



# **MEDIA RELEASE**

## **SENATOR THE HON NICK SHERRY**

Minister for Small Business  
Minister Assisting on Deregulation  
Minister Assisting on Tourism

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### **BANKING CHANGES EASE SMALL BUSINESS CREDIT MARKET**

The Australian Government's injection of an additional \$4 billion into the residential mortgage-backed securities (RMBS) market will flow on to make it easier for small business to access credit.

Small Business Minister, Senator Nick Sherry, said the additional investment will help smaller lenders maintain competitive pressure on the major banks by exerting downwards pressure on borrowing costs.

"The market's smaller lenders all welcomed our initial \$16 billion RMBS investment because it boosted private investor confidence about placing funds in this market and helps smaller sectors maintain market share," Senator Sherry said

"Securitisation lender RESIMAC currently lends a significant proportion of its loan book, or around \$550M a year, to small businesses."

"RESIMAC says it would not be in business today and lending to small businesses all around the country, without the RMBS support that the Government has provided.

"Injecting these additional funds into the RMBS sector increases liquidity and boosts the lending capacity of our regional banks, credit unions, building societies and wholesale lenders.

"Already it has benefited small businesses; the Australian Office of Financial Management estimates that about 10 per cent of funds from the Government's second \$8 billion RMBS tranche has been lent to small business – that's an \$800 million injection of funds into the small business lending market

"This continues to underscore assessments by the World Bank and the International Finance Corporation that Australia is in the top 10 of 183 economies when it comes to ease of doing business.

"We are sixth when it comes to arranging credit and second for the ease of starting a business and we are continuing to press ahead with our reforms to continue to assist small business to establish themselves and grow."

Senator Sherry said further improvements to financing options will follow Personal Property Securities (PPS) reforms under COAG'S *National Partnership Agreement to Deliver a Seamless National Economy*.

“When the reforms commence in 2011, there will be one national law dealing with using personal property as collateral for lending, replacing more than 70 different pieces of Commonwealth, state and territory legislation,” Senator Sherry said.

“A new PPS register will allow once only, real-time, on-line, national registration of a security interest, reducing compliance costs and significantly improving transactional efficiency in processing loans.

“The main benefit for small businesses is that they will be able to use more personal property to secure lending.

“For example, a financial institution may accept a business’s accounts receivables as collateral. Interest rates for secured lending are typically significantly lower than for unsecured lending.”

“An Access Economics report indicated that where unsecured lending is replaced by secured lending because of these reforms, the cost of borrowing may be reduced by 3 to 4%.

“Other benefits include increased competition between providers of secured finance, and reduced transaction costs and legal disputes.”

“These measures reinforce just how strongly the Australian Government is supporting a vital and dynamic small business sector.”

CANBERRA

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