
INDIGENOUS HOME OWNERSHIP

IMPACT ANALYSIS





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HOME OWNERSHIP IS AN
IMPORTANT ECONOMIC INDICATOR
OF WEALTH AND SAVING, AND
IS POSITIVELY RELATED TO
EMPLOYMENT AND INCOME
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THAT CAN CONTRIBUTE TO
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WHICH PEOPLE CAN BORROW.

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- PRODUCTIVITY
COMMISSION, 2007

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IMPACT FOR EVERYONE

Over the course of Australia's history, Aboriginal and Torres Strait Islander people have been systematically excluded from home ownership. Through historical laws and government policies that directly prohibited Indigenous Australians from owning property, right through to indirect exclusion from education, employment and financial opportunities that make wealth creation and home ownership a reality - Aboriginal and Torres Strait Islander people remain almost half as likely to own a home today than their non-Indigenous neighbours.

Like many Western countries, home ownership is critical part of the Australian dream, and for good reason. Our home plays a major role in our access to education, employment, hospitals, health services, transport, public spaces and our social circles. But more than this, home ownership is a critical step in building inter-generational wealth for our children and our children's children, with research showing that people are three times as likely to own property if their parents are homeowners. This means that even though our laws, policies and systems may change over time - the exclusion of Aboriginal and Torres Strait Islander people from home ownership compounds over time and still exists today.

In 1975, the Indigenous Home Ownership Program (IHOP), now delivered by Indigenous Business Australia (IBA), was established as a way of breaking down these barriers of exclusion by enabling Aboriginal and Torres Strait Islander people into home ownership through low deposit and extended repayment loans. Over the past 40 years, this program has assisted close to 20,000 Indigenous Australians into home ownership and helped to build economic independence for them and their families, changing the course of their lives.

This research report by Deloitte Access Economics, commissioned by IBA, aims to understand the social and economic impact of this program over the past 40 years. While the direct impacts on the individual recipient come as no surprise, understanding the indirect impact that benefits all Australians is of critical importance.

We hope that by sharing this report, we can begin an important discussion about how economic inclusion through home ownership is a critical step in creating equality for Aboriginal and Torres Strait Islander people and that the benefits of this equality touch us all.

EDDIE FRY

Chairman, Indigenous Business Australia



INDIGENOUS HOME OWNERSHIP PROGRAM

The IHOP offers concessional loans to Indigenous Australians who are unable to access home financing through mainstream financial institutions. It is available for the purchase, construction or renovation of homes, and has lower deposit requirements, longer loan terms and lower interest rates than mainstream loans.

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**IT IS ESTIMATED THAT THE
INDIGENOUS HOME
OWNERSHIP PROGRAM HAS
GENERATED MORE THAN
\$900 MILLION IN SOCIAL
AND ECONOMIC BENEFITS
TO RECIPIENTS SINCE 1975.**

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It is targeted at Indigenous individuals and families that do not qualify for a home loan through a mainstream financial institution, either because their household income is lower than required, or they do not have the necessary deposit saved.

The IHOP has been operating since 1975. During this time, it has been run by various organisations (including the Aboriginal Loans Commission, Aboriginal Development Commission, ATSIC and Aboriginal and Torres Strait Islander Services), and has been through several changes around matters such as eligibility. IBA has been running the program since 2005.

The program has been growing each year since 2007. At the end of the 2017-18 financial year, IBA's home loan portfolio was \$1.2 billion.

THE ROLE OF IHOP IN THE PROVISION OF HOUSING ASSISTANCE

The IHOP is an example of housing assistance in Australia, which aims to break down the barriers to home ownership.

For many Indigenous and non-Indigenous Australians alike, home ownership is considered 'the great Australian dream'. As the Productivity Commission states in its 2007, Overcoming Indigenous Disadvantage Key Indicators Report:

“Home ownership is an important economic indicator of wealth and saving, and is positively related to employment and income indicators. Home ownership provides a secure asset base that can contribute to financial stability and against which people can borrow” (Productivity Commission, 2007).

However, in recent years, housing market challenges including those contributing to housing affordability, particularly in Australia's major capital cities, has made this increasingly difficult to achieve, with home ownership rates decreasing among all Australians under the age of 65 (Grattan Institute, 2018).

There are several initiatives and programs in place across Australia that seek to assist first home-buyers and people on low incomes into home ownership. A key example is state and territory government stamp duty assistance programs. There are also other programs operating in states and territories that offer low deposit loans for an individual or household to purchase a property outright or enter into a shared equity arrangement.

Home loans: The Queensland Government's 'Queensland Housing Finance Loan' provides loans to eligible people who can afford to buy or build a house but they are unable to obtain private finance from a bank or building society.

Shared equity: The Victorian Government's HomesVic pilot was established in February 2018 to assist first home-buyers. Under this program, the Victorian Government takes a proportional beneficial interest in the property (that the first home-buyer pays back when they sell the property) thereby reducing the amount of money required for a home loan.

Home loans and shared equity: Keystart Loans (a business of the Western Australian (WA) Housing Authority) provides low deposit home loans within West Australia to

those that are unable to meet the deposit requirements of mainstream lenders. Keystart offers six home loan products, which offer one or both of the following options - for the loan recipient to have full ownership of the property or enter into a shared equity arrangement with the WA Housing Authority. One of these products is targeted at Aboriginal and Torres Strait Islander people.

The IHOP is a key part of this home ownership support. The IHOP plays an important role through its focus on Indigenous home ownership. Indigenous Australians are significantly under-represented when compared to non-Indigenous Australians in relation to home ownership.



\$900 MILLION +

IBA'S CONTRIBUTION TO THE INDIGENOUS ESTATE

In the last three years, IBA invested more than \$900m into the Indigenous Estate through home loans, business loans and support and investment support to Aboriginal and Torres Strait Islander people.





\$105.5 MILLION +

CAPITAL FUNDING RECEIVED FROM GOVERNMENT

Over the past three financial years, IBA received a total of \$105.5m in capital funding from the Australian Government to invest into the Indigenous Estate by way of home loans, business loans and support and investment opportunities and support but deployed over \$900m in capital.

IBA also received appropriations of \$30.5m to support the operational costs of the Indigenous Home Ownership Program and \$51.9m in funding to support the operational costs of the Business Development and Assistance Program.

These amounts are used to support operational expenses and business support activity and cannot be used as capital.



SOCIAL AND ECONOMIC OUTCOMES OF HOME OWNERSHIP

Home ownership can have a broad impact on an individual's life. The social and economic outcomes associated with home ownership identified in the literature can be classed as foundational, psychosocial and self-fulfilment needs.

Maslow's Hierarchy of Needs (1943) argues that by fulfilling basic human needs, such as health and safety, an individual is able to meet psychological needs (such as esteem and belonging) and to pursue further opportunities, for example in education and employment.

Similar to Maslow's hierarchy, home ownership can contribute to satisfying foundational and psychological needs, which in turn gives individuals the capacity and drive to meet longer-term goals in their economic development, education and community. However, we note there are many other factors at play.

SOCIAL AND ECONOMIC OUTCOMES OF HOME OWNERSHIP



SAFETY

Like physical health, safety is a foundational outcome of home ownership, as feeling safe and comfortable at home is closely associated with an individual's capacity to engage with other aspects of their life.

AHURI (2017) argue that the security associated with appropriate housing improves feelings of safety and security for Indigenous Australians.



PHYSICAL HEALTH

Physical health is a key contributor to overall wellbeing and is significantly influenced by an individual's living situation (Productivity Commission, 2016b).

AHURI (2017) identified that a permanent residence (i.e. stable tenure) improves the ability to access and maintain links to health and social services, including counselling and referrals to mental health, drug and alcohol services.



SOCIAL AND COMMUNITY

Home ownership in particular fulfils a psychosocial need of a sense of belonging and place in one's community.

Home ownership can lead to positive involvement in social groups and community activities through enhanced stability of tenure and improved independence and control.



MENTAL WELLBEING

Mental wellbeing is categorised as a psychosocial need related to stress, particularly in relation to finances and housing. Greater mental health outcomes related to purchasing one's own home result from greater autonomy and independence, as well as enhanced stability of tenure.

AHURI (2017) indicate that insecure housing indirectly contributes to mental health problems through the impact on financial and housing stress.



SELF ESTEEM

Shew and Stelzer (2004) conducted research on the 'external benefits' of home ownership, which indicated that the economic wellbeing related to the purchase of a home leads to greater 'inclusiveness, dignity, empowerment and confidence about the future.' Similarly, ANZ (2007) found through an analysis of a Canadian home ownership program that the financial autonomy resulting from ownership increases a person's sense of pride, dignity and empowerment.



EDUCATION

AHURI (2017) finds that the permanence of owner-occupied housing, rather than the form of housing itself, means that children of homeowners attend school more frequently.

Further, in an extensive review of Australian and international research, AHURI (2010) found that home ownership is positively related to improvements in children's development, educational performance, lifetime prospects and behaviour.



EMPLOYMENT

Physical health is a key contributor to overall wellbeing and is significantly influenced by an individual's living situation (Productivity Commission, 2016b).

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INTER-GENERATIONAL WEALTH

Research indicates the benefits of home ownership are demonstrated for others to aspire to, allowing home ownership to be a possibility for the children of homeowners (AHURI, 2017).

Current and inter-generational wealth also increase as households enter into home ownership and are able to grow homes equity and to pass to the next generation. In Australia, wealth in the home is a principal way for parents to provide for dependents.



HOMELESSNESS IN AUSTRALIA

REPORT 2016

ON CENSUS NIGHT 2011, THERE WERE 105,237 PEOPLE EXPERIENCING HOMELESSNESS. OF THESE 26,744 (25%) WERE ABORIGINAL AND TORRES STRAIT ISLANDER PEOPLE, DESPITE BEING ONLY 2.5% OF THE POPULATION.

IN 2014-15 23% OF PEOPLE SUPPORTED BY SPECIALIST HOMELESSNESS SERVICES IDENTIFIED AS ABORIGINAL OR TORRES STRAIT ISLANDER PEOPLE INCLUDING MORE THAN 1 IN 4 CHILDREN AGED 0-10.

ABORIGINAL AND TORRES STRAIT ISLANDER PEOPLE ARE OVERREPRESENTED AMONGST AUSTRALIA'S HOMELESS POPULATION.



AVOIDED COSTS OF HOMELESSNESS OR COMMUNITY HOUSING

The IHOP (and other home ownership programs) play an important role within the broader spectrum of housing assistance in Australia.

There are various sources of support for individuals and households facing homelessness or who, in the absence of support, may be at the risk of homelessness, poverty or significant financial stress. Key examples of other forms of housing assistance in Australia include crisis accommodation, social or community housing, subsidised rental housing (e.g. that provided under the National Rental Affordability Scheme), and Commonwealth Rent Assistance and state and territory-based private rent assistance (e.g. bond guarantees or rent assistance) (Productivity Commission, 2016a).

To the extent that the IHOP is able to transition individuals and households out of these support services and into home ownership, this frees up those resources for others. Our survey indicated that 65% of Indigenous homeowners had come from private rental accommodation, 20% had been living with relatives, and 11% were in social housing. Less than 1% of homeowners indicated that they were homeless immediately prior to moving into their home with the IBA loan. However, 6% of homeowners indicated that they had experienced homelessness in the last 10 years. These figures relating to homelessness were similar for non-homeowners.





AVOIDED COMMONWEALTH RENT ASSISTANCE PAYMENTS

The majority of the IHOP customers surveyed previously lived in private rental accommodation. A proportion of these customers will have transitioned from reliance on Commonwealth Rent Assistance (CRA) payments. This transition represents a saving to the Government due to avoided housing assistance payments. We have calculated the savings associated with avoided CRA payments to the Commonwealth for every year from 1975-76 to 2017-18.

To be eligible for CRA, a person must be in private rental or community housing, must receive either social security payments, a service pension or income support supplements, and the rent that they pay must be greater than the prescribed thresholds.

Although the CRA was introduced in 1985, the Commonwealth has provided some form of rent assistance to certain social security recipients since 1958 (EY, 2016), allowing us to estimate savings to Commonwealth rent assistance programs since the inception of IBA.

To determine the share of IHOP customers who received CRA in a given year, the share of customers who transition from private rental accommodation to the IHOP is multiplied by the share of eligible Indigenous households who receive CRA payments. The value of eliminating CRA reliance per person is calculated as the average duration an individual receives CRA multiplied by the median CRA payment as at 2017.

UNDERSTANDING OUR IMPACT

As we steam towards 2020, the need to understand the impact of programs, products and services is becoming increasingly important for leaders across the board.

The shift away from focussing on outputs to outcomes is an important transition, particularly when it comes to programs that are designed to generate critically needed social change. A program can be a huge success by just looking at the pure output metrics, but are these outputs actually generating the change they have been designed to make?

IBA serves, partners and invests with Aboriginal and Torres Strait Islander people who want to own their future. We go further than provide money; we invest in people, places and ideas that can't wait. We help make them real. We're deeply invested in the financial success and economic independence of Indigenous Australians. It's why we exist.

All of IBA's products, services and programs have been designed with the intention of creating economic independence for Aboriginal and Torres Strait Islander people. The reason for this is that we believe that by having economic independence, Indigenous Australians are able to achieve the self-sufficiency and self-determination they have been denied over the course of our history.

Over the past several years, IBA's performance and output has continued to increase year on year and so has the demand for the products and services we provide. Expressions of Interest and applications for the home ownership program continue to grow at unprecedented rates, despite restraints on capital causing IBA to reduce the number of people they can assist.

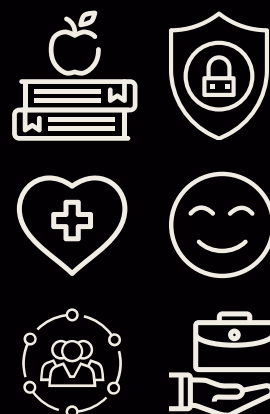
While the benefits of home ownership for individuals is somewhat intrinsic, IBA believes there is an important need in understanding and analysing this further. But further to just understanding the benefits to the individual, there is a need to understand the broader social and economic benefits that arise from this program.

Through a thorough analysis of the entire life of the Indigenous Home Ownership Program, Deloitte Access Economics estimates that IHOP has delivered:

- \$895m in social and economic outcomes for home owners
- \$36m in rental assistance savings
- \$7m in avoided homelessness
- \$483m in economic activity
- 1,247 additional jobs.

SINCE 1975,
IHOP HAS GENERATED

\$895 MILLION
IN SOCIAL & ECONOMIC
OUTCOMES FOR HOMEOWNERS



\$483 MILLION
IN ECONOMIC ACTIVITY



\$43 MILLION
IN RENTAL ASSISTANCE SAVINGS
AND AVOIDED HOMELESSNESS



To discuss this report further
or understand more about the
Deloitte Access Economics
'Indigenous Home Ownership
Program - Impact Analysis',
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Report published in 2019

