



Australian Government
Indigenous Business Australia

Expansion of Home Ownership on Indigenous Land Programme Commonwealth Budget 2006-07 Questions and Answers

What are the components of the Home Ownership on Indigenous Land Programme announced in the Budget?

- Indigenous Business Australia (IBA) and the Department of Families, Community Services and Indigenous Affairs (FaCSIA) will develop and manage a range of measures to assist Indigenous people to buy their own home on Indigenous land. The programme will provide affordable home loan finance to Indigenous families living in communities on Indigenous land. To make home ownership more accessible, purchase price discounts on existing community rental homes of up to 20% will reward good renters. Affordability incentives, including grant co-payments and loan establishment costs of up to \$38,900, will also be provided to eligible home purchasers.
- The budget initiative includes:
 - A \$54.6 million capital injection to IBA for the expansion of home lending under Community Homes. This will enable 460 new home loans to be provided to individuals or families on Indigenous land;
 - \$23.6 million for IBA to manage and deliver incentives to assist in overcoming the barriers of the high cost of housing and low income levels in remote areas;
 - \$21.6 million for FaCSIA for the construction of 45 new houses earmarked for home ownership together with discounts of up to 20% on the purchase prices for good renters, under the Community Housing and Infrastructure Programme (CHIP);
 - \$7.1 million for FaCSIA for the establishment of Money Management Centres and a Matched Savings Scheme in eight selected community towns to provide financial education and encourage saving for a home loan deposit;
 - \$0.5 million to the Office of Indigenous Policy Coordination (OIPC) for assistance in consultation and negotiation with Indigenous communities.

What are the intended objectives of the Home Ownership on Indigenous Land Programme?

- To provide access for people living in Indigenous community townships to individual home ownership and to be fully informed of its benefits, risks and obligations.
- To build financial literacy and money management skills in Indigenous communities.
- To increase housing supply in participating Indigenous community townships.
- To improve employment and training opportunities in housing construction.

How will the programme operate?

- IBA and FaCSIA will consult widely with Indigenous communities who are interested in home ownership as an option in the community.
- IBA and FaCSIA will identify communities where the programme can be successfully implemented and obtain community agreement to participate.
- FaCSIA will establish the money management and matched savings programme in the selected communities.

- FaCSIA will determine additional new home construction that may be provided for sale to potential community members to purchase.
- IBA will establish the property valuation, sale and lending processes for buying a house in the community.
- IBA will provide on-going support in the community for home buyers and borrowers.

What are the key features of Community Homes?

- IBA has developed a flexible package of loans and grants available to Indigenous people who are able to obtain a suitable long term lease on Indigenous land under the proposed amended legislation in the Northern Territory and in other jurisdictions where suitable long term tenure can be arranged. The package will:
 - address affordability issues by including concessional interest rates, low deposit requirements, annual co-payments and IBA meeting loan establishment costs; and
- Access to the Home Purchase Incentive Scheme (HPIS) on community titled land from FaCSIA may provide a discount on the purchase price of the home to eligible purchasers.
- Individuals and families will receive sufficient information and education about financial management and home ownership obligations to allow them to make a fully informed choice in considering home ownership.

How many communities will be assisted by Community Homes?

- It is anticipated that approximately eight communities will participate in Community Homes over the next four years.

Is Community Homes dependent on legislative change to land tenure?

- Implementation of Community Homes is dependant on the availability of individual long term tenure for home ownership on Indigenous community land which will be different in each state and territory jurisdiction. Legislative change is required in some jurisdictions to allow this to occur and several have started reviewing the relevant legislation.

How will communities be selected to participate in the programme?

- Communities will be assessed against selection criteria which will include factors such as community governance, support for individual home ownership, community size, suitable town infrastructure and suitability of land tenure arrangements.

For what purposes can Community Homes provide loans to individuals?

- Loans will be available for:
 - purchase of an existing community rental property;
 - purchase and renovation of an existing community rental property; or
 - construction of a new house.

What houses will an individual be able to buy in a community?

- Indigenous people will be able to buy one of the new houses built by FaCSIA in the community or will be able to buy an existing house in the community at a fair value determined by an independent property valuer taking into consideration the condition of the property.

Who will be eligible to borrow for a Community Homes loan?

- IBA will assess potential borrowers against established lending guidelines which will include minimum income levels, satisfactory credit history, good record of rent payment, satisfactory level of financial management skills, and having a minimum deposit.
- Community Homes is designed for low income earners with incomes starting from \$15,000 who are living in Indigenous communities.
- Preferably loan borrowers will be employed full-time or, at a minimum, be a full and active participant in Community Development Employments Projects programme (CDEP).

How will borrowers on low incomes be able to afford to repay a Community Homes loan?

- Maximum repayments will vary according to income level, starting at 15% of gross income for those on the minimum income level and up to 30% of gross income for those on higher incomes.
- For those on lower incomes, commencing interest rates on loans will start from as low as 0% per annum incrementing by 0.2% each year up to the maximum rate of 6% per annum.
- Grants for co-payments of up to \$2,590 each year for the first ten years will assist eligible low income borrowers to repay the loan within a normal loan term of 30 years.
- IBA will directly pay up to \$13,000 for loan establishment costs including: legal costs, surveys, property valuations, independent legal and financial advice.

What is the term of a Community Homes loan?

- Loan repayments will be calculated to repay the loan in a term of up to 30 years.

What security will IBA require for a Community Homes loan?

- IBA will require a mortgage over the lease of the property where the house is situated.

What will happen if a borrower cannot repay their loan?

- IBA may assist the borrower through their financial difficulties in a number of ways, including restructuring the loan term or interest rates where appropriate.
- Where the restructuring options have been exhausted and the borrower is clearly incapable of repaying the loan, IBA would commence loan recovery processes that may result in the borrower losing their lease over the property, with the property lease going to another capable and willing person or family in the community.

In what ways will Indigenous communities benefit from Community Homes?

- Where an ICHO sells an existing home, it will be required to reinvest the proceeds into the community's housing stock.
- It is expected that positive benefits for the community will include stability for community members, healthier living environments and a stronger base for the development of social infrastructure in the community.
- In the longer term, borrowers and their families will benefit by building wealth which can be passed onto future generations or could one day be used to help start a business.

How will Community Homes contribute to alleviating the chronic housing shortages in remote Indigenous communities?

- Where an existing home is purchased from an ICHO under Community Homes, the ICHO will be required to reinvest the proceeds into purchasing, constructing or renovating additional community housing stock.

What employment opportunities are expected to be derived from communities participating in Community Homes?

- The Community Development Employment Projects (CDEP) programme can be utilised to establish home building and maintenance activities incorporating appropriate training and contracting construction teams comprised of CDEP participants. Additional construction, renovation and maintenance activity should provide opportunities for skill development and employment.

What is the process for a community or individual expressing an interest in Community Homes?

- Expressions of interest can be made by contacting IBA:
 - By phone on 1300 662 803
 - By email at: partnerships@iba.gov.au
 - By writing to:

Community Homes
Indigenous Business Australia
P.O. Box 38
Woden ACT 2606