DEFENCE SERVICE HOMES AMENDMENT BILL 1979

Purpose

To provide for better arrangements between a borrower and the Defence Service Homes Corporation in matters such as the choice of a home, insurance, and the percentage of its value which may be advanced.

Background

The House of Representatives Standing Committee on Expenditure completed an in-depth and searching examination of the Defence Service Homes Scheme in 1978. It examined the nature and operation of the Scheme, its objectives, alternative ways to achieve these objectives - e.g. by way of cash grants, and ways in which better economy and efficiency might be achieved in the administration of the Scheme.

The Bill directly puts into effect an important recommendation made by the Committee concerning insurance. It could not see that there is justification for requiring persons who receive loans to insure with the Defence Service Homes Corporation. As the Committee said "If the Corporation were a bank or a building society this 'tied' insurance arrangement could constitute an exclusive dealing arrangement under section 47 of the Trade Practices Act 1974". Appropriate changes to the legislation were recommended to allow insurance to be effected with companies chosen by recipients of loans.

The nature of the Scheme has changed considerably over the years including eligibility, the phasing out of house construction, and a diminished degree of assistance towards the purchase of a home. The Committee recommended other changes which have not been implemented - at any rate not as yet - including the making of grants as an option in lieu of loans.

In recognition of the changed nature of the Scheme it recommended that the long title of the Act be amended.
The new long title clarifies the purpose of the Act which is to provide assistance in acquiring homes rather than to provide them.

Provisions

Clause 3 repeals the title of the Principal Act and substitutes a new title which more accurately defines its purpose.

Clause 5 amends Section 21. The requirement that the maximum advance is not to exceed 90% of the value of a property is omitted.

Clause 6 repeals Section 24. Conditions concerning the acceptability of a house as security no longer apply. However, Clause 7 amends Section 25, giving the Corporation authority to require additional security if it is not satisfied with the house.

Clause 9 amends Section 38, making a number of new provisions about insurance.

New paragraph (aa) of sub-section 38(1) empowers the Corporation to insure when it proposes to make an advance and the applicant has an interest in the dwelling.

New sub-section 38(4A) protects continuation of insurance effected on the basis of a proposed advance should the applicant die. It is also provided that if the Corporation decides against an advance it must give reasonable notice of termination of the insurance.

New sub-section 38(4B) requires that in cases to which sub-section (4A) applies, and an applicant dies, no notice of termination will be given until the Corporation is satisfied that an advance will not or is unlikely to be made to the widow.

New sub-section 38(4C) enables the Corporation to do everything necessary or convenient for the purpose of undertaking insurance.

New sub-section 38(4D) makes it mandatory for the owner or purchaser of a Defence Service home to insure. He may insure with the Corporation or with an approved insurance company. The amount of insurance and risks are to be in accordance with what the Corporation reasonably requires.
New sub-section 38(4E) safeguards the owner or purchaser of a Defence Service home. If no insurance is in force, he is deemed to be insured with the Corporation and liable to pay the relevant premiums.

Clause 10 amends section 40A to bring accounting procedures into line with amendments made by the Audit Amendment Act 1979.

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Defence, Science & Technology Group

LEGISLATIVE RESEARCH SERVICE