

25 September 2024

Dr Sean Turner
Committee Secretary
Senate Standing Committees on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Via email: Economics.Sen@aph.gov.au

Dear Committee,

Inquiry into Australia's financial regulatory framework and home ownership

We thank you for the opportunity to contribute to the Senate Standing Committee on Economics Inquiry into Australia's financial regulatory framework and home ownership.

Bendigo and Adelaide Bank (Bank) is one of Australia's largest banks, with around 8,000 employees supporting more than 2.5 million customers to achieve their financial goals, online and in person at over 425 locations across Australia. We are an ASX100 listed company, with assets under management of more than \$90 billion and a market capitalisation of approximately \$7 billion.

For more than 165 years, our Bank has been helping people access safe and affordable housing. Our origins date back to the 1850's goldrush in Bendigo when the Bank was established to help miners and their families out of tents and into houses. We understood then, as we do now, the importance of feeding into the prosperity of the communities in which we operate. Helping people achieve their goal of home ownership is one way we deliver on this purpose.

Our Bank has adopted different strategies to assist our customers into housing. Most recently we've introduced innovative digital banking experiences that focus on building positive budgeting and savings practices to help people save more quickly for a housing deposit. We also partner with government on the Federal Home Guarantee Scheme, as well as the Victorian and NSW Shared Equity Schemes which has seen nearly 7,300 customers buy a home.

With more than 40 per cent of our customers living in regional and rural Australia, we have a unique insight into these communities. We understand rural and regional communities are seeing the full impact of the housing crisis, with job vacancies unfilled, and economic development opportunities unmet due to housing shortages and the lack of associated community infrastructure.

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This submission reflects our experiences and observations in these communities, as we acknowledge those living in the regions are presented with different opportunities and challenges when it comes to housing. As such, we believe unique solutions to opening supply are key ingredients in tackling this issue.

While our Bank acknowledges the high cost of housing and shortfalls in supply in many parts of Australia is a major barrier to prospective buyers, we know other regulatory and legislative constraints also impact access. These legislative barriers not only limit potential homebuyers but also constrain competition. As a medium sized bank, we welcome measures that level the playing field for all banks and encourage competition, ensuring the benefit of choice for Australian bank customers.

We are pleased to contribute to this conversation and welcome the Committee's Inquiry into the financial and regulatory frameworks linked to home ownership.

We have already provided a significant contribution to the Australian Banking Association's (ABA) submission to this Inquiry and agree with the recommendations put forward. Consequently, this submission focuses on other related matters we wanted to raise for the Committee's consideration.

Yours sincerely

Richard Fennell
CEO and Managing Director
Bendigo and Adelaide Bank

1. Introduction

Bendigo and Adelaide Bank (Bank) is Australia's most trusted bank with more than 2.5 million customers and 8,000 employees across Australia. Our vision is to be Australia's bank of choice, driven by our purpose to feed into the prosperity of our customers and communities. This purpose underpins everything we stand for and the action we take. We believe our success is driven by helping our customers and the communities in which they operate, to be successful.

2. Australian Prudential Regulation Authority prudential standards and Corporations Act 2001 (Cth) provisions for lending

Our Bank is required to meet a range of different legislative and regulatory requirements to protect our customers and ensure they are borrowing responsibly. The Australian Prudential Regulation Authority (APRA) oversees banks and financial institutions, making sure they remain stable and appropriately manage lending risks. The *National Consumer Credit Protection Act 2009* (NCCP) ensures lenders suitably assess a borrower's ability to repay before approving loans, making sure borrowing remains manageable.

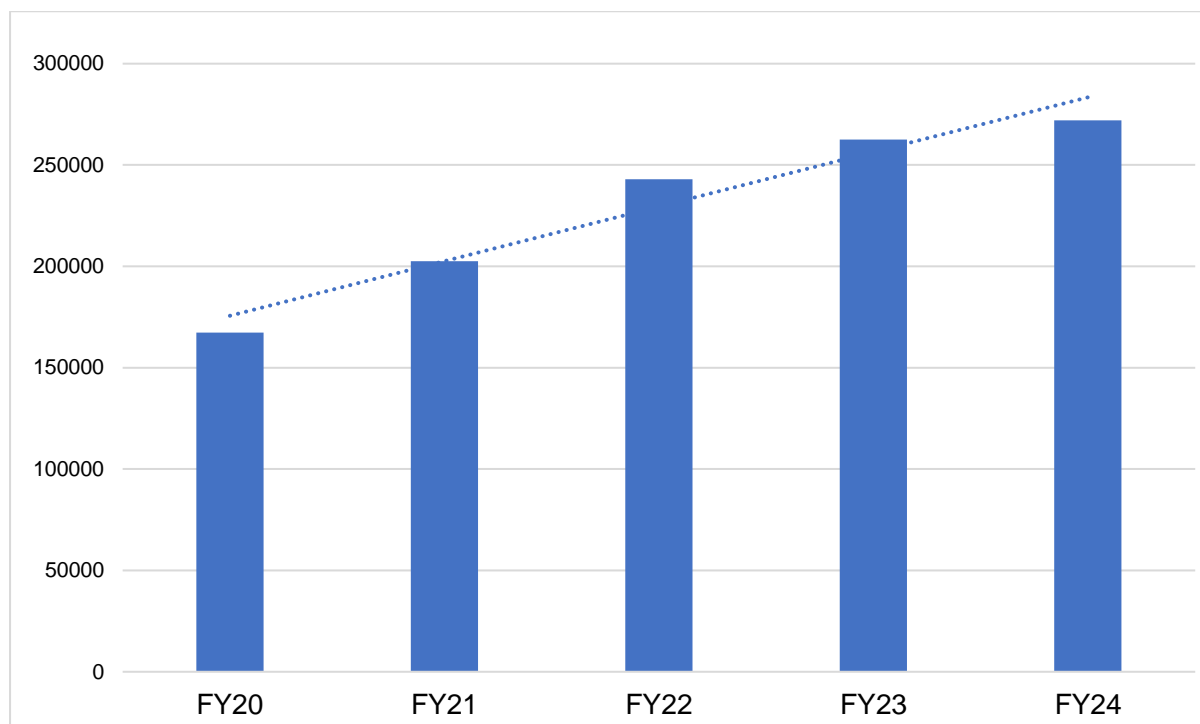
The responsible lending obligations, contained in the NCCP, outline requirements to ensure credit is extended only when it is appropriate for the customer's circumstances. This includes, making reasonable inquiries about the customer's financial situation, verifying information provided by the customer, assessing suitability for the loan and ensuring it meets the customer's needs and objectives and providing clear disclosure of the loan, including the term of the loan as well as applicable fees and interest rates.

Alongside these legislative and regulatory rules, our Bank is a signatory to the Australian Banking Association's Banking Code of Practice (BCoP), which provides protections and safeguards that go beyond our legislative obligations. We provided substantial input into the redevelopment of the BCoP, which was approved by Australian Securities and Investment Commission in July 2024 and will come into effect in 2025.

Our Bank is not seeking any amendments to these requirements and supports the intent of the NCCP and the responsible lending obligations to protect home buyers and foster transparency and accountability in lending practices. We support this intention and are broadly comfortable with these obligations. Our Bank recognises APRA's important role and supports APRA's commitment to the 'unquestionable strong' capital framework to ensure the safety and resilience of the Australian financial system.

These requirements are in place to better protect customers, including first homebuyers who may have had limited historic engagement with the financial services industry. Our Bank is proud to support these customers into homeownership. As noted in Graph 1, from FY20 to FY24, we have seen a steady increase in the number of settled loans to first homeowners (excluding government schemes) from pre-pandemic levels, showing a growth trend across the four financial years.

Graph 1: Bendigo and Adelaide Bank loans to first homeowners, excluding government schemes, between FY20 and FY24.



Source: Bendigo and Adelaide Bank

We hypothesise this may be due to the uptick in first homeowners moving to places outside of major capital cities, where we have a strong customer base. We know more people are considering the move to regional Australia and the COVID-19 pandemic saw a significant rise in the number of people moving to these areas, as major cities saw population growth slow.¹

3. The nature and type of debt and equity arrangements being used to underpin housing development

Our Bank supports customers achieving their goal of home ownership through a range of initiatives, such as direct lending channels, third-party banking and Federal and State government partnerships.

In 2018, we launched our digital bank, Up. Up has 920,000 customers and offers innovative functionality to encourage savings, such as Round Ups and Savers. In FY24, 83,000 customers took up a challenge to save \$1,000, with over 80 per cent of those who completed the challenge saying the experience made them better savers.

Some of those customers went on to an Up Home Mortgage with \$561 million in Up home loans written for the past financial year, and a further \$650 million identified in

¹ According to the Regional Australia Institute's Regional Movers Index, in 2020-21, Regional Australia grew by 70,000 people due to changing migrations patterns caused by the pandemic. In 2023, regional migration was up 16 per cent on pre-pandemic levels, despite a small uptick of regional Australians returning to the cities.

savings towards a home through the Home Saver feature. Up also helps customers who want to avoid spending to 'lock' their savings through the Locked Savers program and Hidden Savers program. In FY24, more than \$110 million was 'locked' for 39,000 customers for an average of about 24 days, while a further \$130 million was held for 70,000 customers via Hidden Savers.

Our Bank's digital home loan, BEN Express, has delivered over \$270 million in home loan settlements. Powered by Tiimley, BEN Express is one of Australia's first fully digital loan offerings, providing customers with quick online approval at a competitive interest rate. In the second half of FY24, 19.3 per cent of our residential lending was settled via digital channels.

Further to this, our Bank is a trusted partner of government and delivers industry leading customer service and assistance to home buyers nationally. Through this partnership, our Bank has delivered a variety of homebuyer schemes including the Federal Government's Home Guarantee Scheme and the Victorian and NSW Shared Equity Schemes and acknowledge the immense value of these schemes in getting people into housing.

Since 2020, our Bank has assisted nearly 7,300 customers using these government programs to get access to safe, sustainable housing. These schemes make home ownership possible for a specific customer cohort.

The following case study illustrates the transformative impact this has had for one of our customers.

Case Study 1: Patrick from Victoria

Purchasing his first ever home in one of Victoria's regional cities two years ago, 23-year-old Patrick thanked Bendigo Bank for the support he received embarking on one of the biggest financial decisions he will ever make.

"Bendigo Bank were extremely supportive when I was going through my application process," Patrick said. "A special thanks has to go out to my Branch Manager who was super responsive to the hundreds of questions I had and provided me with regular updates as my application progressed, which certainly put me at ease."

Patrick says the Victorian Homebuyer Fund helped enormously when it came to getting into his first house sooner, saying he wouldn't have been able to do it as quickly if he didn't have the helping hand. Patrick said he was comfortable partnering with the government to acquire his first home, applauding the scheme's unique approach to a broader issue.

"To be quite honest, I am fine about it and really don't think about it. It has given me a great opportunity to be able to purchase my first home, and I know there are ways for me in future to pay out the Victorian Government's share of my property," Patrick said.

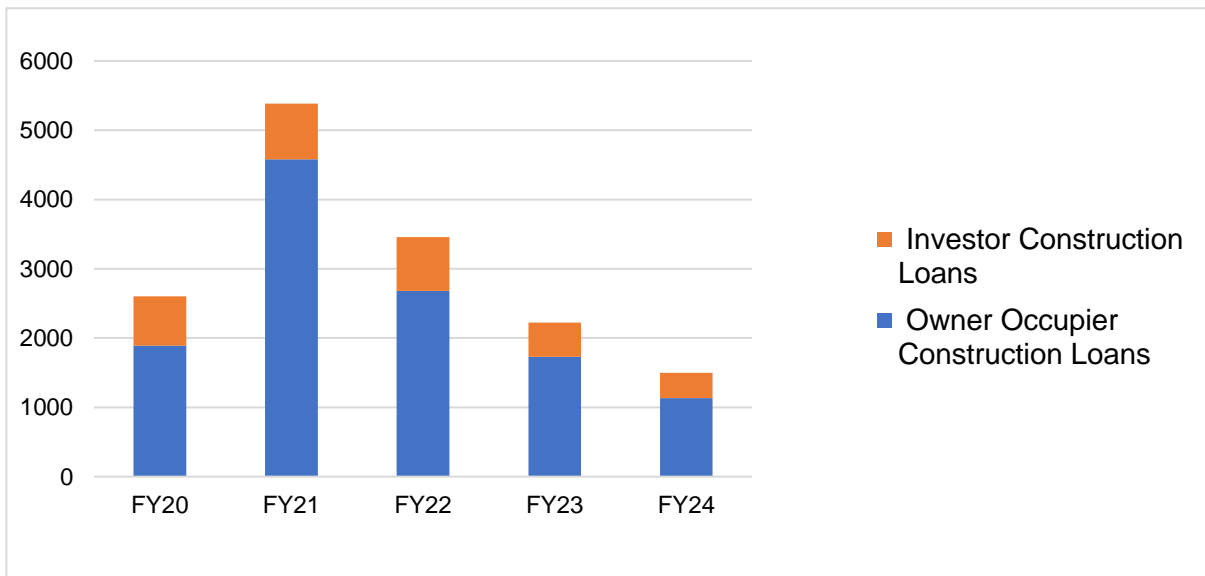
"I think with the cost of living rising and things becoming a little tighter, it is a great scheme and opportunity to get into the property market."

4. Examples of effective priority treatment for aspiring Australian homeowners that do not compromise financial stability
a. Housing in regional Australia

The key to unlocking home ownership in Australia is an increase of supply of housing. While building more homes can reduce house prices and rents, increasing home ownership opportunities, it is observed that investors are primarily driving the construction of new housing supply.

Our Bank has seen a significant proportion of owner-occupier construction loans from FY20 to FY24. As noted in Graph 2, throughout COVID19, our Bank saw a significant uptick in the number of construction loans, due to the implementation of the-then government’s HomeBuilder program. Since FY21, we have seen a significant reduction in the number of construction loans from both investors and owner-occupiers. In FY24, the number of construction loans were lower than pre-pandemic levels. Although, construction loans provide lines of credit for both new builds and renovations, the trend shows a decrease in the confidence of investors and owner-occupiers to undertake housing construction projects. This is due to a variety of factors such as elevated construction costs and labour shortages and means demand is likely to continue to outstrip supply of housing in the near-term.²

Graph 2: Bendigo and Adelaide Bank Construction Loans (Investor and Owner-Occupier) from FY20-24



Source: Bendigo and Adelaide Bank

In regional and rural Australia, housing supply issues are even more pronounced. During the COVID-19 pandemic, regional and rural Australia experienced a rapid growth in population. Areas associated with sea and tree changes, experienced increasing house and rental prices (up 49 per cent, compared to 25 per cent growth

² National Housing and Affordability Council, ‘State of the Housing System 2024’, <https://nhsac.gov.au/reports-and-submissions/state-housing-system-2024>

in the capital cities).³ While this growth has slowed in the past couple of years, the cost of housing in these areas remains unaffordable and out of reach for much of the population.

The National Housing and Affordability Council's *State of the Housing System 2024* report found construction costs can be up to 30 per cent higher in regional cities than major cities, with costs reaching up to 85 per cent higher in remote areas.⁴ These costs are driven higher still by the increased likelihood of extreme weather events, such as cyclone and fireproofing.⁵

We recognise the Government has already taken steps to help ease housing supply constraints nationally, through initiatives such as the Housing Australia Future Fund (HAFF) and the Housing Support Program. However, none of these programs are specifically aimed at improving the supply in regional and rural areas. Existing government programs should look to include specific requirements for regional and rural Australia.

We consider the HAFF presents a once-in-a-generation opportunity to support population and economic growth of our regional and rural areas and urge the Government to direct 40 per cent of the HAFF to regional Australia to ensure a sustainable and consistent investment mechanism to help ease supply constraints in regional and rural Australia.

Recommendation 1: Existing government housing schemes to have regional-specific targets, such as the Federal Government Help to Buy Scheme and the Federal Government Home Guarantee Scheme.

Recommendation 2: Up to 40 percent of the HAFF directed to regional Australia.

b. Community-led initiatives

Our Bank's Community Bank model means we are uniquely positioned to empower local communities to make the sort of investments in key projects and infrastructure needed to strengthen local economies and their social fabric. Our Bank partners with more than 180 communities outside of major cities to deliver a locally owned and operated Community Bank network.

Since the first Community Bank was established in 1998, our unique model continues to deliver benefits to the wider community. In FY24, Community Banks returned \$40.3 million in profit to the community and \$366 million since inception.

Despite the challenges of increasing housing supply in regional Australia, we have seen some success in leaning into our community-led credentials and working creatively with partners to realise a positive outcome. In communities where our Community Banks are located, we have contributed to place-based initiatives where

³ Regional Australia Institute 2024, *Regional Australia Institute Submission: Help to Buy Program Direction*, Canberra.

⁴ National Housing and Affordability Council, '*State of the Housing System 2024*', <https://nhsac.gov.au/reports-and-submissions/state-housing-system-2024>

⁵ National Housing and Affordability Council, '*State of the Housing System 2024*', <https://nhsac.gov.au/reports-and-submissions/state-housing-system-2024>

local people identify a need and work on a bespoke solution, with financial and in-kind assistance from their local Community Bank.

Below, we have highlighted case studies where our Community Bank network has worked with their local community to identify, fund and build projects that ease housing pressures on vulnerable cohorts of the community. Such as through investing in community housing projects, including independent living, respite services and emergency housing for those escaping domestic violence.

Case Study 2: Community Bank Surf Coast Independent Living Options

Our Community Bank Surf Coast in Victoria worked together to address a lack of independent living options for local seniors wanting to downsize and conversely, a lack of detached homes for younger homebuyers. In response, to this challenge, the Community Bank Surf Coast formed a new social enterprise called 'Winanglo' to drive the development of ten independent living units and associated support services in the town.

Integral to the success of the project was the transfer of vacant land for \$1 by the Surf Coast Shire. This was made possible by the confidence the Shire had in the Community Bank and the community led structure it had put in place. Community Bank Surf Coast committed \$1.5 million towards the \$5 million dollar project with the remainder of the money loaned to Winanglo, by Bendigo Bank. The loan will be repaid as the units are sold and a profit is generated. Other Winanglo profits will also be reinvested in other local community projects on an as-needs basis.

Construction has now begun on the project and when complete it will accommodate at least 12 senior community members. An important secondary benefit is the freeing up of 10 larger homes. This project will provide much needed new stock to the local housing market.

Case Study 3: Community Bank Henty Respite Accommodation

In Henty, New South Wales, there was a lack of respite care for people and families living with physical and mental disabilities, autism, personal or environmental crises, mental health issues and other illnesses. The community wanted to build a respite centre, and the local Community Bank granted \$500,000 to get the project off the ground. This was met with a further \$1.5 million private donation, with the community raising the \$200,000 shortfall via fundraising and grants.

Case Study 4: Emergency Housing on the Sunshine Coast

On the Sunshine Coast in Queensland, the community recognised it needed emergency accommodation needed for families experiencing domestic or family violence (DFV). Community Bank Sunshine Coast partnered with Coast2Bay Housing to construct urgently needed crisis accommodation for DFV survivors. The Community Bank contributed \$500,000, Noosa Shire Council gave a further \$20,000 with the Queensland State Government contributing \$2.2 million.

These case studies highlight the need for accommodation services to ease pressure from the housing supply and provide much-needed community infrastructure for the local communities. Our Bank recognises there are opportunities for greater public-private partnerships to help elevate these place-based initiatives. The government could look to partner with community organisations, such as the local Community Bank companies, to leverage local community-led solutions.

<p>Recommendation 3: Investing in public-private partnerships to leverage community-led initiatives for accommodation services.</p>

5. Conclusion

Our Bank has adopted different strategies to get our customers into housing quickly, including cutting-edge home loan experiences, digital home loan applications and innovative digital banking experiences. Our partnership with Federal and State governments has helped nearly 7,300 customers buy a home.

Our regional focus means we see first-hand the impact of the housing crisis in rural and regional communities, with job vacancies unfilled, and unmet economic development opportunities due to housing shortages and the lack of associated community infrastructure. Targeted support that provides a sustainable and consistent investment will work to ease supply constraints and boost liveability in regional and rural Australia.

Through our partnerships with our Community Bank network, and other private and public partners, we have been able to deliver community-led solutions to increase accommodation services, easing the pressure on the local housing market. These projects highlight opportunities for government to partner with communities to bring to life these place-based initiatives.