

Indigenous Home Ownership Paper

**Select Council on Housing and Homelessness
March 2013**

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List of Acronyms

ALRA	<i>Aboriginal Land Rights (Northern Territory) Act 1976 (Cth)</i>
ALT	Aboriginal Lands Trust
CDEP	Community Development and Employment Project
COAG	Council of Australian Governments
EDTL	Executive Director of Township Leasing
FHOG	First Home Owner Grant
FHSA	First Home Saver Account
IBA	Indigenous Business Australia
ILUA	Indigenous Land Use Agreements
LALC	Local Aboriginal Land Councils
NAHA	National Affordable Housing Agreement
NPARIH	National Partnership on Remote Indigenous Housing

The use of 2011 Census data

Reference period - This paper contains 2011 Census data where that data is available; otherwise 2006 Census data has been used. In cases where data sets are being compared, 2006 data has been used if 2011 Census data is not available for all the data sets.

In relation to Census data, *home ownership* rates refer to households that owned or were purchasing their homes (excluding tenure type 'not stated').

SUMMARY

This paper was developed by the Australian Government's Department of Families, Housing, Community Services and Indigenous Affairs with input from all state and territory governments, and was endorsed by all Housing Ministers at the 28 March 2013 meeting of the Select Council on Housing and Homelessness.

The purpose of the paper is to explore available information regarding Indigenous home ownership and to identify opportunities in housing and broader policy which could better enable Indigenous people to purchase a home. The paper sets out five recommendations which encourage jurisdictions to take forward the findings of this paper.

Recommendations

1. The Australian Government and state and territory governments to work collaboratively to improve Indigenous home ownership outcomes by identifying potential target groups, including but not limited to:
 - a) Indigenous social housing tenants who are in a position to transition to home ownership.
 - b) Indigenous employees by targeting major employers of Indigenous Australians, where there is support from jurisdictions.
2. The Australian Government and state and territory governments to engage with the finance sector to explore options for targeted work around supporting Indigenous home ownership (e.g. Indigenous Business Australia's split loan product, equity loans etc.).
3. On Indigenous land, state and territory governments to facilitate the establishment of Indigenous home ownership markets, to enable opportunities for Indigenous Australians who aspire to and are able to sustain home ownership, and develop policy and strategic plans appropriate to their respective jurisdictions including through the possible use of place-based approaches. Key features may include:
 - a) The provision of suitable land tenure conditions to enable:
 - security of tenure and transferability of an interest in land, with a transfer process that is procedurally simple and comparable to other land transfers in established markets, and
 - access to equity for the purposes of financing purchase or construction activity.
 - b) Sale to tenant and valuation procedures in relation to social housing assets, robust land administration, consumer protections and town planning.

Recommendations (continued)

4. The Australian Government and state and territory governments to work together to support home owner aspirants to enter into home ownership in established markets and on Indigenous land by exploring:
 - a) Where there is interest from jurisdictions, innovating and refining existing state and territory based home ownership products such as shared equity schemes, rent to buy schemes and other subsidised home loan products, financial management education and intensive case management services.
 - b) Options to improve the interaction of state and territory based home ownership products with Indigenous Business Australia's Indigenous Home Ownership program.
 - c) The development of an expanded 'broker' role to assist Indigenous home ownership clients to access the appropriate package of financial assistance.
 - d) Alternative pathways to home ownership, for example, Community Land Trusts.
5. Ministers to note that changes to the First Home Owners Grant and stamp duty exemptions where applicable, such as limiting them to new constructions only, may adversely impact potential Indigenous home owners and special strategies, including new targeted loan products, may be needed to offset this impact in the short term.

1. INTRODUCTION

1.1 INDIGENOUS HOME OWNERSHIP

There is a substantial gap in home ownership rates between Indigenous and non-Indigenous Australians, with Indigenous households half as likely to own or be purchasing their own homes as non-Indigenous Australians and twice as likely to be renting.

In major cities and regional areas, home ownership rates were 39 per cent for Indigenous households compared to 70 per cent for non-Indigenous households in 2011. In remote areas, home ownership rates were even lower, with 18 per cent Indigenous home ownership compared to 57 per cent for non-Indigenous households (ABS.2011d). A snapshot of Indigenous home ownership around Australia is provided in the Appendix to this paper.

In Australia, there are two distinct Indigenous home ownership categories – those in an established market and those on Indigenous land. Separate consideration needs to be given to these two categories for a detailed analysis of Indigenous home ownership.

An established home ownership market can be in urban, regional or remote settings and includes locations such as Brisbane, Dubbo, Darwin and Karratha. Established home ownership markets consist of an alienable form of land tenure, such as freehold or long term leasehold arrangements (such as that found in the ACT). The land tenure systems are also established and the governance arrangements allow for standard procedures in land dealings. Another key characteristic of an established home ownership market is a sound economic base.

As a result, houses in established markets are more likely to appreciate in value and home ownership can lead to greater economic opportunities and wealth creation. As the majority of Indigenous Australians live in areas with established home ownership markets, the greatest impact on closing the gap between Indigenous and non-Indigenous home ownership can be made in these areas.

However, priority also needs to be given to putting in place the pre-conditions for home ownership on Indigenous land where housing markets are not generally established but the desire for home ownership is growing. Indigenous Australians face additional, unique challenges in purchasing or acquiring a private interest in a home on Indigenous land. These are characterised by:

- inalienable or mixed land tenure arrangements that are located on land which is owned under community title;
- the lack of a significant private housing market or significant history of home ownership; and
- in many cases, entrenched disadvantage, including a lack of an economic base.

Examples of Indigenous land areas include Indigenous Communities in the Northern Territory established on *Aboriginal Land Rights (Northern Territory) Act 1976* (Cth) (ALRA) land (e.g. Yuendumu); in Queensland Deed of Grant in Trust (DOGIT) Communities (e.g. Kowanyama); in South Australia communities established on *Anangu Pitjantjatjara Yankunytjatjara (APY) Land Rights Act 1981* (SA) land (e.g. Amata); and in Western Australia the *Aboriginal Affairs Planning Authority Act 1972* (WA), which established Aboriginal Lands Trusts to acquire, hold, use and manage land for the benefit of Aboriginal people. In addition, it includes communities in Queensland that have mixed tenure arrangements, including both DOGIT and freehold land (e.g. Hope Valley Estate at Hope Vale). In the main, these communities are located in geographically remote locations, but there are examples of Indigenous land located in urban and regional areas such as land held by Local Aboriginal Land Councils in NSW under the *Aboriginal Land Rights Act 1983* (NSW). Native title under the *Native Title Act 1993* (Cth) is another form of

Indigenous land tenure which can co-exist with beneficial land grants including Land Rights legislation.

1.2 IMPLEMENTING POLICY COMMITMENTS

All jurisdictions have agreed to pursue policy actions to improve access to home ownership by Indigenous Australians under the Council of Australian Governments (COAG) National Affordable Housing Agreement (NAHA). In addition, as an output under the National Partnership Agreement on Remote Indigenous Housing (NPARIH), jurisdictions have agreed to the progressive resolution of land tenure on remote community-titled land in order to facilitate home ownership opportunities in economically sustainable communities. These policy actions are being progressed by the Select Council on Housing and Homelessness.

COAG provisional performance benchmark for Indigenous home ownership

COAG agreed on 7 December 2012 to a provisional performance benchmark under the NAHA for “from 2008 to 2017-18, a 10 per cent increase nationally in the proportion of Indigenous households owning or purchasing a home”.¹

All jurisdictions have a role to play in progressing Indigenous home ownership commitments. Shared roles and responsibilities include the interaction of Australian, state and territory government Indigenous home ownership policies and initiatives, the provision of purchaser assistance programs and the development of policy and reform. Given the nature of land tenure and property rights in Australia, individual state and territory land tenure policy, legislation and administrative systems play a significant role in facilitating home ownership on Indigenous land. While the Australian, state and territory governments have initiatives that are having a positive impact, the gap in home ownership rates remains and further effort is needed.

This paper provides contextual information regarding the experience of Indigenous households in accessing home ownership (including challenges and current government assistance in both established markets and markets on Indigenous land) and identifies opportunities for all jurisdictions in housing and broader policy to give effect to their commitments and better enable Indigenous households to purchase a home.

1.3 WHY PURSUE INDIGENOUS HOME OWNERSHIP?

All governments have committed to achieving the outcome that Indigenous Australians should have the same opportunities to choose and aspire to home ownership as other Australians. Home ownership should be viewed in policy terms as part of a housing continuum, from group homes, public housing and rental through to home ownership (Milligan et al.2007), with an acknowledgement that the opportunities and capacities for individuals and families will vary over time.

Just like other Australians, many Indigenous Australians aspire to own their own homes and access the benefits which can result from home ownership. Just as home ownership is not viable for all non-Indigenous Australians, it may not be a viable option for all Indigenous Australians.

¹ COAG agreed that the 2008 ABS National Aboriginal and Torres Strait Islander Social Survey (NATSISS) would be used to measure the baseline for this benchmark and that the 2017-18 ABS National Aboriginal and Torres Strait Islander Health Survey (NATSIHS) will be used to measure whether the benchmark has been achieved. Note that, for the benchmark to be met, the proportion of Indigenous households owning or purchasing a home would need to increase from 32.5 per cent in 2008 (NATSISS) to at least 35.75 per cent in 2017-18 (as measured by NATSIHS).

Home ownership is not the sole solution to affordable housing, however, it can be an important part of the equation in building the housing stocks of Indigenous Australians.

Aspirations of Indigenous Australians

A study conducted by the Australian Housing and Urban Research Institute found that Indigenous Australians aspire to home ownership (AHURI.2009).

The drivers for home ownership for Indigenous Australians and non-Indigenous Australians are similar, primarily social values and security. Szava & Moran (2008) interviewed households who had purchased a home using an Indigenous Business Australia (IBA) home loan. The majority of these home owners (55 per cent) stated that the most important aspects of home ownership to them were being independent and having control of their living environment.

Home ownership aspirations may increase as more Indigenous Australians engage in employment. 2011 Census data shows that 44.7 per cent of Indigenous people aged between 15 and 64 years were employed in jobs, excluding Community Development Employment Projects (CDEP), which is up from 42.4 per cent in 2006 (Australian Government.2013). In addition, a recent study analysing Census data shows that non-CDEP employment rates have risen for both Indigenous men and women aged 15 years and over from 1996 to 2011 (Gray et al.2013). In the future, employment initiatives such as the Australian Employment Covenant, Aboriginal community employment brokers in South Australia and the Remote Jobs and Communities Program will also provide increased levels of employment and may lead to greater opportunities for individuals and families to access home ownership.

While there were 264 Indigenous Australians on the waiting list for an IBA home loan as at 31 December 2012, IBA's experience suggests that actual demand is much greater.

Benefits of home ownership

There are significant benefits to home ownership ranging from empowerment, security and control over living arrangements to increased self-esteem.

Home ownership is reported to provide greater security, control and autonomy which are thought to support mental and physical health and improved educational outcomes for children (Hulse & Burke.2009). This could potentially improve quality of life for years to come.

Home ownership can also provide economic benefits and work as a catalyst for increasing the economic participation of Indigenous Australians.

Established markets

Studies on home ownership for Indigenous people who have bought in established housing markets in regional areas have found that the benefits include financial gain, empowerment and security (Moran et al. 2010). Home owners have reported enjoying greater control over living arrangements, privacy and increased self-esteem due to a sense of ownership (AHURI.2009).

Home ownership in established markets also offers Indigenous people across many income levels the opportunity to create wealth, both for themselves and on an intergenerational basis, through acquiring an asset that is likely to benefit from capital appreciation. Assets can be used as leverage for other investments or spending opportunities.

Properties in established markets can be more readily on-sold if the owner's desires or circumstances change, allowing for greater choice, economic opportunities and wealth creation.

Indigenous land

A study looking at Indigenous land found the possibility of home ownership differs in these areas, and is affected largely by employment opportunities and exposure to property ownership (Memmott et al. 2009). People who have not been exposed to home ownership are unlikely to consider it as an option. Nevertheless there are people on Indigenous land who are in a strong financial position with the desire to own a home.

The potential benefits of home ownership for Indigenous people and Indigenous communities on Indigenous land include: increasing awareness of home ownership and providing a tangible aspiration for individuals to better control their own environment; guaranteed continued access to the family home; boosting mobility for families that purchase and occupy homes by enabling families to rent out their property (when there is a change in circumstances such as movement to access employment, education or health services) and then return to their community at a later stage; building a private rental market over time which provides greater choice of housing (CYIPL.2007); and over time supporting economic development in these areas.

Home ownership may also increase the life of housing stock. A study into potential home owners in markets on Indigenous land found respondents desired to be responsible for repairs, maintenance and improvements to their home (Memmott et al. 2009).

2. ESTABLISHED MARKETS

This section outlines the main challenges, current initiatives and ways forward in progressing Indigenous home ownership in established markets.

The greatest impact on closing the gap between Indigenous and non-Indigenous home ownership can be made in established markets. As the majority of Indigenous Australians live in established market areas, efforts in these areas are also essential in order to meet the COAG provisional Indigenous home ownership performance benchmark. According to the 2006 Census, 75 per cent of Indigenous Australians nationally lived in major cities and regional areas (389,700 Indigenous people) (ABS.2010a)². Established markets are also found in remote areas. As at 31 December 2012, IBA had 3,968 active loans in its portfolio, 25.4 per cent were in major cities, 66.3 per cent were in regional areas and 8.4 per cent were in remote areas.

However, in major cities and regional areas, home ownership rates for Indigenous Australians were just over half the rates for non-Indigenous Australians in 2011.

2.1 CHALLENGES

Indigenous Australians in established markets who aspire to home ownership and are able to maintain a home loan may face a number of challenges in purchasing a property.

Access to finance

Lack of initial capital - Many Indigenous Australians, particularly in established markets with sound economic bases, have sufficient employment and income to maintain and service a mortgage. However, their incomes may still be insufficient for them to save the substantial upfront capital costs of purchasing a home while meeting general costs of living. Upfront costs include a deposit, stamp duty, conveyancing and other fees.

Banks may need support to improve Indigenous access to mainstream finance - Under the responsible lending obligations of the *National Consumer Credit Protection Act 2009* (Cth) lenders are obligated not to encourage or enter into a credit contract if it is unsuitable for the consumer. This means that lenders have to ensure that they do not place the consumer in the position of being unable to comply with financial obligations and causing them hardship.

Banks require mortgagors to have a positive credit history before allowing access to mortgage options which means that low income households may have difficulty in accessing commercial services. Given the demographic profile of some Indigenous Australians, these rules may unintentionally exclude more Indigenous people from accessing mainstream finance. Many Indigenous households, because of high levels of mobility, irregular incomes and in some cases a limited history of steady rental, may find it more difficult to sustain lower forms of credit (credit cards, personal loans) or to make all service payments (electricity, water, phone). In addition, many Indigenous Australians may be employed through government employment programs such as Community Development Employment Projects (CDEP), and this may not satisfy the employment requirements of mainstream lenders (ANZ.2008).

Lenders that provide loans may seek to offset any risk by requiring the applicants to purchase an insurance product, which may impact upon the affordability of the loan product.

² 2006 Census data has been used in this context as 2011 Census data has not yet been published by the ABS.

Banks may require support to enable more Indigenous Australians to access finance for the purposes of home ownership.

Lack of exposure to home ownership

In addition, home buyers who are not familiar with the home purchasing process, including where there has been little or no generational or familial exposure to home lending, may find it difficult to navigate the complexities of the lending process and may not aspire to home ownership. A survey of IBA home loan clients in established markets found there was a connection between successful home ownership and prior exposure to home ownership. Most of the surveyed Indigenous home owners had previous experience of private home ownership, either as children or through extended family connections (Szava and Moran.2008).

Shortage of affordable housing

A shortage of housing restricts the number of affordable and available dwellings for purchase by many low and middle income Indigenous Australians and non-Indigenous Australians alike. Housing affordability is more acute for lower-income households and the National Housing Supply Council notes that these households tend to 'spend a larger proportion of their income on 'essentials', such as food and fuel, which have increased in price by more than overall inflation in recent years' (NHSC.2011). This is likely to be exacerbated for many Indigenous Australians, given issues regarding income outlined in section 4.1.

2.2 CURRENT INITIATIVES

Purchaser Assistance Programs - Concessional home loans

There are a range of concessional home loan products available offering financial support to make home purchasing more attainable for Indigenous Australians who are able to maintain a home loan. The Australian Government and a number of state and territory governments provide concessional home loans to low-income earners. South Australia and Western Australia also have concessional products targeted at Indigenous Australians.

Case Study - Indigenous Business Australia home loans

The Australian Government Indigenous Home Ownership program, administered by IBA, provides concessional housing loans to eligible Indigenous Australians who wish to purchase an established residential property, purchase land and construct a new home, or make essential improvements to an existing home. Most loans are offered to first home buyers who have the capacity to repay a long-term loan and are unable to secure finance from a bank or other home lending institution. The program prioritises access for people seeking to move into home ownership on Indigenous land.

Recent changes to the IBA's home ownership programs mean that an additional 545 Indigenous Australians will be assisted to buy their own home in established housing markets in major cities, regional and remote areas over the four years from 1 July 2012.

As at 31 December 2012, IBA had 3,968 active loans in established markets and 17 active loans on Indigenous land.

Case study - Nunga loans (South Australian Government)

The South Australian Government has a mainstream finance organisation called HomeStart which provides specific finance to Indigenous Australians through their Nunga Home Loans. Nunga Home Loans reduce upfront costs for home buyers with deposit rates starting from three per cent of the purchase price and a reduced Loan Provisional Charge (a charge substantially less than Lender's Mortgage Insurance required by mainstream lenders). Nunga loans do not have account keeping fees and encourage additional voluntary repayments up to \$10,000 per annum. (Government of South Australia.2011). Nunga Home Loans have provided 427 loans (with a value of \$70.4 million) to Indigenous households in South Australia. Many purchasers have built equity into their homes with 100 of the current 251 clients having 20 per cent or more equity.

Initiatives involving mainstream commercial lenders

There are also examples of governments partnering with the private sector to support Indigenous home ownership.

Split loans through IBA (Australian Government)

IBA's Split Loan is a loan product offered to IBA customers who can obtain some of the loan funds required to complete a home purchase from a mainstream commercial lender. The IBA Split Loan meets the gap between the amount that the customer is able to borrow from the mainstream commercial lender and the purchase price. Mainstream commercial lenders can also offer IBA customers other financial products depending on their circumstances (for example, debit cards and home insurance products). Advantages of IBA split loans are: more Indigenous Australians are able to take advantage of IBA's Indigenous Home Ownership program; the waiting time for an IBA housing loan is reduced; and more Indigenous Australians will be provided with the opportunity of establishing a relationship with mainstream commercial lenders (IBA.2012).

ANZ and Esanda initiatives

In July 2008, the ANZ published a Discussion Paper entitled 'Home Ownership and Indigenous Australians'. This paper provided a framework for discussion between ANZ and interested stakeholders about what ANZ may do to help improve the level of home ownership by Indigenous Australians. The paper outlined the national and international Indigenous home ownership climate and presented a case study of ANZ's recent experience in identifying and responding to structural and behavioural issues associated with financial inclusion, such as their work in 2006 with the Brotherhood of St Laurence to develop a small loans program for people with low incomes.

In addition, Esanda Finance Corporation, an ANZ business, has innovatively developed a new specialised policy for the credit assessment of remote customer loan applications. This policy provides processes that:

- recognise CDEP income;
- allow credit assessors to consider applications from customers with no credit record and include employment from a variety of sources;
- utilise specific considerations of affordability and serviceability based on local income and expenditure patterns;
- better match loan terms with the expected useful life of the asset (including relevant valuations); and
- provide specific guidance on establishing simple and convenient loan repayment mechanisms.

This policy allows loans to be provided with more confidence by financial lenders (ANZ.2008).

However, these initiatives may need to be revisited in light of the responsible lending obligations under the *National Consumer Credit Protection Act 2009* (Cth).

2.3 WAY FORWARD

While there are programs in place which are having a positive impact, the gap in home ownership rates remains substantial in established markets. As home ownership outcomes can be related to previous home ownership experience, without government action the current low Indigenous home ownership rate may to be replicated for the future generations of Indigenous Australians. This suggests that existing initiatives and supports could be targeted more effectively or strengthened.

Given increasing employment for Indigenous Australians and the affordability of housing in regional areas, home ownership outcomes can be achieved. In order to further target programs, data analysis is needed. For example, 2011 Census and home loan data could assist in assessing demand for Indigenous home ownership. Data on regional areas needs further exploration as the majority of the Indigenous Australians living in established markets live in regional areas where housing is generally more affordable.

In addition, as a substantial number of Indigenous Australians in established markets live in social housing, social housing tenant and sales data could also be examined as a way to facilitate home ownership in the face of a shortage of affordable housing. Transitioning social tenants who can afford to purchase a home into home ownership may also increase the social housing stock available to respond to community housing needs.

Better targeting of programs requires critical analysis of existing programs and this includes examining the Indigenous home loan portfolios of government lenders. Combining this analysis with data analysis would enable jurisdictions to assess take-up as well as identify and give effect to critical success factors needed to facilitate Indigenous home ownership.

Opportunities also exist for greater engagement with the finance sector to better leverage private capital in increasing Indigenous home ownership rates. In particular, governments should work with the finance sector to encourage Indigenous Australians to actively consider and engage in home ownership and, if necessary, to support existing Indigenous borrowers to meet their mortgage commitments.

Recommendations

1. The Australian Government and state and territory governments to work collaboratively to improve Indigenous home ownership outcomes by identifying potential target groups, including but not limited to:
 - a) Indigenous social housing tenants who are in a position to transition to home ownership.
 - b) Indigenous employees by targeting major employers of Indigenous Australians, where there is support from jurisdictions.
2. The Australian Government and state and territory governments to engage with the finance sector to explore options for targeted work around supporting Indigenous home ownership (e.g. Indigenous Business Australia's split loan product, equity loans etc.).

3. INDIGENOUS LAND

This section outlines the main challenges, current initiatives and ways forward in progressing Indigenous home ownership on Indigenous land.

Fewer Indigenous people live on Indigenous land than in established markets, but interest in home ownership is growing in these areas and the necessary pre-conditions to facilitate home ownership need to be pursued to enable choice for Indigenous Australians who have the desire and financial means to enter into home ownership. Indigenous land includes freehold, leasehold and trust or reserved lands under state or territory based legislation and exclusive possession native title. Much of this land is in remote or very remote areas of Australia and some jurisdictions have more substantial proportions of Indigenous land than others.

3.1 CHALLENGES

In addition to the challenges in established markets, there are challenges associated with purchasing or acquiring a private interest on Indigenous land. These relate primarily to the lack of the standard land arrangements which support individual home ownership elsewhere, but also include the high costs of construction and maintenance of houses as well as limited secondary markets for re-sale.

Land tenure, administrative systems and town planning issues

A key challenge to home ownership on Indigenous land includes developing land tenure arrangements that facilitate home ownership. While respecting traditional connection to land and land holding practices, reform arrangements need to be comparable to those in established markets to the greatest degree possible.

While there are a number of different Indigenous community title legislative systems in operation across Australia (including those under Australian Government legislation), the typical features of each system are that:

- title to the land is vested in an entity such as an Indigenous land trust or similar arrangement;
- the entity holds the land on behalf of a group (e.g. Indigenous traditional owners) so it is sometimes referred to as communal land; and
- title to the land is inalienable meaning that the entity may not deal with the land (e.g. mortgage or lease the land) without complex procedural steps and, in many cases, is precluded from disposing of its interest in the land (i.e. it cannot sell the land outright).

Indigenous land is often viewed, particularly by financial lenders, as a complex Indigenous community title arrangement. Existing land arrangements have often meant that individuals are unable to own their home outright and cannot satisfy the security requirements of lending organisations, in particular due to:

- tenure which is not always secure (e.g. short-term leases, unresolved native title issues);
- restrictions on transferability of land tenure;
- the lack of established and simple procedures for dealing with land; and
- limitations on whether equity can be used for the purposes of finance.

Where these legislative land tenure restrictions have been addressed, such as by allowing for long-term leasing, administrative and development systems may still not support home ownership. Administrative and development challenges can include:

- existing administrative systems which do not adequately support individual home ownership – to overcome this, policies, procedures and guidelines may need to be developed to facilitate land tenure reform, leasing, valuations, sale of land and public housing (as the predominant viable source of existing housing stock);
- limited town planning and supply of serviced land – in particular, the costs associated with surveying land, and town planning. The capacity of local government authorities or land trusts to manage the process is also an issue, given that this is a necessary pre-cursor to the subdivision and releasing of plots or parcels of land for transfer or leasing to individuals; and
- limited access to municipal and essential infrastructure and services and the relatively high costs of servicing land.

Without the establishment of a robust land administration system, the development of a private housing market will be difficult to achieve and may also call into question the future capacity of home ownership, once achieved, to be utilised as an asset to access financial equity. It also raises the challenge of being able to achieve this in a way in which the cost to the potential home owner is comparable to those in established markets and does not impact on affordability.

Affordable and quality housing - high costs of construction, maintenance and servicing land and building regulation issues

The costs of constructing and maintaining homes in remote communities on Indigenous land are considerable when compared to urban established markets. The Central Land Council notes the gap between the cost of building houses and what Indigenous Australians can afford to borrow (Ross.2013) and asserts that housing affordability is the main impediment to home ownership on Indigenous land.

Industry cost-guides estimate that construction costs in very remote locations are likely to be at least double the costs of non-remote locations.

The reasons for this cost penalty include:

- increased cost of materials due to distances from sources of building materials;
- poor economies of scale in purchasing (as would be the case for single builds such as private home ownership construction);
- shortage of trades people and the high costs of external labour; and
- specific design and construction to account for climatic extremes that can generate considerable stresses on dwellings.

Given the high cost of construction on Indigenous land in remote communities, the most likely pathway for home ownership will be through purchasing existing housing and innovative affordable housing designs. Almost exclusively on Indigenous land, this means having access to the sale of social housing stock. Without the release of social housing there is limited potential for individuals to achieve home ownership on Indigenous land or for the creation of an affordable housing market. However, governments would need to consider the housing impacts of selling social housing stock particularly in areas of high population growth and overcrowding. If there is limited social housing stock and it is sold, social housing stock may need to be replenished in order to satisfy community housing needs. Additionally, the lack of available serviced land means the options are limited and this is currently a point of discussion with state and territory governments and the Australian Government.

In addition, while statutory building controls would typically be in place in many urban and regional areas, in some jurisdictions there are limited or no statutory building controls on Indigenous land or in remote areas where many Indigenous Australians live. As a result, people building their own homes in these areas may not have access to statutory safeguards, such as the application of the Building Code of Australia or important consumer protections which apply in urban and regional areas. This may mean that requirements for building permits, mandatory inspections, occupancy permits, statutory builder's warranty insurance and consumer guarantees do not apply on Indigenous land or in remote areas. Many consumers do not have the technical expertise to detect defects at the time of building. While there may be challenges in making appropriately qualified people available to inspect and certify homes on Indigenous land or in remote areas, without effective statutory building controls, people in these areas could be susceptible to low quality building work that is not conducted to an acceptable standard for their safety, health and amenity. Some Indigenous Australians may also require support in engaging with builders and accessing building insurance.

Limited secondary markets

Secondary markets for home ownership (i.e. markets for re-sale) can be small or closed on Indigenous land. This is due to a combination of the challenges mentioned above, particularly restrictions on transferring an interest in land, a limited number of buyers with capacity to service a loan (due to limited employment opportunities) or limited community awareness about home ownership options. Indigenous land owners also often wish to control re-sale, and may not be willing to consent to purchasers from outside the community.

Limited secondary markets impact on whether mainstream lenders are willing to provide finance for home loans³ and may impede the establishment of affordable housing markets on Indigenous land. The security requirements of mainstream lenders may not be met because limited secondary markets might lower the economic value of the property and it may not be possible to re-sell the asset in the event of a default on the mortgage. Lending in these circumstances may also pose a reputational risk for lenders as it may be seen as irresponsible to encourage someone to borrow money to purchase a home that does not have real tradeable value.

For individual purchasers, limited secondary markets could result in an inability to exit a mortgage by selling to a third party, if they either default on their home loan or wish, or need, to relocate to another community. Exit strategies, such as the offering of third party 'buy-back' guarantees could be of assistance in moving some consumers to home ownership once the basic responsible lending criteria are met, but such strategies need to be carefully balanced against the need to maintain a meaningful home ownership regime. On the other hand, if it is too easy to default to an 'exit strategy' then the incentive to remain in home ownership may be lost.

3.2 CURRENT INITIATIVES

Reform of land tenure and administration systems

The Australian, state and Northern Territory governments are at different stages in developing policies to enable home ownership on Indigenous land. The policies required differ across jurisdictions depending on land tenure arrangements.

The Australian Government and some state and territory governments have recently made changes to their land tenure systems to better facilitate Indigenous home ownership. In other

³ Lenders must comply with the responsible lending conduct obligations in Chapter 3 of the *National Consumer Credit Protection Act 2009*.

states and territories, appropriate tenure is in place for home ownership, but administration systems require development to facilitate it.

Case study – Queensland Government legislative changes

In 2008, the Queensland Parliament passed amendments to the *Aboriginal Land Act 1991* (Qld) and the *Torres Strait Islander Land Act 1991* (Qld) to enable the granting of 99 year private residential leases on Deed of Grant in Trust (DOGIT) and other lands for home ownership purposes. In 2011, both Acts were amended further to provide a statutory right of renewal, effectively making the leases perpetual in nature. The passage of the legislation means that Indigenous people living in communities on DOGIT land can apply for a 99 year lease which provides the leaseholder with exclusive use of the land and therefore any dwelling that exists on the land. The underlying ownership of the land remains with the Crown and is held by the trustee for the benefit of the community; however, the granting of a 99 year lease enables the leaseholder to apply to borrow money to purchase an existing dwelling or to finance a new dwelling if the land is currently vacant.

Case study - Office of Township Leasing (Australian Government, Northern Territory)

The Office of Township Leasing and the position of Executive Director of Township Leasing was established by the *Aboriginal Land Rights (Northern Territory) Amendment (Township Leasing) Act 2007* (Cth) and came into effect on 1 July 2007. A Township Lease is negotiated between the Australian Government and the traditional owners in the Township represented by the respective Land Council. The lease term can range from 40 to 99 years. Sub-leases can then be granted to community members in order for them to purchase their own homes.

The Executive Director of Township Leasing signs the lease on behalf of the Australian Government and then manages the lease in accordance with his/her statutory responsibilities and in accordance with the terms and conditions set out in the Township Lease. The following functions have been included in the leases entered into to date:

- undertakes a survey of the town down to individual lot level;
- establishing a Consultative Forum to discuss issues of importance to the Township;
- negotiating sub leasing arrangements with existing occupiers (business organisations, government bodies and Community organisations);
- working with the Land Council and the Land Trust to promote economic development. (OTL.2012).

Township leasing has enabled home ownership in Wurrumiyanga in the Northern Territory by streamlining the procedural steps involved for individuals in securing a long term lease.

Place-based initiatives and pilots to integrate service delivery

Place-based initiatives have been used in some jurisdictions to trial alternative and innovative approaches to increasing Indigenous home ownership. The pilot process often identifies strengths and weaknesses of new programs. Place-based initiatives also allow for solutions to be tailored according to specific land tenure and administrative issues, which vary across Australia, and recognise that there may not be a one size fits resolution to such issues. As outlined in the case study below, integrated approaches are also important.

Case Study – Remote Indigenous Land and Infrastructure Program Office (RILIPO)

The Remote Indigenous Land and Infrastructure Program Office was established in 2009 to facilitate social and economic development in Queensland's 34 discrete Indigenous communities. Two major deliverables are:

1. To develop community specific strategies which facilitate the delivery of capital works by: identifying available land; identifying and pursuing the most expeditious leasing options for social housing; sequencing land and infrastructure development; enabling capital works to be commissioned to provide maximum efficiencies where possible; developing a comprehensive work plan to address land use planning and land administration issues impeding development; and allocating any under-utilised government buildings to address priority needs.
2. All discrete communities will have as a minimum: improved surveying to reduce the time and cost for surveying individual lots to secure a lease on community land as required, for example, for social housing or home purchase; a legislatively compliant planning scheme which provides a user-friendly tool to guide Indigenous Councils' leasing and development decisions; and township-level Indigenous Land Use Agreements, where needed, to avoid the need to negotiate separate agreements for each new lease.

The Australian Government has contributed \$750,000 from June 2011 to June 2013 to establish and maintain a Home Ownership Team within the Queensland Government and the Queensland Government has also contributed resources. The Home Ownership Team coordinates the processing of home ownership Expressions of Interest through to completion and to support local councils and land trustees. The Home Ownership Team works with relevant Queensland and Australian Government departments/agencies and non-government service providers to coordinate home ownership progress. This initiative provides a focus point for efforts of government, including local Indigenous Shire Council. The establishment of the Home Ownership Team has resulted in substantial progress in addressing the challenges to home ownership on Indigenous land in Queensland and is facilitating the creation of home ownership markets in these areas. In particular, this initiative resulted in IBA approving the first home loan in a remote Queensland Indigenous community in Hope Vale in late 2012. IBA has recently approved a further four Hope Vale locals and one Palm Island local as eligible for home loans.

The non-government sector and Indigenous organisations have also developed innovative place-based initiatives to support Indigenous home ownership.

Case study - Darkinjung Local Aboriginal Land Council (DLALC)

(Excerpt from the speech given by the Hon. Jenny Macklin MP, Federal Minister for Families, Community Services and Indigenous Affairs, at the World Indigenous Housing Conference, Canada, 13 June 2012)

On the New South Wales Central Coast, Darkinjung Local Aboriginal Land Council has developed some creative solutions to these problems.

The Land Council is the largest private land holder in the region, and holds prime residential land just over an hour from Sydney.

Many local Aboriginal people haven't benefited from the capital gains of increasing property values because they don't own a home – they didn't have a credit history, or a good renter's reference, a permanent job or savings to break into the housing market.

To address this problem, the Land Council is developing 1,500 residential housing blocks and will keep 150 of these for affordable housing for Aboriginal people. They have developed a 'rent to buy' package, through which families will pay rent to the Land Council at the same rate as if it were a mortgage for five years.

After five years, the Council will return 60 per cent of the rent to them as a cash deposit. Tenants will be able to walk into a bank with equity, a deposit and sound references as a good tenant.

Purchaser Assistance Programs - IBA home loans and extra supports for home buyers

Lending environments on Indigenous land are currently limited due to land arrangements and the lack of secondary markets. IBA is the primary lender in these areas. IBA provides loans to eligible applicants on Indigenous land including key features which support individual home owners and help address complexities around the process for purchasing and/or constructing a home. Extra support is also provided on Indigenous land such as the Good Renter's Discount and Matched Savings Scheme. Further detail is provided in the Appendix.

Case study – Home ownership in Nguiu, Tiwi Islands (Northern Territory)

The Executive Director of Township Leasing (EDTL) entered into the first Township Lease on behalf of the Australian Government over the Township of Wurrumiyanga (Nguiu) on Bathurst Island on 30 August 2007. The Township Lease is agreed between the Tiwi Aboriginal Land Trust, the Tiwi Land Council and the EDTL. Properties were then sub-let to individual purchasers. Under the sub-lease, purchasers take full responsibility for maintaining improvements and bear all the risks associated with taking the lease. The head lease of 99 years has enabled 15 families to obtain housing loans from IBA to purchase or construct their own homes in the Township Lease community.

Engagement with mainstream lenders

In November 2011, as part of a joint effort to facilitate economic development in remote Indigenous communities, the Northern Territory Government convened a bankers' congress with high-level representatives of major banks, Land Councils and Northern Territory and Australian government agencies to develop a deeper understanding of issues and agree on further action. The bankers' congress agreed the next steps would involve working directly with Aboriginal families and organisations that aspire to private home ownership and commercial property development. To drive implementation, the Northern Territory Government appointed an expert contractor to work with all stakeholders using a case management approach.

3.3 WAY FORWARD

Notwithstanding the initiatives described above, further work is needed to develop normalised land arrangements and to facilitate the establishment of affordable housing markets on Indigenous land in all jurisdictions (including Australian Government land arrangements). While home ownership may not be a viable option for all Indigenous Australians living on Indigenous land, conducting this work now will provide Indigenous people in these areas the opportunity to achieve home ownership as soon as they are in the position to do so in the future.

The sale of social housing on Indigenous land is also key to addressing affordability issues arising from the high costs of construction. It is acknowledged that governments would need to consider the community housing impact of selling social housing stock particularly in areas of high population growth and overcrowding.

This provides a considerable policy challenge to government to put in place policies and procedures that can achieve a release of social housing for home ownership at an affordable price while balancing community housing needs. A valuation policy is a crucial consideration as the methodology decided upon will impact the overall affordability of housing stock for home buyers on Indigenous land. There are opportunities for jurisdictions to develop policies for the valuation and sale of social housing on Indigenous land.

In addition, a key feature to facilitate the establishment of Indigenous home ownership markets may include appropriate regulatory oversight of builders and construction activity, comparable to schemes in place in urban and regional areas, to better protect people building their own homes in remote areas from low quality building work. Consumer protections for Indigenous Australians could also include support in engaging with builders and accessing building insurance.

The work mentioned in this sub-section could be facilitated through further place-based initiatives and pilots, including supporting and encouraging non-government sector initiatives. An integrated approach within state and territory governments is also important to ensure that policy development is coordinated and effective and that place-based initiatives link into and inform more systemic change. The Queensland Government program office could be used as a model for such an integrated approach.

Recommendations

3. On Indigenous land, state and territory governments to facilitate the establishment of Indigenous home ownership markets, to enable opportunities for Indigenous Australians who aspire to and are able to sustain home ownership, and develop policy and strategic plans appropriate to their respective jurisdictions including through the possible use of place-based approaches. Key features may include:
 - a) The provision of suitable land tenure conditions to enable:
 - security of tenure and transferability of an interest in land, with a transfer process that is procedurally simple and comparable to other land transfers in established markets, and
 - access to equity for the purposes of financing purchase or construction activity.
 - b) Sale to tenant and valuation procedures in relation to social housing assets, robust land administration, consumer protections and town planning.

4. INDIGENOUS HOME OWNER ASPIRANTS

This section outlines the main challenges, current initiatives and ways forward in progressing home ownership for Indigenous home owner aspirants whether they are living in established markets or on Indigenous land.

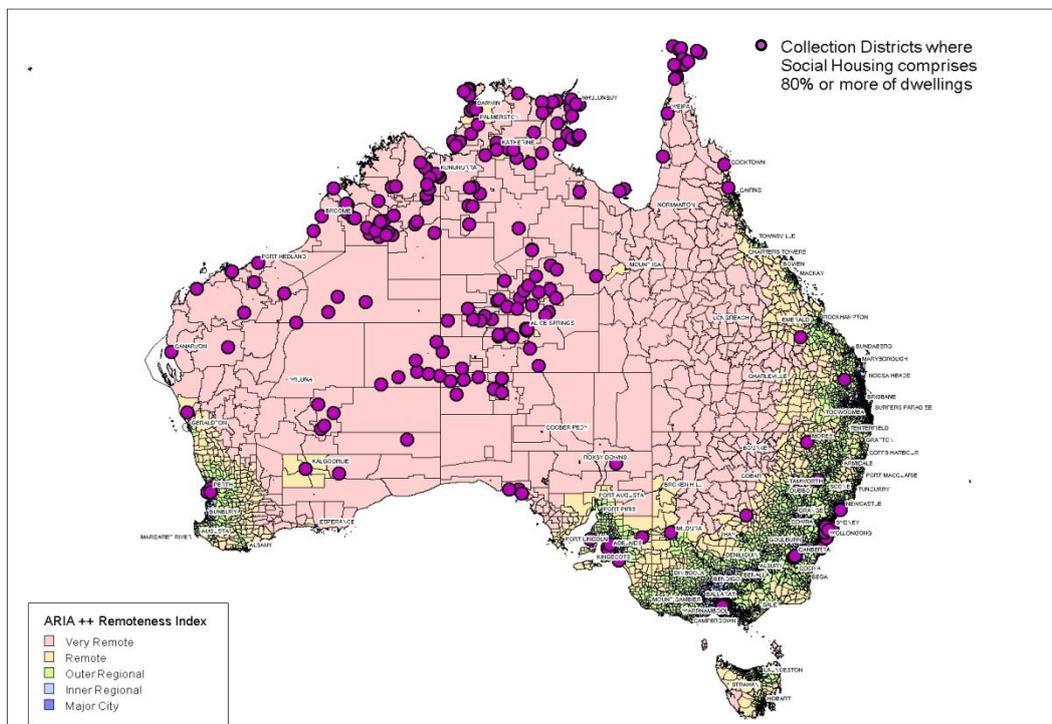
4.1 CHALLENGES

Individuals aspiring to home ownership face a number of challenges to reach a position where they are able to maintain a home loan. While the impact of these challenges will vary depending on individual circumstances, they are relevant when considering factors that impose on the ability of Indigenous Australians to achieve home ownership.

Unfamiliarity with home ownership

Due to the gap in home ownership rates between Indigenous and non-Indigenous Australians, Indigenous people across the nation have less exposure to home ownership than non-Indigenous Australians. This is particularly the case on Indigenous land where home ownership may never have been available to communities (due to land tenure and other challenges outlined in Section 3). As shown in Figure 1, a large proportion of Indigenous people living in remote communities rent from social housing providers. In many cases, houses have been rented by a particular family for many years.

Figure 1. ABS Collection Districts where social housing (public and community housing) comprises 80 per cent or more of dwellings (adapted from ABS 2006c)⁴.



Source: Adapted from ABS 2006c.

As a result, the responsibilities that home ownership entails can be unfamiliar to some Indigenous Australians. This includes an understanding of maintenance and repair requirements, payment of rates, understanding mortgage repayment requirements and consequences for non-payment.

⁴ 2006 Census data has been used in this context as 2011 Census data has not yet been published by the ABS.

This is exacerbated by households having had little control over their housing, as seen in the manner in which social housing is allocated. In addition, rent prices have been low historically in remote communities; rent collection has been inconsistent; individuals have not always been held responsible for damage to homes (FaHCSIA.2007); and many Indigenous Australians may also lack a steady rental history.

Low income levels

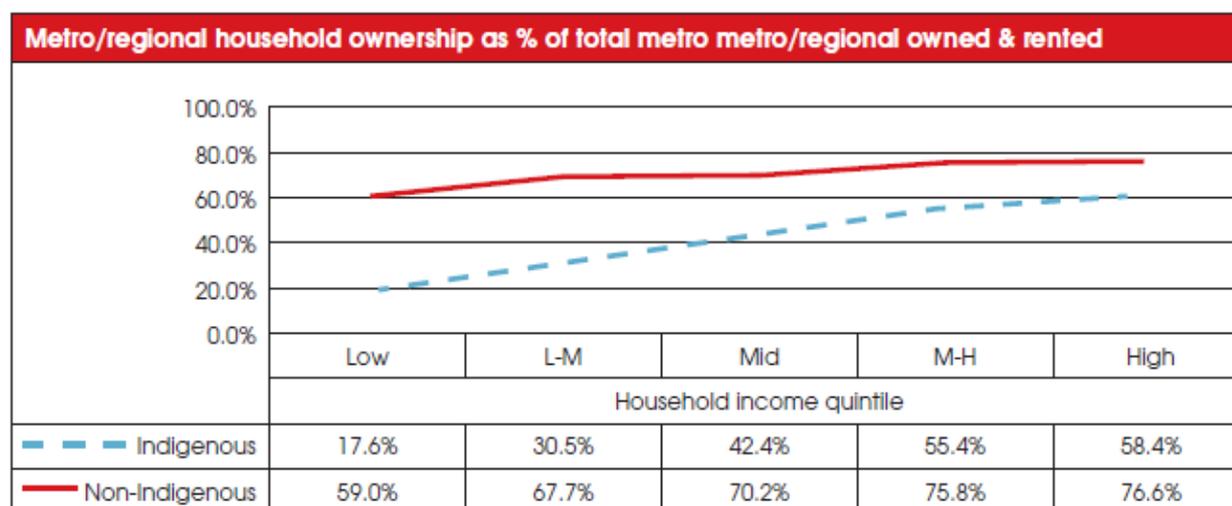
Income impacts on home ownership rates and, in metropolitan and regional locations, the gap between Indigenous and non-Indigenous home ownership is wider for low income households than higher income households (see Figure 2). Low income levels are also a challenge to home ownership on Indigenous land.

In 2006, approximately 70 per cent of Indigenous households had incomes in the bottom two income quintiles, compared to approximately 40 per cent of non-Indigenous households (ABS.2010b). There are a range of factors which contribute to this, particularly the substantial gap in educational attainment and labour force participation between Indigenous and non-Indigenous Australians (ABS.2011a).⁵

This clearly impacts on whether Indigenous Australians can afford to purchase a home. In 2006, the mean equivalised gross household income for Indigenous people was \$460 per week, compared with \$740 for non-Indigenous people (ABS.2010b). In contrast, the median housing loan repayment was \$1,127 per month for Indigenous Australians compared to \$1,300 per month for non-Indigenous Australians in 2006 (ABS.2006b)⁶.

The income gap may also mean that some Indigenous Australians lack a savings history and have little or no deposit to access a home loan.

Figure 2. Metro/regional household ownership as % of total metro, metro/regional owned & rented



Source: ABS 2006c (2011 Census data has not yet been published by the ABS.)

Lower levels of employment participation

Lower levels of employment participation pose a problem in both established markets and on Indigenous land. In 2011, in major cities, 54.1 per cent of the Indigenous working age population (aged 15 to 64) was employed compared with 73.5 per cent of the non-Indigenous working age population.

⁵ 2006 Census data has been used in this context as 2011 Census data has not yet been published by the ABS.

⁶ 2006 Census data has been used in this context as 2011 Census data has not yet been published by the ABS.

Many communities on Indigenous land have little commercial activity and are not in close proximity to economic opportunities in which residents can participate. It is not surprising that, in remote areas in 2011, 43.4 per cent of the Indigenous working age population was employed compared with 80.4 per cent of the non-Indigenous working age population (ABS.2011c).

Financial literacy issues

Being able to make informed decisions about managing money and having access to information to choose appropriate financial products is critical for navigating a pathway to home ownership. Financial literacy is strongly associated with a person's education and socio-economic circumstances (The Social Research Centre.2008).

Low Year 12 attainment levels place Indigenous Australians at a disadvantage by not having the educational background to understand financial products or earn enough income to be eligible for them. The proportion of Indigenous people who had completed Year 12 was less than half that of non-Indigenous people (25.0 per cent compared to 52.1 per cent) (ABS.2011b)⁷. Mainstream financial lenders have acknowledged that Indigenous people are disadvantaged by their educational outcomes, which contributes to their 'low understanding of financial matters and the greater likelihood of experiencing financial difficulty' (ANZ.2008).

4.2 CURRENT INITIATIVES

There are government initiatives in place which aim to increase the number of Indigenous Australians ready for home ownership and to support them on their pathway. These include first home owner schemes and stamp duty concessions, pathways to home ownership, property and tenancy management systems, financial literacy programs, and education, employment and training programs.

First home owner schemes and stamp duty concessions

First Home Owner Grant - The First Home Owner Grant (FHOG) scheme was introduced on 1 July 2000 to offset the effect of the GST on home ownership. It is a national scheme funded by the states and territories and administered under their own legislation. The FHOG is generally a payment of \$7,000 to first home buyers who satisfy eligibility criteria (FHOGOnline.2012). Although there is limited data and analysis available on Indigenous uptake at a national level, preliminary analysis by IBA suggests that a substantial amount of their clients would have not been eligible for an IBA loan without access to the FHOG.

Some jurisdictions have recently changed their FHOG schemes by reducing or abolishing the grant for the purchase of existing homes and increasing the grant for new builds. While this may benefit Indigenous first home owners wishing to construct or buy new homes, it may impact on affordability for Indigenous first home owners buying existing homes, particularly on Indigenous land. For example, changes to the grant may make the upfront costs of a purchase, such as the deposit and stamp duty, unaffordable for some Indigenous Australians even if they have sufficient income to sustain a home loan. Some jurisdictions do have strategies through innovative and new targeted loan products that support home buyers to access new constructions so changes to the First Home Owner Grant have been supported through home loan finance mechanisms.

⁷ Calculated using data from Table 6 of ABS.2011b for 'Australia'.

First Home Saver Accounts - First Home Saver Accounts (FHSAs), introduced in 2008, are available to all first home buyers and offer a tax effective way for those over 18 years of age to save for home purchase. The Australian Government matches a portion of the account balance, encouraging account holders to save more (First Home Saver.2012). There is limited data and analysis available on Indigenous uptake.

Stamp duty exemptions - stamp duty is an extra cost that can be a disincentive for low income earners wanting to purchase a home. Most states and territories offer stamp duty exemptions to particular cohorts of the population to enable home purchase (Mortgage World.2012). There is limited data and analysis available on Indigenous uptake at a national level

Pathways to home ownership

Pathways exist to help Indigenous social housing tenants and other Indigenous Australians transition through the housing continuum. For example, a shared equity model allows consumers to share the capital cost of purchasing a home with the government or other financial organisations. At the point of sale, the equity is usually shared according to the respective contributions of individuals and government to the cost of purchasing the property. Shared equity schemes are being used as a strategy to help low to moderate income earners transition from rental housing into home ownership. Currently, shared equity schemes are operating in most states (AHURI.2010). There is limited data and analysis available on Indigenous uptake at a national level.

Case study – KeyStart Shared Ownership Home Loan Scheme (Western Australian Government)

The KeyStart Shared Ownership Home Loan Scheme is designed to help low to moderate income first home buyers into home ownership, including Aboriginal and Torres Strait Islander people. Under the scheme, eligible first home buyers may purchase or build a home in conjunction with KeyStart and the Department of Housing (WA). Depending on the purchaser's income and household size, the Department of Housing will co-own up to 40 per cent (conditions apply) of a property with the purchaser. When the purchaser can afford it, they can purchase all or part of the Department of Housing's share (KeyStart.2010).

Property and Tenancy Management

The Property and Tenancy Management reforms under NPARIH ensure a more sustainable public housing model in remote Australia. The experience of maintaining a successful tenancy can contribute to developing the personal responsibility, as well as financial resilience and discipline, which is required to purchase and maintain a home.

Under the new arrangements, tenants and landlords of remote public housing have the same rights and responsibilities as those in other public housing. New rent arrangements mean that rents are more closely aligned with the levels of outlay required to repay a mortgage. In particular, under NPARIH, income based rents are being introduced so that those with higher incomes would pay a market rate, more like a mortgage. Tenant support provided under NPARIH helps build tenants' skills to manage new rent payments.

Property management reforms require state and territory governments to establish routine repairs and maintenance programs. Tenants are required to report any repairs or maintenance their dwelling requires and are able to see the level of repairs and maintenance required to keep a dwelling in good repair, which a home owner would have to take on themselves.

Financial literacy programs

Financial literacy programs, such as the Australian Government funded Money Management Services, provide practical and essential support to help people build capability in managing their money better and increasing financial resilience. Money Management Services are delivered in remote locations with high Indigenous populations and are voluntary, confidential, free, and open to the broader community. People with complex financial issues or those in financial stress or crisis are connected to financial counsellors and/or Emergency Relief services, as well as to other support services. Consideration should be given to whether Money Management Services could be further focussed on addressing the creation of savings and positive financial habits to support people saving for a deposit and developing the skills and discipline required to establish and maintain a mortgage. The Australian Securities and Investment Commission's MoneySmart website also provides financial literacy tools and information.

Employment, education and training programs

As part of the broader range of programs to close the gap on Indigenous disadvantage, the Australian, state and territory governments provide programs such as employment, education and training programs. These can support home ownership by improving access to employment in the long-term and increasing financial security. Students participating in programs focusing on education outcomes will have increased employment opportunities in the future. Participation in employment programs, such as the Remote Jobs and Communities Program, can develop new skills, boost self-esteem, increase connection to the community and provide a steady income.

Case study – Employment Related Accommodation (Joint initiative)

The Employment Related Accommodation program is a joint initiative between the Australian, state and territory governments under the NPARIH which provides Indigenous people from remote areas with an opportunity to participate in training and education and to better their chances of gaining employment. People from remote locations wishing to undertake full-time study away from home at university or TAFE or who have been offered a job in a regional centre are eligible for accommodation.

4.3 WAY FORWARD

While some programs are in place to support Indigenous home owner aspirants to transition into home ownership, more could be done to respond to the needs of Indigenous home ownership aspirants. This could include innovating and refining existing purchaser assistance products, such as shared equity schemes, other subsidised home loan products and financial management education, particularly where take-up rates are low.

Coordinating Australian and state and territory government products in each jurisdiction could also assist home owner aspirants to navigate their way through the different products available. This may include exploring a brokerage model or one-stop shop approach.

In addition to the pathways mentioned above, alternative pathways could be explored in both established markets and on Indigenous land to increase the number of Indigenous Australians who are ready to purchase their homes. This could include consideration of whether Community Land Trusts may be beneficial in the Australian context.

There is also a need to ascertain Indigenous Australians' access to and outcomes from these types of assistance as more could be done to address key barriers, such as access to finance and a deposit. In particular, jurisdictions should consider the impacts on Indigenous home owner

aspirants of any changes to the FHOG scheme and strategies may be needed in the short term to offset negative impacts of these changes, acknowledging that some jurisdictions may already have such strategies in place.

Recommendations

4. The Australian Government and state and territory governments to work together to support home owner aspirants to enter into home ownership in established markets and on Indigenous land by exploring:
 - a) Where there is interest from jurisdictions, innovating and refining existing state and territory based home ownership products such as shared equity schemes, rent to buy schemes and other subsidised home loan products, financial management education and intensive case management services.
 - b) Options to improve the interaction of state and territory based home ownership products with Indigenous Business Australia's Indigenous Home Ownership program.
 - c) The development of an expanded 'broker' role to assist Indigenous home ownership clients to access the appropriate package of financial assistance.
 - d) Alternative pathways to home ownership, for example, Community Land Trusts.
5. Ministers to note that changes to the First Home Owner Grant and stamp duty exemptions where applicable, such as limiting them to new constructions only, may adversely impact potential Indigenous home owners and special strategies, including new targeted loan products, may be needed to offset this impact in the short term.

APPENDIX. HOME OWNERSHIP AROUND THE NATION

Nation-wide statistics to consider in light of home ownership include:

In 2011:

- Indigenous home ownership rates increased to 37.4 per cent (ABS.2011b) from 31.6 per cent in 1996 (ABS.2006a).⁸
- 39 per cent of Indigenous households in major cities and regional areas owned or were purchasing their home, compared to 70 per cent of non-Indigenous households. Furthermore, 18 per cent of Indigenous households in remote areas owned or were purchasing their homes compared to 57 per cent of non-Indigenous households. (ABS.2011d)
- Compared to non-Indigenous Australians, Indigenous Australians were twice as likely to be renting (61.8 per cent compared to 29.5 per cent) and just over half as likely to own or be purchasing their own homes (37.4 per cent compared to 69.6 per cent).⁹
- Indigenous households are almost four times more likely to be overcrowded than non-Indigenous households (11.8 per cent compared to 3.2 per cent).¹⁰

In 2006¹¹:

- Nationally, 389,700 Indigenous people lived in major cities and regional areas and 127,400 lived in remote and very remote locations of Australia.
- Of the 167,000 Indigenous households in Australia in 2006, approximately 70 per cent had incomes in the bottom two quintiles (ABS.2006c).

The Australian Government supports Indigenous Australians having the same opportunities to choose and aspire to home ownership as other Australians. This is reflected in the Closing the Gap targets, as well as the Indigenous Economic Development Strategy and includes ensuring that people on Indigenous land, who have the capacity, are able to make an informed choice to take up the opportunity of home ownership (Australian Government.2012).

To counteract the gap between Indigenous and non-Indigenous home ownership rates, the Australian Government has provided funding for concessional housing loans to eligible Indigenous Australians. This is managed by IBA.

IBA has provided over 15,000 households home loans through its Indigenous home ownership programs to assist in the purchase or refurbishment of their home. The following table provides a national snapshot of IBA loans as at 31 December 2012:

Location	Current Loans	Active	Percentage Breakdown	Current Waiting List	Percentage Breakdown
Major city	1007		25.3%	69	26.1%
Regional	2629		66.0%	166	62.9%
Remote	349		8.8%	29	11.0%
Total	3985		100.0%	264	100.0%

Source: Indigenous Business Australia.

⁸ Calculated using data from Table 10a of ABS.2011b for 'Australia'. Excludes data for tenure type 'not stated'.

⁹ Calculated using data from Tables 10a and 10b of ABS.2011b for 'Australia'. Excludes data for tenure type 'not stated'.

¹⁰ Using data for the 'Proportion of dwellings that need 1 or more extra bedrooms' from Table 4 of ABS.2011b for 'Australia'.

¹¹ 2006 Census data has been used in this context as 2011 Census data has not yet been published by the ABS.

IBA's Indigenous Home Ownership program provides support to applicants in agreed locations on Indigenous land. These supports are outlined below.

Indigenous Business Australia provides:

- *IBA home loans* – IBA's home loans provide concessional housing loans to eligible Indigenous Australians who wish to purchase an established residential property, purchase land and construct a new home, or make essential improvements to an existing home. Applicants require a minimum deposit of \$2,000 (which can include the Matched Saving Scheme grant). Most loans are offered to first home buyers who have the capacity to repay a long term loan and are unable to secure finance from a bank or other home lending institution.
- *Ongoing support* - IBA provides ongoing support to borrowers to assist with home ownership.
- *Assistance with establishment costs* - IBA may also offer assistance with loan establishment costs for eligible borrowers to cover most of the basic start-up costs associated with buying a house, such as legal advice, surveys, conveyancing costs, insurance, stamp duty, property valuations and project manager services where new construction work is being undertaken.
- *Co-payment grants* - Co-payment grants consisting of additional loan repayments made on behalf of eligible borrowers over ten years.

The Australian Government Department of Families, Housing, Community Service and Indigenous Affairs (FaHCSIA) provides the following programs:

- *Good Renter's Discount* – Delivered through IBA, the Good Renter's Discount (GRD) is available to eligible IBA approved borrowers with a good rental history (minimum twelve months). GRD may provide up to 20 per cent (with a maximum cap of \$50,000) of the determined value of the property being purchased. The funding is used to reduce the total home loan of an eligible applicant, rather than being paid directly to the client.
- *Matched Savings Scheme* – Matched Saving Scheme (MSS) provides a matching grant of up to \$1,000 for a home loan deposit. To be eligible for the MSS, the applicant must have completed Indigenous Home Ownership Education training. The grants are administered through IBA.
- *Money Management* - Money Management Services provide practical and essential support to help people build longer term capability to manage their money and increase financial resilience.
- *Indigenous Home Ownership Education* – Indigenous Home Ownership Education (IHOME) training is home ownership specific financial literacy education which was designed by FaHCSIA and IBA. IHOME informs and educates eligible participants about the benefits, risks and responsibilities of home ownership to ensure participants make informed decisions about purchasing their own home and are fully aware of, and can better manage, all that home ownership entails.

A snapshot of home ownership statistics by jurisdiction is contained in the following table¹²:

Jurisdiction	Indigenous home ownership rate (%)	Non-Indigenous home ownership rate (%)
<i>New South Wales</i>	40.8	69.1
<i>Queensland</i>	33.8	66.3
<i>Northern Territory</i>	21.6	54.2
<i>Western Australia</i>	33.3	70.0
<i>South Australia</i>	35.8	70.6
<i>Victoria</i>	42.7	72.3
<i>Tasmania</i>	52.9	73.1
<i>Australian Capital Territory</i>	42.8	68.8

Source: Calculated from data in ABS.2011b.

In addition to the initiatives outlined in the body of the report, other examples of key progress to date in each jurisdiction are outlined below.

New South Wales

In March 2010, significant amendments to the *Aboriginal Land Rights Act 1983* (NSW) commenced operation, providing a clearer regime by which Local Aboriginal Land Councils (LALCs) obtain approval for land dealings from the New South Wales Aboriginal Land Council (NSWALC). The amendments introduced greater regulation of the legal relationships created when LALCs and third parties are negotiating land development, including commercial leases and disposal of property.

Housing NSW is targeting sales, through their Sales of Homes program, to Aboriginal and non-Aboriginal tenants subject to certain conditions and subject to tenants organising their own finance.

The Aboriginal Housing Office (AHO) has a partnering arrangement with IBA to provide home purchase assistance to AHO tenants to buy their AHO home.

Housing NSW tenants and AHO tenants are eligible for an exemption from transfer stamp duty where they are purchasing a new or an established property. No property value, incomes, non-property assets or previous ownership tests apply.

A shared equity scheme is under consideration for existing social housing tenants to purchase a share in their current home, and private low-to-moderate income householders to purchase a share in Housing NSW properties in community renewal areas.

The First Home-New Home Scheme assists first home buyers who are purchasing a new home by abolishing transfer duty on properties valued up to \$550,000 and on land valued up to \$350,000. Discounted duty rates are also available on properties valued between \$550,000 and \$650,000 and land valued between \$350,000 and \$450,000.

The First Home Owner Grant (New Homes) Scheme provides \$15,000 grants to assist eligible first home buyers to purchase a new home or build their own, provided the value of the home being purchased or built does not exceed \$650,000. The Grant will reduce to \$10,000 for contracts to purchase or build new homes which are entered into on or after 1 January 2014. For first home buyers who entered into contracts to purchase established properties on or after 1 October 2012, a First Home Owner Grant is no longer available.

¹² Home ownership rates are calculated from data in Tables 10a and 10b of ABS.2011b for each state and territory. Excludes data for tenure type 'not stated'.

Queensland

The Queensland Government has put in place policies relating to home ownership on Indigenous land. They are continuing to develop policies, such as the sale of social housing policy, frameworks for re-sale of dwellings and ongoing dwelling maintenance. Queensland is also seeking to increase potential home owners' awareness of responsibilities in relation to home ownership.

Progress is also being made within Queensland individual communities. This includes Indigenous Land Use Agreements (ILUAs) providing for long-term leasing in Yarrabah, Palm Island and Woorabinda being registered in 2011.

Funded by the Australian Government, the communities of Hope Vale, Palm Island and Yarrabah have completed subdivisions with the expressed intent of making serviced blocks available to community members at affordable prices for home ownership. At Hope Vale, the subdivision is on the communally owned freehold land known as Hope Valley Estate. The subdivision at Yarrabah is in the Djenghi precinct of the community under Deed of Grant in Trust communal title.

Where social housing is on freehold land, the Pathways Shared Equity Loan is available to Queensland Government Department of Housing and Public Works tenants who meet eligibility requirements. Eligible applicants are those purchasing their first home, who cannot afford to purchase the property outright, have a good credit record and can afford home ownership without hardship. The loan enables the tenant to enter into a partnership with the Department to buy a percentage of the house they are renting. The initial repayments on the loan are no more than 35 per cent of the purchaser's gross monthly income. The purchaser is responsible for all the local authority rates, maintenance costs and the cost of insuring the home, but they are not charged rent for the Department's share of the property. Over time, through the partnership, the tenant has the option to buy more shares of the property and become a full home owner.

The Queensland Government recently made changes to the First Home Owner Grant scheme, abolishing the grant for existing homes. First home buyers will now receive \$15,000 - up from \$7,000 - when purchasing a newly constructed home or property off the plan, under the re-shaped Great Start Grant (formerly the FHOG). The Great Start Grant is only available for homes valued at less than \$750,000.

The Queensland Government is investigating options for shared equity or rent to buy schemes and is also investigating the impact of the loss of the First Home Owner Grant for existing homes.

Northern Territory

The Northern Territory Government is currently developing policies on the valuation and sale of remote public housing on Indigenous land. The Northern Territory Government has also introduced legislation to apply building codes and consumer protections to gazetted remote Northern Territory locations. In particular, the Northern Territory Government has indicated that it is supportive of private property rights and home ownership on Indigenous land. (Anderson.2013).

In addition, the Northern Territory has recently made the following changes to their first home owner assistance schemes:

- \$25,000 First Home Owner Grant to purchase newly constructed homes or land to build a home throughout the Territory.
- \$12,000 First Home Owner Grant to purchase existing homes in the Darwin, Palmerston and Darwin rural areas.

- \$25,000 First Home Owner Grant to purchase existing homes in the rest of the Territory – recognising the limited new homes available in those areas.
- The maximum value of eligible properties will drop from \$750,000 to \$600,000.
- The stamp duty concession for first home buyers will end.
- The Principal Place of Residence Rebate for non-first home buyers will be restricted to new homes or land, and will double to \$7,000.

In the Northern Territory, the First Home Owner Grant changes that provide targeted assistance to new construction currently only applies in the Darwin region and to existing and new homes in the rest of the Northern Territory.

At the same time the First Home Owner Grant changes were implemented, the Northern Territory also introduced a new home loan product, HomeBuild Access as part of its Real Housing for Growth Plan which is an election commitment of the Northern Territory Government that aims to see the construction of 2,000 new affordable homes across the Territory over the next four years. The Real Housing for Growth Plan is targeted at addressing housing affordability and supply through a range of strategies that promote tenure diversification and encourage wider housing choices for Territorians. It stimulates affordable new supply and lessens market pressures for renters and home purchasers.

As part of the home ownership initiatives strategy under the Real Housing for Growth Plan, HomeBuild Access provides low deposit finance to households throughout the Territory for newly constructed dwellings to stimulate new housing supply. The product has two loans:

- Low deposit, non means tested loan – Northern Territory Government will provide 17.5 per cent of the deposit to approved purchasers with the purchaser funding 2.5 per cent and Territory Insurance Office providing the balance of the loan (80 per cent).
- Low deposit, subsidised interest loan – 2 per cent deposit requirement, means tested for low to moderate income earners, with an interest subsidy for first five years of the loan plus a \$10,000 fee assistance loan that can be used for Stamp Duty, other costs or essential white goods. This is based on households not being required to pay more than 30 per cent of their income in repayments.

There are maximum house and land costs in place in an effort to focus developers on building more affordable stock and to encourage developers to think about innovative design, aiming not to put households into 'over commitment'. One of the advantages of targeting these loan products at new housing is that purchasers experience a period early on of little or no maintenance requirements.

Western Australia

Whilst no legislative amendments are required, SGS Economics and Planning has prepared a report for the Department of Indigenous Affairs of the Western Australia Government. This 2012 report, entitled 'Living on our Lands', makes 28 recommendations in its investigations into whether a revised model of land tenure is required to better support Aboriginal aspirations, including for home ownership. Recommendations include to:

- Develop a comprehensive land transfer policy in order to streamline current restrictions on long term leasing.
- Encourage the use of Indigenous Land Use Agreements to satisfy the interests of Native Title holders.
- Investigate governance capacity of potential Aboriginal organisations acquiring the leases.
- Provide post-transfer support to recipients of land transfers.

The Western Australian Government offers a First Home Owner Grant of \$7,000 and a zero dollar stamp duty concession for properties which have an existing house up to the value of \$500,000. Additionally, the Western Australian Department of Commerce offers its own initiative of up to \$2,000 for first home owners who meet specific conditions.

The Western Australian Government has a mainstream low deposit loans program called Keystart and a mainstream shared equity scheme called SharedStart. Additionally, there is a specific Aboriginal Home Ownership Scheme that provides 60 shared equity loans per annum for identified Aboriginal clients.

Alternative land ownership/tenure arrangements are being considered based on a Community Land Trust model. Subject to further consideration and legislative change, this model will allow for home ownership on Aboriginal Lands Trust land through either shared equity or leasehold arrangements.

The Western Australian Department of Housing identifies increasing Aboriginal home ownership as a priority. A gap analysis is currently being undertaken to identify the key barriers to Aboriginal home ownership, after which solution pathways will be considered.

South Australia

In November 2010, the South Australian Government published a consultation paper of a review on the *Aboriginal Lands Trust Act 1966* (SA). This consultation paper proposes a number of changes to the Aboriginal Lands Trust (ALT) legislation including the provision of long term leasing arrangements to enable home ownership, as well as clarity for functions and powers of the ALT, and necessary surveying, subdivision and valuation procedures.

The South Australian Government has a mainstream finance organisation called HomeStart which provides specific finance to Aboriginal and Torres Strait Islander Australians through their Nunga Home Loans. Nunga Home Loans reduce upfront costs for home buyers with low deposit rates and a reduced Loan Provisional Charge.

In addition, the South Australian Government recently announced that they have re-targeted their first home buyer assistance by:

- increasing the FHOG for new homes from \$7,000 to \$15,000 (ongoing);
- reducing the FHOG for established homes from \$7,000 to \$5,000 for eligible contracts. The FHOG will be abolished for established homes from 1 July 2014; and
- replacing the \$8,000 First Home Bonus Grant for new homes with a Housing Construction Grant (HCG) of \$8,500 for all new home construction where contracts are entered into between 15 October 2012 and 30 June 2013 inclusive. The HCG will be available for properties valued up to \$400,000, phasing out for properties valued up to \$450,000.

Victoria

Victoria's Tenant House Sales program enables public housing tenants considering home ownership to purchase their rental housing. Tenants must meet particular eligibility requirements relating to their tenancy record and property condition. Indigenous tenants of the Aboriginal Rental Housing Program are exempt from the requirement to rent for seven consecutive years.

Victoria has a range of initiatives to promote home ownership for all lower income households. These include mortgage relief programs, a group self-build program, and stamp duty exemptions for certain concession card holders (for properties valued up to \$330,000) and stamp duty concession (on a sliding scale, for properties valued from \$330,000 to \$750,000).

Tasmania

The Department of Health and Human Services is exploring the release of Tasmanian Government owned land parcels for residential development through their 'Land for Communities' project.

The Streets Ahead program offers people on low incomes incentives to purchase their own home from Housing Tasmania. Incentives include:

- Deposit assistance – a grant of \$6,000 to assist purchasers of a Housing Tasmania property.
- Payment of mortgage insurance premium (up to \$500).
- Payment of legal costs (up to \$500).

HomeShare is another mainstream Tasmanian Government initiative helping low and moderate income earners to buy their own homes. This program enables people to purchase a home jointly with the Director of Housing, decreasing the initial cost, with the opportunity to purchase the Director's share at a later date. Properties can be either brand new constructions or public housing identified for sale. Participants in the HomeShare scheme also receive a grant towards the costs of conveyancing and free financial counselling.

The Tasmanian Government has held discussions with Indigenous Community Housing Organisations (ICHOs) about home ownership options in remote Indigenous communities, however, the ICHOs are concerned that the sale of their properties will amount to a short-fall of properties for those in greatest need.

Australian Capital Territory

The ACT Government has established the ACT Land Rent Scheme that allows home buyers to rent land from the ACT Government at a rate of 2 – 4 per cent of the unimproved land value per annum (reliant on their income level). The scheme reduces entry costs for home buyers as they are not required to borrow capital for the land. This mainstream initiative could assist prospective Indigenous home buyers in securing a smaller, more manageable home loan (ACT Revenue Office.2012).

The ACT Sale to Tenant Scheme is intended to provide home ownership opportunities to public housing tenants. In particular, the scheme targets tenants who are paying full market rent and those with a sustained income of over \$80,000 per year.

Under the Shared Equity Scheme tenants who desire to purchase a public housing dwelling but do not have a housing deposit are guaranteed by Housing ACT, allowing the tenant to secure a loan without a deposit.

Under the ACT Government's Home Buyer Concession Scheme, eligible first home buyers are charged stamp duty at a concessional rate of \$20 for properties up to \$385,000 and a concession of \$24.10 for each \$100 or part thereof by which the dutiable value exceeds \$385,000 (\$20 minimum duty) for properties valued at more than \$385,000 but less than \$450,000. (ACT Revenue Office.2013). The IBA Indigenous Home Ownership program, as well as the First Home Owner Grant, are available to assist Indigenous home purchasers with alienable land tenure in the ACT.

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