

QUESTION ON NOTICE

Legislative Council

ASKED BY: Government Administration Committee 'B'

ANSWERED BY: Hon Felix Ellis MP

QUESTIONS:

(1) Bank of us is the sole accredited financial provider for the State's program, apparently secured following a competitive tendering process:

- (a) How many tenders were received?
- (b) Please provide the Committee the Government's tender brief, and detail the criteria for, and basis on which, the Government selected the Bank of Us as the successful participant?
- (c) Was it Government policy to always only have one financial provider instead of offering competition via multiple approved financial providers?
- (d) If it was the Government's original intention to only have one financial provider, upon what advice did the Government form that position? Did the Government seek any evidence-based advice as to whether having a single non-government financial lender would provide the Tasmanian public the most equitable and transparent option? What consideration was given to, and risk assessment undertaken of matters arising from creating a potential monopoly-supplier situation?

(2) Interest Rates:

- (a) Why is the MyHome product interest rate so much higher than market conditions, noting it has been since before interest rate hikes of 2023?
- (b) Can the interest rate be lowered to a more competitive rate, as it is in other states? If not, why not?

(3) Loan Payment options:

- (a) Why are program clients denied loan product options, available to other borrowers, including capacity to make frequent payments instead of only monthly, unlike interstate counterparts?
- (b) Why are clients denied being able to pay back more of their loan earlier, rather than rely upon an offset account, unlike interstate counterparts?

(4) Insurance Provider:

Regarding the Certificate of Currency requirements, and difficulties that placed upon MyHomes clients to secure insurance, including apparent difficulties to enter into any competitive choice capacity when it comes to securing insurance:

- (a) Is it appropriate the sole monopoly financier of the program receives a commission from the apparent/main insurer prepared to provide insurance to MyHomes clients, CGU?
- (b) Noting the advice provided on the 9th of July that Homes Tasmania has now changed the wording on the Certificate of Currency to address insurance difficulties, will that be applied retrospectively to MyHome clients who may now wish to renegotiate insurance policies, or do so when their insurance next comes up for renewal?
- (c) What steps have been taken to advise MyHomes clients of the changed wording in current Certificate of Currency?

ANSWERS:

- (1) (a) Following a nationally advertised procurement process with sector wide market sounding, two compliant tenders were received, noting a third, non-conforming, application was also submitted and unable to progress through evaluation.
- (b) I refer the Committee to the following documentation provided in the attached:
 - i) Request for Applications for accreditation to provide lending services to participants in the Director's HomeShare Scheme; and
 - ii) HomeShare Background.

Applications were assessed and evaluated against the following criteria:

- i) Compliance and reporting (pass/fail)
- ii) Quality and suitability (10%)
- iii) Capability and experience (10%)
- iv) Local industry impact (25%)
- v) Value for money (pass/fail)
- vi) Furtherance of Government housing objectives (pass/fail)

The Evaluation panel, inclusive of Homes Tasmania representatives and suitably appointed independent members, assessed that Bank of us provided an application that was substantially superior to the other compliant applicant and was nominated as a successful lender.

- (c) The program is not limited to a single lending partner, however an independent review and market research undertaken by consultant PWC on HomeShare (the Tasmanian Government's previous shared equity program) indicated the Tasmanian market was not large enough to sustain more than one lender or gain interest by larger financial institutions.
- (d) It is Government policy to provide a shared equity scheme that provides the greatest opportunities for more Tasmanians to realise their dream of home ownership.

Independent review and market research undertaken by PWC demonstrated that the Tasmanian market was best served by a single provider model. However, the Tasmanian Government will always remain open to changes to the MyHome Shared Equity Scheme to provide the greatest opportunity for Tasmanians.

- (2) (a) The Tasmanian Government's MyHome Shared Equity Scheme delivers a comprehensive and fully-featured loan product offering flexibility in loan repayments and off-set account options that are typically not available on
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- (b) loans with low interest rates.

Comparable shared equity schemes provided within other Australian jurisdictions are:

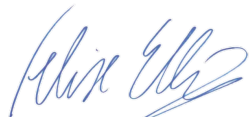
- Victorian via CBA / Bank Australia / Bendigo, rates 6.19% up to 6.59%
- WA Keystart Shared Equity 7.85%
- SA HomeStart 8.64%.

Importantly, The MyHome product includes interest rates in the range of those offered by Government shared equity products elsewhere and provides protections for the customer's investment and lowers their upfront costs with only a 2 per cent deposit.

- (3) (a) MyHome customers are able to make loan repayments either weekly, fortnightly, or monthly and there is no limit to the amount repaid.
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 - (b) This is to ensure that MyHome customers can choose loan repayment frequencies that best suit their needs and their circumstances.
- (4) (a) MyHome customers are able to select an insurer of their choice, so long as the insurance product complies with the requirements within the MyHome Tripartite Agreement's specific insurance requirements.
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 - (c) After concerns were raised by MyHome customers in relation to the lack of availability for insurance providers that could provide a compliant product, Homes Tasmania reviewed the specific insurance requirements to ensure a broader range of insurance providers were able to meet the requirements. A process for accepting alternative insurance arrangements that meets expectations is now in place, and Homes Tasmania will be communicating with existing participants on the change.

Homes Tasmania will work with the Office of the Crown Solicitor on the most appropriate way to proceed in relation to existing MyHome customers and their current insurance cover.

APPROVED NOT APPROVED

A handwritten signature in blue ink, appearing to read 'Felix Ellis', is positioned above the printed name.

Hon Felix Ellis MP
Minister for Housing and Planning

Date: 26/7/2024