



Overview

Buying or building your own home, is one of the most important purchases you will ever make. Indigenous Business Australia (IBA) may be able to assist you to make your dream a reality by providing you with a housing loan and practical advice.

IBA housing loans are available to those Indigenous Australians and their families buying (in most cases) their first home who are unable to obtain all of the required housing loan funds from a commercial lender (bank, credit union or specialist lender). Applicants who are eligible to borrow a portion of the funds from a commercial lender to buy their home, may be offered a Split Loan by IBA for the balance of the funds required.

IBA offers to its customers Split Loans so that:

- more Indigenous Australians will be able to take advantage of IBA's Home Ownership Program to buy their own home
- the waiting time for an IBA housing loan is reduced
- more Indigenous Australians will be provided with the opportunity of establishing a relationship with commercial lenders which can offer a broader range of financial products tailored to meet their needs or goals.

Frequently asked questions

What is an IBA Split Loan?

IBA's Split Loan is a loan offered to IBA customers who can obtain some of the loan funds required to complete a home purchase from a commercial lender. The IBA Split Loan meets the gap between the amount that the customer is able to borrow from the commercial lender and the purchase price. An IBA Split Loan is a basic 'no frills' product. Commercial lenders can also offer IBA customers other financial products depending on their circumstances (for example, daily transaction and investment accounts, debit cards and home insurance products).

Why do I need to borrow some of the required loan funds from a commercial lender?

IBA housing loans are only available to Indigenous Australians and their families who cannot obtain all of the required loan funds from a commercial lender. For those customers who are eligible to obtain some of the required loan funds from a commercial lender IBA may lend a portion of the required funds.

If you are refused some of the required loan funds from a commercial lender, then get back in contact with your IBA Lending Officer.

Which commercial lender should I use? Is there a particular commercial lender that IBA can refer me to?

You choose the commercial lender that is most suitable to your needs. Once you have decided on a commercial lender, IBA will work with the other lender to assist you with the financing of the purchase of your home.

How much can I borrow from IBA?

This will depend on your income and the financial commitments you have at the time you lodge a housing loan application (after being invited to do so by IBA) as well as the purchase price of the home. Once IBA conducts an assessment of your loan application, a Preliminary Assessment Letter will be sent to you which will advise you how much you can borrow from IBA .

Split Loans - Customer Frequently Asked Questions



Australian Government
Indigenous Business Australia

How much do I need to borrow from the commercial lender?

IBA will advise you how much you will need to borrow from a commercial lender of your choice. The Preliminary Assessment Letter you receive from IBA will detail this for you. How much your commercial lender will lend you will depend on a number of factors including your income and their overall assessment of your loan application that you lodge with them.

Will I have two loan repayments?

Yes you will, but the payments will be made by automatic deduction from your bank account which will make this a smooth process.

Does that mean I get charged two lots of loan establishment fees / costs?

IBA does not charge a loan application fee or a professional fee to prepare mortgages for new loans. However, IBA will request that you pay for the costs it incurs on your behalf in establishing your loan with IBA, such as the property valuation, building and pest inspections costs and state levied duties. Your commercial lender may charge you fees for establishing your loan with them, this may include another valuation cost. You should negotiate the amount of any fees and charges with the commercial lender prior to accepting a loan offer.

How will the interest rate on my IBA loan be calculated?

The interest rate for an IBA Split Loan is set at a fixed rate of 4 per cent per annum¹ for the first three calendar years which thereafter will increase by 0.5 per cent annually on 1 January until it reaches the standard IBA Home Loan Rate.² The following table provides an example of the changes in IBA's Split Loan interest rates:

Date and event	Interest rate
15 November 2010 - IBA split loan advanced	4.00% p.a. fixed ¹
1 January 2014 - interest rate increases by 0.5% after three calendar years	4.50% p.a. variable
1 January 2015 - interest rate increases by 0.5%	5.00% p.a. variable
1 January 2016 - IBA Home Loan Rate reached	5.25% p.a. variable ²

Do I have to have a fixed or variable interest rate with the other lender?

You can choose either a fixed or variable interest rate with the loan you take out with your commercial lender. Interest rates can go up or down depending upon a range of economic factors. You need to carefully consider which option to choose.

If you are unsure about which product to choose, you should discuss it with a financial advisor.

What do I do once I have chosen a commercial lender?

You will need to lodge an application with your chosen commercial lender so that they can assess your loan requirements. Your IBA Lending Officer will provide you with assistance wherever possible.

What do I do if I want more information and I want to talk to IBA?

Call 1800 107 107* (then select option 1) to talk to a Lending Officer. Or, if you have already received a letter from IBA, call the local number provided in that letter.

Please note: Before taking up any home finance with IBA and / or another lender it is recommended that you seek independent financial and legal advice.

1. This rate is effective from 1 July 2009 and is subject to change.

2. The IBA Home Loan Rate as at 19 December 2011 is 5.25% p.a. and is subject to change.