Short Digest of Bill

Purpose

To provide for an increase in the maximum loan under the Defence Service Homes Scheme from $15,000 to $25,000.

Background

As originally introduced in March 1919 the purpose of making finance available to ex-servicemen under the then War Service Homes Scheme was, as stated in the Second Reading Speech, "to satisfactorily secure the reinstatement to civil life of members of the Australian Imperial Force". Generally speaking, this same purpose continued until some years after the Second World War. During all this time the amount of loan, with a repayment period of 32 years, would in practical terms enable an ex-serviceman to purchase a home. The Scheme was extended to cover service in subsequent campaigns and wars, e.g. the Korean War, the Malaysian Emergency and the Vietnam War.

More recently the real value of the amount of loan has fallen relative to the cost of houses, so that by 1978 it was appreciated by the House of Representatives Standing Committee on Expenditure that the maximum amount of $15,000 would represent less than 50% of the cost of a standard three bedroom house.

Eligibility for loans was widened in 1973 to include regular personnel and national servicemen, with a qualifying period of three years peace time service. In 1977 the qualifying period was increased to six years, and only on the basis that the serviceman had entered into a further engagement beyond that period.

Throughout most of its history the Defence Service Homes Corporation not only provided loans for the purchase of homes but it also undertook the development of housing estates and sold homes to eligible persons. A decision was taken by the Government in 1977 to withdraw progressively
from land development and group home building and to concentrate on lending.

As it stands today the Scheme is essentially one whose purpose is to provide financial assistance to men and women who were on active service. The extension of the Scheme to peace time service is an incentive designed to encourage personnel to remain in the Defence Force.

The amount of $15,000 was fixed in 1974 raising the maximum from $12,000. Up to this time the interest rate had been 3.75% on a Defence Service Loan. This rate remained for $12,000, but was increased to 7.25% for amounts in excess of that.

**Provisions**

Clause 3 gives effect to the policy of phasing out arrangements involving land development and group housing construction by the Corporation.

Clause 4 and 5 raise the maximum amount of loan from $15,000 to $25,000.

Clause 6 provides for an interest rate of 10% to be charged on any amount of loan which exceeds $15,000. Also any additional loan, i.e. for the enlargement of a house or discharge of an encumbrance, will attract this rate of interest for applications received on or after 20 August 1980.

Clause 7, 8, 9 and 10 make amendments to the Act so that an interest charge of 10%, instead of 7.25%, will apply to money which is owing to the Corporation as a result of default on the part of the borrower. The provisions include:

- Costs incurred in the storage and disposal of goods which are left in a house which has been repossessed.
- Costs of essential repairs which a purchaser neglects to carry out.
- Overdue instalments.
- Overdue rates paid by the Corporation.