

1997

**THE LEGISLATIVE ASSEMBLY FOR
THE AUSTRALIAN CAPITAL TERRITORY**

HOUSING ASSISTANCE ACT 1987

VARIATION TO THE

HomeBuyer HOUSING ASSISTANCE PROGRAM

NO. 73 OF 1997

EXPLANATORY STATEMENT

**(Circulated by authority of
Bill Stefaniak MLA
Minister for Housing)**

VARIATION TO THE HomeBuyer PROGRAM

AUTHORITY

Section 12 of the Housing Assistance Act 1987 empowers the Commissioner for Housing to prepare, in the form of an instrument in writing, a housing assistance program or a variation of such a program.

A program or variation may not be implemented without the approval of the responsible Minister. Following approval, the program or variation is required to be notified in the Gazette and laid before the Legislative Assembly, in accordance with Section 6 of the Subordinate Laws Act 1989.

BACKGROUND

The existing program, subordinate law number 7 of 1991, was published in the ACT Special Gazette No. S18 on Tuesday, 2 April 1991.

The object of the existing program is to extend home purchase affordability to low to moderate income households. The Government's intention has always been to provide an appropriate level and form of home purchase assistance, especially in times of high interest rates, low affordability and a rising housing market.

However, the prevailing low interest rate regime, favourable housing market conditions and the highly competitive lenders' environment confirm that it is not appropriate, at this time, for the ACT Government to be directly involved in home lending.

The object of the variation to the program is to revoke those provisions that relate to the processes of application, assessment and grant of new loans.

The ACT Government announced on 30 January 1997 that it would not be accepting any further applications for home loans under its HomeBuyer Program.

In arriving at this decision, the Government had regard to current home purchase affordability, the favourable housing market and a report presented by the Commonwealth Bank (CBA) on a risk review of the loans program. This technical report advised Government on the financial risks connected with the existing mortgage portfolio.

It should be noted that the home loans program was introduced at a time when interest rates and property prices were higher. However, it is not appropriate for the Government to be directly involved in home lending, when accessibility to private sources of home finance is good through traditional (banks) lenders and more recently, the new mortgage originators.

While direct home lending does not need to be continued, the changes announced to eligibility under the KickStart deposit assistance scheme ensure that lower and moderate income households are assisted into home ownership.

KickStart provides 500 deposit grants of \$5,000 in each of 1996-97 and 1997-98 and will assist the same number of first home buyers who were assisted under the HomeBuyer Program.

Should economic and home lending conditions change, the Government will of course review all current arrangements.

Existing ACT Housing mortgagors will not be affected by either the variation or the Government's decision to discontinue home lending. Their mortgage conditions and entitlements under the HomeBuyer program will be protected.

The principles of the Commonwealth State Housing Agreement (CSHA) apply to the variation to the existing HomeBuyer Program.

This variation was prepared by the ACT Government Solicitor, on behalf of the Commissioner for Housing, approved by the Minister for Housing, and notified in ACT Gazette No. _____ on _____ 1997.

PURPOSE AND CONSEQUENCES

The purpose of the variation to the program is to give effect to government policies relating to the provision of home purchase assistance. Mortgagors' existing entitlements and rights are not affected by the variation.

SPECIFIC PROVISIONS

Following are details of the variation to the program as specified in the instrument.

CLAUSE 2 includes the program Definitions and Interpretations.

- Under **Subclause 2.1**, the definitions for "Dependant", "Draw Down Date", "Eligible Person", "Income Limit", "Maximum Price" and "Required Deposit Sum" are omitted. These definitions related specifically to the loan application eligibility assessment and settlement processes and are not required as no further loans are available under the program.

CLAUSE 3 details the eligibility criteria for a home loan, is therefore no longer required and is omitted.

CLAUSE 4 details the loan application and assessment requirements, is therefore no longer required and is omitted.

CLAUSE 5 details the Classes of Loan provisions and associated variable parameters (i.e. eligibility criteria applying under each Class of Loan).

- **Subclause 5.2** details the eligibility criteria, that can be varied in respect of a Class of Loan, for the purpose of defining a specific client target group and includes a provision to align the monthly repayment level to a ratio of household income (i.e. to determine the extent of monthly repayment support). This Subclause is omitted as all the criteria, except for the "Maximum Repayment Percentage", relate to the granting of a loan.
- A new Subclause 5.2 retains the original provision for income gearing of monthly repayments and the associated repayment safety net facility. The original provision for determining the "Maximum Repayment Percentage", for existing borrowers, is retained.

CLAUSE 6 details the terms and conditions under which a loan may be advanced. This Clause is omitted as it is no longer relevant.

CLAUSE 11 details the review/appeal provisions.

- **Paragraphs 11.1.1 and 11.1.2** are omitted as their provisions relate to the loan application assessment processes.

CLAUSE 12 details the transitional arrangements applicable to loan applications in the system, pending approval/settlement, at the time of cessation of new lending activity.

- **Subclause 12.1** is omitted. This Subclause refers to transitional arrangements applying at the time of gazettal of the original program (2 April 1991) and is no longer relevant. All affected applications have long since been processed in accordance with those transitions provisions.
- **Subclause 12.2** is omitted. This Subclause refers to loan eligibility provisions, in respect of applicants who have received home purchase assistance under previous schemes. This transitional provision is no longer relevant as no new loans are approved/issued.
- **New provision.** The variations to the program do not apply to an application for a loan made under the HomeBuyer Program before the date of effect of this variation. Applications in the system at time of cessation of new lending activity will be processed and where appropriate, funds will be advanced to facilitate settlement.