Date Introduced: 7 September 1983
House: House of Representatives
Presented by: Hon. C.J. Hurford, M.P., Minister for Housing and Construction

Short Digest of Bill

Purpose

To revoke statutory authority for sale of the Housing Loans Insurance Corporation to the private sector, and to extend its field of operation to include commercial building loans.

Background

The Housing Loans Insurance Corporation (HLIC) was established by the Housing Loans Insurance Act 1965. Its structure was altered considerably by the Housing Loans Insurance Amendment Act 1977 which sought to put the HLIC on a more commercial basis. The HLIC's General Reserve was capitalized, its exemption from taxation was terminated, powers of borrowing were extended and restrictions on the type of loans which could be insured were reduced.

The HLIC earned a record $3.8 million in 1981-82. However, pressures in the property market were expected to lead to a rapid growth in claims in 1982-83. A rising proportion of loan claims involved bankruptcy[1]. HLIC's activities included insurance of several types of riskier "low-start" housing loans, and insurance of $80 million worth of commercial housing loans.

The then Government's intention to sell HLIC to the private sector was announced in July 1979 and affirmed in April 1981 following the Review of Commonwealth Functions. Formal offers were sought from July 1982.

The present Bill repeals the statutory provision for the sale of the HLIC and extends its sphere of operation to financing of non-residential buildings.
Main Provisions

Extension of the HLIC's operation to non-residential building is reflected in clause 4's amendment to the long title of its establishing Act, and is accomplished by replacing the definition of "insurable loan" (clause 5). The new definition replaces the 1977 definition. It replaces references to residential land with references to "residential or non-residential" land, and replaces references to a dwelling-house with references to a dwelling-house or other building. Non-residential land development is further defined in subclause 5(5). Later regulations may add to the list of purposes of development or subdivision which qualify for insurance by HLIC.

Clause 7 repeals Part XIII (sections 188-202) of the Commonwealth Functions (Statutes Review) Act 1981. That Part was introduced following the decision to sell the HLIC announced in the Review of Commonwealth Functions[2]. It provided for the sale of HLIC to be accomplished either by creation of a public company limited by shares or by direct transfer of all HLIC's assets.

For further information, if required, contact:

20 September 1983
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References
