



**SUBMISSION TO THE  
PRODUCTIVITY COMMISSION'S  
HOUSING AND HOMELESSNESS  
AGREEMENT REVIEW**

**INDIGENOUS BUSINESS AUSTRALIA**

**18 MARCH 2022**



## About IBA

Indigenous Business Australia's (IBA) vision is for a nation in which Aboriginal and Torres Strait Islander Australians are economically independent and an integral part of the economy. IBA is a corporate Commonwealth entity, and the *Aboriginal and Torres Strait Islander Act (Cth) 2005* sets out IBA's purposes, functions and powers. Section 146 of that Act sets out IBA's purposes:

- to assist and enhance Aboriginal and Torres Strait Islander self-management and economic self-sufficiency, and
- to advance the commercial and economic interests of Aboriginal persons and Torres Strait Islanders by accumulating and using a substantial capital base for the benefit of the Aboriginal and Torres Strait Islander peoples.

Aboriginal and Torres Strait Islander people continue to face financial exclusion and face challenges accessing mainstream financial services or commercial opportunities. IBA supports customers to overcome these challenges through the delivery of unique finance products, tailored support and opportunities that:

- support Aboriginal and Torres Strait Islander people to own a home and build home equity (the Indigenous Home Ownership program),
- support Aboriginal and Torres Strait Islander people to start and grow a business that supports income, employment and economic independence ( the Business Solutions Program), and
- support Aboriginal and Torres Strait Islander organisations to invest, grow their capital and build commercial capability (the Investments and Asset management Program).

## Introduction

1. IBA welcomes the opportunity to make a submission to the Productivity Commission's Housing and Homelessness Agreement Review (the review). Indigenous Business Australia (IBA) operates the Indigenous Home Ownership Program (IHOP), which is Australia's longest standing home lending program targeted specifically at Aboriginal and Torres Strait Islander people. The IHOP has a focus on supporting first home buyers and has operated for over 45 years. Through managing the IHOP IBA has developed unique insights into the challenges faced by Indigenous Australians in accessing home ownership.
2. IBA notes the terms of reference of the review and has focussed its submission on:
  - the positive performance of IBA's flagship IHOP since its inception;
  - current capacity constraints on IBA's IHOP which if addressed would enable IBA to scale its services to meet growing demand for Indigenous home loans;
  - the need to address housing affordability pressures particularly in regional markets where many Indigenous Australians live;
  - the need to further investigate alternative housing delivery models in markets where the IHOP is generally not a suitable funding solution (such as many remote locations); and
  - the importance of programs that can develop the financial literacy of Aboriginal and Torres Strait Islander peoples who aspire to own their own home.

## IHOP contribution to the National Housing and Homelessness Agreement and Agreement on Closing the Gap

3. The IHOP was established in 1975 and is IBA's longest standing program. The IHOP supports Aboriginal and Torres Strait Islander people to grow their wealth and economic self-sufficiency through home ownership. Owning a home provides access to safe and secure housing, which is a key step in establishing economic independence and building inter-generational wealth. To do this, IBA provides home loans with low deposit requirements and flexible repayment terms and offers tailored customer support and financial literacy education services to help customers prepare for their journey. Many IHOP customers subsequently make the successful transition to mainstream lenders when they are ready, and in doing so, make more funds available for new IHOP customers to purchase a home.
4. Since inception of the IHOP, the program has written over 20,400 home loans, improving the lives of thousands of Indigenous families, whilst contributing to the overall housing assistance framework in Australia. Through increasing Indigenous home ownership IBA contributes to reducing pressure on the private rental market and social housing, and Indigenous home ownership is also directly correlated to intergenerational wealth creation, delivering a range of other social and economic benefits.
5. By increasing Indigenous home ownership through the IHOP, IBA is making an important contribution to the overall policy objectives of the National Housing and Homelessness Agreement (NHHA) and the National Agreement on Closing the Gap (NACG). Increasing home ownership is important to achieving the outcomes of the NHHA, particularly outcome 15 (d) (improved housing outcomes for Indigenous Australians) and contributes to achieving performance indicator 31(n) (increase in the proportion of Indigenous Australians purchasing or owning their own home). In addition, Indigenous homelessness is a priority cohort under the agreement. Indigenous home ownership is also important to achieving

targets under the NACG, particularly outcome 9 (improving Indigenous Australian's access to secure appropriate, affordable housing).

6. While the IHOP has been effective in delivering home ownership solutions over many decades, growing housing affordability pressures are posing a long-term challenge. Notwithstanding these pressures, demand is strong, and it is increasing. For instance, IBA received over 8,000 expressions of interest in 2020-21, with the growing younger demographic profile of Aboriginal and Torres Strait Islander peoples being an important driver of this demand.
7. The impact of the IHOP on our home ownership customers, extends to economic, social and cultural impacts. Homeowners revealed how IBA's home loan offered access not just to a house to call their own, but also greater stability and safety, and the space to dream, aspire and take pride in their culture. To capture these impacts, IBA conducts regular customer surveys and interviews, and the analysis of the most recent surveys, which is contained in IBA's Impact Report 2021 (see **Attachment A** for the report summary). This impact analysis shows that:
  - 85% of IBA homeowners agreed or strongly agreed that home ownership has reduced their concerns about housing instability, eviction or homelessness;
  - 95% of IBA homeowners agreed or strongly agreed that home ownership has helped them and/or their family to feel a sense of stability;
  - 92% of IBA homeowners agreed or strongly agreed that home ownership has enabled them to have a more secure place to live; and
  - 91% of IBA homeowners agreed or strongly agreed that home ownership has helped them and/or their family to feel more secure about the future.

## Challenges to Closing the Gap

8. Progress to close the gap between Indigenous and non-Indigenous home ownership rates is slow, in part due to demographic trends, limited access to capital, housing affordability pressures, and continued financial exclusion which is exacerbated by low levels of financial literacy that exists within Indigenous Australians that aspire to own their own home.
9. Demand for IBA's home loan products is expected to continue to grow significantly, particularly over the next 10 to 15 years due to demographic and economic drivers. Growth in demand represents a significant opportunity to accelerate progress towards closing the gap through lifting Indigenous home ownership rates, which will also benefit the Australian economy from the economic spill overs associated with Indigenous economic independence. However, this growth also represents an emerging risk, as the disparity between Indigenous and non-Indigenous home ownership could widen further unless measures are taken to address emerging demand. For instance, based on IBA's current funding levels, Indigenous Australians who cannot access finance from mainstream financial institutions, will begin to face capital shortages in the next few years, and IBA will need to carefully ration capital supply.
10. IBA is in a unique position to address projected demand for its services, however, as the House of Representatives Joint Standing Committee on Indigenous Affairs recently noted, legislative impediments currently prevent IBA from leveraging its capital asset base to accelerate the supply of

capital to the market<sup>1</sup>. An alternative to raising debt to meet growing demand would be additional Government equity injections.

11. IBA notes that there are existing mainstream housing schemes and programs that operate across various jurisdictions, that play a role in supporting Aboriginal and Torres Strait Islander peoples housing and home ownership aspirations. To maximise the benefits of finite capital allocations across the whole of government, opportunities for agency-to-agency collaboration are being developed, and IBA has established working arrangements with some of these agencies including the North Australian Infrastructure Facility, the National Housing Finance Investment Corporation, and the Victorian Government's HomesVic Shared Equity Initiative.
12. Compounding the capital shortage problem, are growing housing affordability pressures which are impacting the ability of Indigenous Australians to buy their own home. The factors that contribute to housing affordability pressures are complex. Supply of housing stock is a critical factor, but in many regional areas housing affordability is becoming an acute problem driven by the COVID pandemic which is accelerating jobs migration from urban areas. IBA has been responding by including a focus on increasing the delivery of new construction home loans in regional areas, but this has been occurring in the context of unforeseen rising housing prices heavily impacted by COVID-19 and a saturated construction market. In addition, purchasing homes within urban regions is also increasingly challenging, as reflected in the 21.7% increase in capital city residential property price indexes over the last twelve months to September 2021<sup>2</sup>.
13. In some regional and remote areas, supply of appropriate housing continues to be a critical issue for many Indigenous communities and townships. Many of these markets face unique economic challenges, and as a result, commercial home lending products are often inappropriate for most families. Indigenous Community Housing Organisations (ICHOs) are playing an important role in managing the existing housing stock, but often operate under resource constraints, and traditional approaches to social housing investment do not facilitate the flow of new commercial capital.
14. Limited financial literacy is a contributing factor to why many Indigenous Australians are unable to access home loans and other financial products. Limited financial literacy can result in difficulties managing budgets, unnecessary debt accumulation and increased financial stress. A lack of exposure as well as an inability to access financial products as a direct consequence of historical dispossession of land and stolen wages as well as the continued socioeconomic exclusion of Indigenous peoples, means that many communities lack intergenerational transfer of financial knowledge, money management skills and material wealth accumulation. IBA takes a proactive approach to building the financial literacy of its customers, which has proven to be an important factor in success.
15. IBA draws the Productivity Commission's attention to research which highlights the importance of targeted financial literacy support for Indigenous customers. For example, the Centre for Social Impact *Money Stories: Financial resilience among Aboriginal and Torres Strait Islander Australians* report considers the barriers faced by Indigenous Australians seeking to access financial advice and products due to location and language challenges<sup>3</sup>. IBA also notes the insights of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry which identified a significant asymmetry of knowledge and power between many consumers and financial services entities, increasingly complex products and services, and that many people struggle with knowing

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<sup>1</sup> See recommendation 7 of the Committee's report *Pathways and Participation Opportunities for Indigenous Australians in Employment and Business* (tabled 30 August 2021), accessed here:

[https://www.aph.gov.au/Parliamentary\\_Business/Committees/House/Indigenous\\_Affairs/Indigenousopportunities](https://www.aph.gov.au/Parliamentary_Business/Committees/House/Indigenous_Affairs/Indigenousopportunities)

<sup>2</sup> <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/residential-property-price-indexes-eight-capital-cities/latest-release>

<sup>3</sup> <https://apo.org.au/node/238581>

their rights and distinguishing viable financial management strategies independently. The final report submitted by the Honourable Kenneth Hayne included *Background Paper 19: Aboriginal and Torres Strait Islander consumers of financial products*<sup>4</sup> which found that Aboriginal and Torres Strait Islander people are more likely to experience financial exclusion than the rest of the community due to a range of factors including geographic location, lack of identification documents, unemployment and lower incomes, lower financial literacy, family structure and lower age and life expectancy. The Report also found that no major legislative reforms since 2010 could be identified that specifically address financial exclusion of Australian Indigenous people.

## Areas of future focus to address some of the challenges to Closing the Gap

16. In order to address the challenges to successfully closing the gap between Indigenous and non-Indigenous home ownership rates, IBA considers that future government effort could include a focus on:
- a. **Significantly increasing the supply of capital to meet the growing demand for home loans from Indigenous Australians.** Measures could include removing legislative barriers to IBA leveraging its asset base as per the recommendation of the House of Representatives Joint Standing Committee on Indigenous Affairs.
  - b. **Increasing the supply of housing, particularly in outer urban and regional areas as a means of reducing pressure on house prices.** IBA considers that Indigenous Australians can play an important role in contributing to this effort and believes there are opportunities to activate under-developed Indigenous land assets where Indigenous landowners have an appetite to develop their land for residential property purposes. Governments could consider investing in additional capacity support to assist relevant Indigenous land-owning organisations wishing to develop their land assets.
  - c. **Investing in alternative home lending models aimed at addressing housing affordability.** For example, shared equity schemes represent one approach that some jurisdictions are adopting to address affordability, however, there is no uniformity across jurisdictions, and some States do not operate shared equity programs. IBA can partner with these schemes to improve outcomes for Indigenous Australians and has already done so with the Victorian scheme.
  - d. **Committing to targets for Aboriginal and Torres Strait Islander service delivery for mainstream housing schemes,** such as the State shared equity schemes, through the national agreement architecture (ie NAHHA and/or the NACG).
  - e. **Setting guidance or establish minimum standards for how mainstream government housing schemes and programs co-design solutions with Aboriginal and Torres Strait Islander peoples and organisations.** IBA believes genuine co-design can significantly improve existing policies, products and services, and standards could be introduced through the national agreement architecture.

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<sup>4</sup> The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry *Background Paper 19: Aboriginal and Torres Strait Islander consumers of financial products* can be accessed here: <https://financialservices.royalcommission.gov.au/publications/Documents/aboriginal-and-torres-strait-islander-consumers-of-financial-products-background-paper-19.pdf>

- f. **Supporting greater agency collaboration across the whole of government.** For instance, IBA has established various working arrangements with NAIF, ILSC, NHFIC, NIAA and the Victorian shared equity scheme which are intended to improve outcomes of Indigenous Australians seeking to own their own home.
- g. **Investigating alternative housing delivery models** particularly where mainstream commercial lending approaches are generally inappropriate, such as in some remote Indigenous townships. For example, alternative approaches to government investment could potentially underpin the establishment of quasi-housing markets in some locations and thereby create conditions more conducive to commercial investment in housing. Alternative approaches could be investigated alongside additional support for ICHOs.
- h. **Investigating opportunities for expanding existing programs focussed on improving Indigenous financial literacy**, particularly for the cohort that aspire to own their own homes. IBA notes that its approaches to increasing the financial literacy of its customers throughout the customer journey has proven critical to the financial success of many of those customers.