



Australian Banking
Association



HOUSING AUSTRALIA INVESTMENT MANDATE DIRECTION

Treasury

8 November 2023

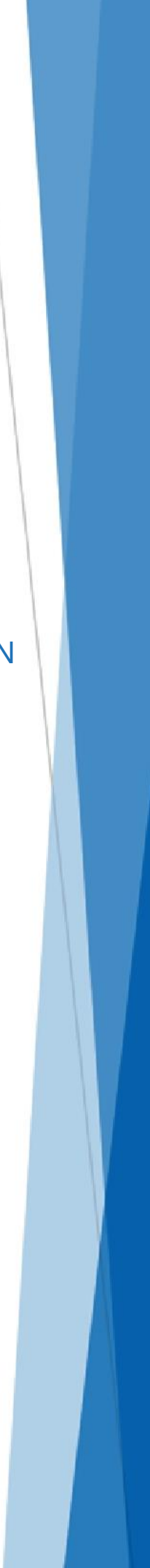




Table of Contents

Key recommendations	2
ABA submission to the Housing Australia Investment Mandate Direction	3
Investment mandate exposure draft	3

Key recommendations

The ABA recommends the following:

1. The Housing Australia Investment Mandate Direction (**Investment Mandate**) financing is expanded to include guarantees.
2. Further information be made available on how government will measure and monitor whether a project is “value for money” under section 28D of the Investment Mandate.
3. Government considers whether any adjustments could be made to the Investment Mandate or the design of the HAFFF to balance need for greater quality housing with the ability to deliver housing efficiently and quickly.
4. Use of the term “constitutional corporation” be re-considered in section 28F of the Investment Mandate to ensure it does not unnecessarily restrict the types of providers that can access finance.
5. Housing Australia undertakes close consultation with, and works alongside, banks and the private sector to ensure it supports the crowding in of financiers.

Policy lead: Ellen Choulman, Director, Business Engagement and Policy,
ellen.choulman@ausbanking.org.au.

About the ABA

The Australian Banking Association advocates for a strong, competitive and innovative banking industry that delivers excellent and equitable outcomes for customers. We promote and encourage policies that improve banking services for all Australians, through advocacy, research, policy expertise and thought leadership.

ABA submission to the Housing Australia Investment Mandate Direction

The Australian Banking Association (**ABA**) welcomes the opportunity to provide feedback on the amendments to the Housing Australia Investment Mandate Direction (**Investment Mandate**).

The ABA continues to support establishment of the Housing Australia Future Fund as a mechanism to provide a sustainable funding source to support and increase the development of social and affordable housing during a critical period of lower than required housing supply. The ABA acknowledges that other industry factors such as planning, and the cost and availability of appropriate construction services, will also be important in stimulating housing supply.

The ABA makes the following comments in relation to sections of the Investment Mandate:

Investment Mandate comments

Miscellaneous

The ABA supports expansion of the Investment Mandate to include different forms of financing to support the delivery of social and affordable housing, including expanding the Investment Mandate to provision of guarantees. Guarantees would allow private sector finance to be involved in financing housing in cases of potential market failure or where banks' risk requirements are unable to otherwise be met.

Consistent with our submission to the Housing Australia Legislative Package on 11 January 2023, the ABA reaffirms that the final report of the Statutory Review of NHFIC recommended the then NHFIC be given an explicit mandate to crowd in other financiers to increase the supply of housing, particularly social and affordable housing. The ABA continues to encourage Housing Australia to undertake close consultation with, and work alongside, banks and the private sector to ensure it designs the scheme in a way that supports the crowding in of financiers. The ABA welcomes the opportunity to facilitate further meetings on this point.

Section 28D – Eligibility for loans and grants

Paragraph (d) of section 28D provides that Housing Australia must not make a loan or grant under the Housing Australia Future Fund Facility (**HAFFF**) unless it is satisfied that, in the case of a loan, the risk that the loan will not be repaid does not exceed an acceptable level. The ABA seeks clarification on what "acceptable level" means. For example, does an acceptable level mean the risk that the loan will not be repaid will be assessed in a manner that is equivalent to, and required by, banks' credit and risk policies and the Australian Prudential Regulation Authority (**APRA**)'s requirements.

Paragraph (e) of section 28D provides that Housing Australia must not make APRA a loan or grant under the HAFFF unless it is satisfied that the project delivers value for money, in terms of the amount of housing delivered as compared to the amount of government support provided. The ABA would welcome further information in the Investment Mandate or in guidance material on how Housing Australia will measure and monitor this outcome.

Section 28E(4) – HAFFF projects

In our submission to the Housing Australia Legislative Package on 11 January 2023, the ABA sought for the Government to align the delivery of its social and affordable housing commitments with other reforms related to housing, such as energy efficiency reform, to ensure that new housing is fit for purpose and of a high building standard. We noted this would avoid any retrofitting that may be

required as a result of developments in other related policies. We are pleased to see the Government explicitly adopt energy efficiency standards and the liveable housing design standard in the National Construction Code as minimum requirements for eligibility for finance under the Investment Mandate, regardless of which state or territory the development is located. We also welcome the acknowledgement that adoption of these requirements will enable homes to be utilised in the future by a wide range of tenant occupants without the need for extensive renovations.

As noted above, the ABA acknowledges that other industry factors such the cost and availability of appropriate construction services will also be important in stimulating housing supply. The ABA encourages the Government to consider whether any adjustments could be made to the Investment Mandate or the design of the HAFFF to balance the need for greater quality housing with the ability to deliver housing efficiently and quickly.

Section 28F – Eligible project proponents for HAFFF projects

Paragraph (1)(f) of section 28F provides that a registered community housing provider that is a constitutional corporate is eligible for finance under the HAFFF. The ABA queries whether the use of the term “constitutional corporation” is broad enough to capture the breadth of community housing providers and other existing owners of social and affordable housing. For example, it is unclear whether an arrangement such a consortium involving a mix of community housing providers and other private market investors would be precluded from accessing finance. The ABA encourages the use of the term constitutional corporation be re-considered to ensure it does not unnecessarily restrict the types of providers that can access finance.

Section 28J – Matters to be considered when making financing decisions

Paragraph (1)(f) of section 28J provides that in making a financing decision, Housing Australia must have regard to whether finance under the HAFFF is needed to encourage private sector participating in financing the project. The ABA encourages Housing Australia to clarify what this means, including whether this is intended to target bank debt or private sector capital more broadly. The ABA would be pleased to work with Housing Australia on ways to incentivise bank sector participation should this be what is intended.