

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Supplementary Budget Estimates 2016-17

Prime Minister and Cabinet Portfolio

Department/Agency: Indigenous Business Australia

Outcome/Program: Outcome 2; Indigenous: Home Ownership Program

Topic: Home Ownership Program

Senator: Siewert

Question reference number: 108

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Date set by the committee for the return of answer: 2 December 2016

Number of pages: 3.

Question:

Mr Bator: There is always an element of program change. A number of years ago there were changes around the interest policy of the board. There were policies around the level of risk that we will take in terms of home affordability. As you can imagine, the structuring of those loans is above what a bank might offer in terms of the credit risk that we will take.

Senator SIEWERT: Can you outline on notice what those changes have been?

Answer:

Since January 2014, the Indigenous Home Ownership program (IHOP) Policy has been amended by the IBA Board five times as detailed in the following table:

Title	Commencement Date
Indigenous Home Ownership program policy	1 January 2014
Indigenous Home Ownership program policy March 2015	1 March 2015
Indigenous Home Ownership program policy August 2015	1 August 2015
Indigenous Home Ownership program Policy July 2016	1 July 2016
Indigenous Home Ownership program Policy July 2016	1 September 2016

Changes January 2014

The main changes in January 2014 were made to:

- Reflect the Machinery of Government changes
- Increase the maximum loan available for clients acquiring a home in an Emerging Market (i.e. Remote Indigenous communities)

- Amend the definition of a Previous Home Borrower to only be applicable if in the case of a joint application the Indigenous applicant owns or previously owned a house
- Amend confirmation of Aboriginal and Torres Strait Islander descent requirements to ensure the program criteria would not conflict with any future policy (i.e. in respect to Indigenous Descent Confirmation) changes that may be approved by the Board
- Remove redundant content and other editorial changes to improve clarity

Changes March 2015

The main changes in March 2015 were made to:

- Improve loan affordability for a significant number of aspiring home buyers
 - Lifting the income threshold for low income customers to attract a reduced commencing interest rate of 3% from \$35,000 to \$55,765
 - Lifting by 15% the income tier level for customer eligibility for a 100 % IBA loan or a “Split” loan – with the aim of increasing the borrowing capacity of a relatively large number of customers
 - Introduction of a new “Fee Finance Product”
- Remove redundant content and other editorial changes to improve clarity

Changes August 2015

The changes in August 2015 were made to support the Government’s initiatives as announced in the 2015-16 Budget to reform the delivery of home loans to Indigenous people and Indigenous home ownership rates in remote areas. The key changes were:

- The eligible communities for assistance was expanded to include 28 communities supported under the Commonwealth’s Remote Indigenous Housing Strategy
- A new Remote Indigenous Home Buyer Grant (RIHBG) of up to \$20,000 available to eligible customers approved an IBA home. This grant replaced the former Co-payment Grant product.
- Amendment to the interest rate settings
- Inclusion of “Portability “ arrangements for applicants to remain eligible for a IBA Loan, RIHBG and Establishment Cost Grant for five years from relocating from a remote community to take up employment or training (subject to some conditions)
- Remove redundant content and other editorial changes to improve clarity

Changes July 2016

The changes in July 2016 were made to implement changes in response to the ANAO Performance Audit of December 2015. The key changes were:

- Strengthening Customer Eligibility Test based on the following eligibility criteria
 - a) Capacity to Obtain Commercial Home Loan Finance – where appropriate - advising customers to obtain commercial home loan finance using lending criteria of a nominated list of banks,
 - b) Asset Test - Applicants with assets over \$200,000 will be referred to a senior IBA delegate to review whether the applicant is able to use these to purchase of their home through the commercial home loan finance sector.
 - c) Interest Rate Settings - commencing interest rates were reduced to 2% for customers earning up to \$41,000 pa. Eligibility for a 3% commencing interest rate were extended to customers earning up to \$70,000 pa (previously \$58,000 pa).
 - d) Deposits - changes to deposit requirements so that customers earning up to \$70,000 per annum with a minimum deposit requirement of \$1,500, while customers earning

above \$116,000 pa will be required to contribute a percentage of the purchase price as a minimum deposit.

Changes September 2016

The IHOP policy was amended to provide appropriate flexibility for the administration of the program.

A revised Chief Executive instruction was issued which provided appropriate direction in respect of loan amounts, deposits, interest rates, loan terms and repayments. This included a reduction to commencing interest rates following the RBA's recent decision to cut the official cash rate to 1.5% to ensure that the assistance provided to customers is appropriate when compared to the interest rates offered by commercial home lenders. The commencing interest rates for IBA housing loans to first home buyers were reduced to between 1.5% to 3.5%, depending on the applicant's income.