Defence Force (Home Loans Assistance) Amendment Bill 2007

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Law and Bills Digest Section

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Defence Force (Home Loans Assistance) Amendment Bill 2007

Date introduced: 9 May 2007
House: House of Representatives
Portfolio: Defence
Commencement: On Royal Assent

Purpose

To amend the Defence Force (Home Loans Assistance) Act 1990 to extend the operation of the existing Defence HomeOwner Scheme to 30 July 2008. This will allow time for the new Scheme, announced in the 2007 Budget, to be fully developed and implemented.

Background

The existing Defence HomeOwner Scheme (DHOS)

The Defence HomeOwner Scheme (DHOS) was introduced in 1991 to assist eligible members and ex-members of the Australian Defence Force (ADF) to purchase their own home by providing a subsidy on the interest of a home loan borrowed from the approved lender, the National Australia Bank.

The scheme is administered in accordance with the Defence Force (Home Loans Assistance) Act 1990. Defence Housing Australia administers the scheme on behalf of the Department of Defence.

Under the current scheme, ADF personnel must serve a set period (‘basic service period’) before qualifying for the scheme. The basic service period is:

- Regular Service personnel who are still serving - five years of continuous effective full-time service; or
- Regular Service personnel with less than 15 years of effective full-time service, and have been discharged with a compensatable disability - basic service period is waived; or
- Active and Emergency Reserve personnel still serving after 8 November 1996 - eight years of continuous efficient service (where the annual statutory training obligation has been met each financial year)

Warning:

This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.
However, Regular Service personnel with warlike (Somalia, Cambodia, East Timor, Afghanistan and Iraq) or operational service need not serve the basic service period in order to qualify. Warlike Service is the period of service in an operational area defined as warlike by the Minister for Defence.

Normally, eligible ADF members are entitled to one year of subsidy for each completed year of service after completing their respective basic service period, up to a maximum of 20 years of subsidy. Members with warlike service are eligible for an extended subsidy period.

The subsidy is equal to 40% of the average monthly interest on the loan, calculated on a 25 year loan period. The maximum loan amount eligible for the subsidy is $80,000 per ADF member (a married or defacto couple who were both eligible ADF members could get $160,000).

More information is available from the relevant part of the Defence Housing Australia website.

DHOS Review and 2007 Budget announcement

A Review of the DHOS was announced by the Government on 10 May 2006.

The operation of the current DHOS has already been extended once (to 31 December 2007) by the Defence Force (Home Loans Assistance) Amendment Act 2006 to allow for the completion of the Review.

Whilst the Review has been completed, it appears its findings have not been made public.

However, in the 2007 Budget, the Minister for Defence, Brendan Nelson, released some details of the Government’s response to the Review.1 The key provision in the new DHOS is that the maximum loan amount per ADF member that is subject to the subsidy (now 37.5%) will progressively increase according to years of service. For example, the maximum loan entitlement of regular service ADF personal will be:

- four years of service - $160,000 (attracting a subsidy of $241 per month on current interest rates)
- eight years of service - $234,000 (attracting a subsidy of $353 per month)
- twelve years of service- $312,000 (attracting a subsidy of $470 per month)

More information, including entitlements for discharged former regular ADF members, and reservists, can be obtained in the Minister’s press release.

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Financial implications

According to the Minister’s press release, the new scheme is estimated to cost an additional $863.5 million over the period 2008-09 to 2116-17.2

Main provisions

Schedule 1—Amendments to Defence Force (Home Loans Assistance) Act 1990

Item 1 amends section 3 of the above Act (‘definition of finishing day’). The item would omit ‘31 December 2007’, and substitute ‘30 June 2008’.

Concluding comments

Whilst some key points of the new DHOS were announced in the Minister’s Budget press release and confirmed in the Minister’s second reading speech for this Bill, the relevant part of website of Defence Housing Australia, which administers the current scheme, notes:

While it appears that some information relating to the operation of the new scheme is now available in the public forum, the fine details of the Scheme are still being developed by Personnel Executive. Further advice on the operation of the scheme will be published on the Pay and Conditions website towards the middle of next week.3

Presumably by the time this Bill is debated, the details of the new Scheme will be available.

Endnotes

2. ibid, p. 4.