

**Senate Finance and Public Administration Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**SUPPLEMENTARY BUDGET ESTIMATES 20-24 OCTOBER 2014**

Prime Minister and Cabinet Portfolio

**Department/Agency:** Indigenous Business Australia  
**Outcome/Program:** 2 – Indigenous  
**Topic:** Indigenous Business Australia

**Senator:** Senator the Hon Jan McLucas

**Question reference number:** 142

**Type of Question:** Written

**Date set by the committee for the return of answer:** 10 April 2015

**Number of pages:** 3

**Question:**

1. Indigenous Business Australia (IBA) Chief Executive Officer, Mr Chris Fry, stated at p.29 that IBA had changed internal policies to drive further home ownership outcomes, particularly in relation to client assessment criteria for a home loan.
  - a. What are these internal policy changes?
  - b. In what ways have assessment criteria for home loans been changed?
2. Did any person or authorised officer from Indigenous Business Australia (IBA) communicate with any person involved in the conduct of the Forrest Review, while the Review was being undertaken?
  - a. If so, who were the persons involved?
  - b. What was the method and purpose of the communication? Was it a written or a verbal communication?
  - c. When did this communication take place?
  - d. Was IBA approached by any person involved in the conduct of the Forrest Review?
  - e. If so, who was this person and when was IBA first approached? What was the purpose and outcome of this communication?
3. When did Indigenous Business Australia first meet with major banks to discuss acceptance of private capital and the capacity of IBA to sell off mortgages? What has been the outcome of these discussions?
4. What is the effect of Indigenous Business Australia being able to sell off its mortgages for clients who have taken out the loan? Would those clients be subject to conditions of the finance body or bank that acquires the loan?
5. What has been the rationale for not allowing Indigenous Business Australia to accept private capital?

**Answer:**

1. a) The main Indigenous Home Ownership program policy changes, which took effect on 1 March 2015 to drive further home ownership outcomes by assisting with affordability issues, were:
  - an increase in the income levels for applicants to be eligible to apply for an IBA housing loan. This will result in more applicants being eligible for larger loans.
  - an increase in the income level threshold for very low income customers from \$35,000 to \$55,767 to be eligible for a reduced commencing interest rate of 3%.
  - introduction of a Fee Finance product to enable customers who do not have sufficient savings to borrow additional loan funds to pay for other costs associated with the home purchase such as state/territory stamp duty, professional legal fees etc.
- b) While not an 'assessment criteria' IBA has also introduced for a limited time a special offering where:
  - first home buyers with annual incomes between \$91,614 and \$131,452 who would otherwise be required to seek part of the required loan funding from another lender have access to a 100% IBA loan at IBA's Standard Introductory Interest Rate, and
  - a discount of 0.5% to the normal Standard Introductory Interest Rate for first home buyers on annual incomes between \$55,767 and \$111,535 i.e. a reduction from 4.5% to 4.0%.
2. Yes
  - a) Primarily the Chief Executive Officer, the Chief Operating Officer and General Manager Enterprises.
  - b) IBA had a constructive and collaborative involvement with the Review. There was a variety of written and verbal communications and, as part of the consultation process of the Review, IBA's CEO attended a Public Forum in Adelaide on 19 November 2013. There were several conversations between the Department of the Prime Minister and Cabinet's Forrest Review Taskforce regarding concepts for stimulating economic development. The purpose of the communication was to assist the Review with information and analysis based on IBA's experience.
  - c) The communication was ongoing from the beginning of the Review consultation process in October 2013 to near its completion in July 2014.
  - d) Yes.
  - e) IBA was approached by officers in the Department of the Prime Minister and Cabinet's Forrest Review Taskforce and by the Review Chair, Mr Forrest.

The purpose was to consult with IBA regarding its experience in improving Indigenous economic development outcomes through the delivery of its home ownership, business development and investments programmes.

3. IBA commenced discussions with major banks in early 2013 in order to explore concepts for increasing the funds available to deliver the Indigenous Home Ownership Programme. These discussions are ongoing.
4. While noting that with regard to IBA the concept has not progressed beyond the early exploratory stage, under a securitisation arrangement the loan originator (sponsor - in this case IBA) of the loan portfolio usually retains the day to day management of the loan portfolio.

Securitisation of a loan portfolio is generally not visible to end customers as they continue to deal with the sponsor for all matters associated with their loan.

5. IBA is able to accept private capital as long as it is by way of a grant or gift. However, IBA is not able to borrow funds for on lending in the same way as a bank does. Nor can IBA raise funds by issuing securities such as shares or units.

This funding restriction is given rise to in IBA's enabling legislation, the *Aboriginal and Torres Strait Islander Act 2005* (sections 183-184), which prohibits IBA from raising funds by any means other than by obtaining a short term overdraft from a bank to cover a temporary deficit. This provision has its origins in the 1989 legislation that established IBA's predecessor organisation, the Aboriginal and Torres Strait Islander Commercial Development Corporation. While it may be inferred that it was intended to limit the Commonwealth's exposure to risk in some way, the precise rationale does not appear to have been made explicit by the legislators, for example it is not made clear in the Explanatory Memorandum.