HOUSING ASSISTANCE BILL 1978

Date Introduced: 10 May 1978

House: House of Representatives

Presented by: Hon. R. Groom, M.P., Minister for Environment, Housing and Community Development

Short Digest of Bill

Purpose

To provide for a new Commonwealth-State Housing Agreement for 1978-81 supplying low interest funds for welfare housing, with greater flexibility for State governments in allocation of funds and a move towards market rates of interest, sale prices and rentals.

Background


Relevant legislation for the last Agreement includes: the Housing Agreement Act 1973 (authorising the Agreement for the following five years and amended in 1974 to incorporate a supplemental Agreement); the Housing Assistance Act 1973 under which additional funds were advanced to the States to provide rental dwellings; and a series of States Grants (Housing Assistance) Acts (No. 101 of 1974, Nos. 10 and 141 of 1976 and No. 110 of 1977) providing the necessary authority for borrowing by the Commonwealth to make advances to the States under the 1973 Agreement and appropriating the necessary amounts.

Later States Grants (Housing Assistance) Acts repealed the previous Act in the series so that only the 1977 Act is now in force.

The then Minister, Hon. K. Newman, released details and an explanation of the new three year agreement in a News Release on 15 September 1977.

Provisions

Part II of the Bill is the equivalent of the Housing Agreement Act 1973. It authorises the making of an Agreement in the form
in the Schedule (clause 4) and variations of the Agreement which are to be tabled (clause 5). Details of the Schedule are outlined below. The Agreement is to run for 3 years. Clause 8 authorises borrowing for the purposes of the Agreement. There is not, however, any appropriation of the CRF which must be provided separately. Advances may be made using funds appropriated by the *States Grants (Housing Assistance) Act* 1977 (clause 8).

Part III provides for the authorisation by the Minister of financial assistance to the States for rental housing for pensioners and other persons in need (clause 12). CRF is not appropriated and thus will require a separate Act (clause 14).

Part IV: Clause 15 provides for an annual report by the Minister.

Part V: Clause 17 makes a consequential amendment to section 7 of the *States Grants (Housing) Act* 1971 following clause 23 of the new Agreement which permits the merging of previous Home Builders' Accounts into the Home Purchase Assistance Account.

Part VI: Clause 20 repeals s.8 of the *Housing Assistance Act* 1973 to remove restrictions on the sale of dwellings erected or purchased by State housing authorities.

**Schedule - Main Points**

- **Part III - Objective**

  Clause 7 - The objective of the Agreement is the provision by the States with financial assistance from the Commonwealth of housing assistance for rental housing and for home purchase in accordance with the principles set out in recital C of the preamble to the Schedule (which, inter alia, confines assistance to those unable to obtain suitable housing through the private market).

- **Part IV - Financial Assistance**

  Sub-clause 8(2) - The Agreement provides assistance for the 3 years 1978-79 to 1980-81. (The last Agreement was for 5 years).

  Sub-clause 10(3) - The proportion of total advances going to home ownership as opposed to rental must be at least 40% by 1980-81. Apart from that, the split is to be decided by the Commonwealth Minister in consultation with the State Minister. (The last Agreement set a limit of between 20 and 30% for home ownership).

  Clause 12 - The States are to be charged interest at a rate of 5% p.a. for rental assistance and 4½% p.a. for home purchase assistance. (The last Agreement had an interest rate of only 4% for rental assistance, but in 1973 the long-term bond rate was only 6.5% compared with 9.2% in 1978).
Clause 13 - States are to repay advances by equal annual instalments over 53 years.

Part V - Rental Housing Assistance

Clause 16 provides that, while the funds for rental housing must be used in accordance with the broad objectives set out in recital C, the States are free to allocate them as they wish, including for construction or acquisition of housing, urban renewal, leasing, research and allocation to non-State government agencies. (Previous agreements were less flexible).

Clause 17 - The States are to determine eligibility criteria. (Last Agreement specified a means test of 85% of average weekly earnings with provision for variation).

Clause 18 - Rents shall be set having regard to rents on the open market. Rental rebates are to be granted to tenants who cannot afford the rents determined. (Previously, many people no longer in need continued to have cheap rental. N.S.W. was first State to implement move to market rents, in July 1977).

Clause 20 - Sales of rental stock are to be for cash at market value or replacement cost. (Previous restriction on sales of dwellings to 30% and previous vendor financing practices are dropped, giving funds for replacement of rental stock. The same terms of subsidised finance will apply to those purchasing public and private dwellings).

Part VI - Home Purchase Account

Clause 22 - A Home Purchase Assistance Account is to be established by each State into which is to be paid advances by the Commonwealth and repayments by purchasers. (With higher interest rates, a larger revolving fund will be available to lend to more people).

Clause 23 - The States may merge previous Home Builders' Accounts with the new Home Purchase Assistance Account.

Clause 24 - Moneys in the Account are to be used for home purchase objectives in recital C, including repayments to Commonwealth, loans to building societies and approved lending authorities for on-lending to home purchasers, subsidies on interest costs to eligible home purchasers, financing construction or purchase of dwellings for sale direct to eligible purchaser. (The latter two are new options).

Clause 25 - The interest rate charged to lending agencies is to be 5% p.a. in 1978-79, increasing by ½% p.a. each year up to a rate 1% p.a. below the long-term bond rate. (Previous interest rates were about 5-3/4%).
Clause 26 - Each State shall determine the terms of loans and eligibility criteria provided the loans are only made to persons unable to obtain mortgage finance from other sources and that in determining amount of loan and repayments, regard shall be had to family income, assets and standard of dwelling. (Previous Agreement specified a precise test).

Clause 27 - The States may determine suitable loan policies including flexible mortgage conditions such as deferred interest repayments and income geared repayments. (Previously only credit foncier (equal instalments) was used).

Clause 29 - The provisions of this Agreement will supersede those of previous Agreements in relation to housing rental and purchase.