 32 ongoing full-time equivalent (FTE) staff, with an additional 30% FTE in the first 2 years of introduction.
    - The ongoing component of APRAs costs would be recovered through fees and levies on the big 5 banks, consistent with its current funding arrangements.
  - For Treasury, this would require around 5.6 FTE ongoing, with an additional 5.4 FTE in the first 2 years of introduction.

Methodology

There would be ongoing departmental funding to APRA, the ACCC and the Treasury. Departmental costs were estimated using the PBO's departmental cost calculator.

The PBO has not taken a view on how the regulation would operate, the nature of possible financial products or the degree to which interest rates in general may change as a result of these products.

Financial implications were rounded consistent with the PBO's rounding rules.[2]

Data sources

Major Bank Levy Act 2017, as enacted.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025,* Commonwealth of Australia.

[2] https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules

Attachment A – Legislate a HomeKeeper mortgage product for the 5 major banks – Financial implications

Table A1: Legislate a HomeKeeper mortgage product for the 5 major banks – Fiscal and underlying cash balances ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	**Total to 2028-29**	**Total to 2035-36**
Tax revenue													
Administered non-tax													
APRA cost recovery	*5.7*	*5.8*	*5.9*	*5.9*	*6.0*	*6.1*	*6.2*	*6.2*	*6.3*	*6.4*	*6.5*	***23.3***	***67.0***
Total – revenue	**5.7**	**5.8**	**5.9**	**5.9**	**6.0**	**6.1**	**6.2**	**6.2**	**6.3**	**6.4**	**6.5**	**23.3**	**67.0**
Expenses													
Departmental													
ACCC	*-7.4*	*-7.5*	*-5.9*	*-5.9*	*-6.0*	*-6.1*	*-6.2*	*-6.2*	*-6.3*	*-6.4*	*-6.5*	***-26.7***	***-70.4***
APRA	*-7.4*	*-7.5*	*-5.9*	*-5.9*	*-6.0*	*-6.1*	*-6.2*	*-6.2*	*-6.3*	*-6.4*	*-6.5*	***-26.7***	***-70.4***
Treasury	*-2.0*	*-2.1*	*-1.1*	*-1.1*	*-1.2*	*-1.2*	*-1.2*	*-1.2*	*-1.2*	*-1.2*	*-1.3*	***-6.3***	***-14.8***
Total – expenses	**-16.8**	**-17.1**	**-12.9**	**-12.9**	**-13.2**	**-13.4**	**-13.6**	**-13.6**	**-13.8**	**-14.0**	**-14.3**	**-59.7**	**-155.6**
Total (excluding PDI)	**-11.1**	**-11.3**	**-7.0**	**-7.0**	**-7.2**	**-7.3**	**-7.4**	**-7.4**	**-7.5**	**-7.6**	**-7.8**	**-36.4**	**-88.6**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

Table A2: Legislate a HomeKeeper mortgage product for the 5 major banks – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances ($m)[(a)(b)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	**Total to 2028-29**	**Total to 2035-36**
Fiscal balance	*-0.2*	*-0.8*	*-1.2*	*-1.6*	*-1.9*	*-2.4*	*-2.8*	*-3.2*	*-3.7*	*-4.2*	*-4.8*	***-3.8***	***-26.8***
Underlying cash balance	*-0.2*	*-0.6*	*-1.1*	*-1.5*	*-1.8*	*-2.3*	*-2.7*	*-3.1*	*-3.6*	*-4.1*	*-4.7*	***-3.4***	***-25.7***

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary[3].

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

[3] Online budget glossary – Parliamentary Budget Office (pbo.gov.au)