

1994

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

**DEFENCE FORCE (HOME LOANS ASSISTANCE) AMENDMENT  
BILL 1994**

EXPLANATORY MEMORANDUM

(Circulated by the authority of the Minister for Defence Science and Personnel,  
Senator the Hon. John Faulkner)

Defence Force (Home Loans Assistance) Amendment Bill 1994

**OUTLINE**

This Bill will amend the Defence Force (Home Loans Assistance) Act 1990 to enable the adjustment of interest rates applicable to the Defence Force Home Loans Assistance Scheme.

**FINANCIAL IMPACT**

The adjustment of the interest rates flowing from the amendment will forego a windfall benefit to the Commonwealth of \$300,000 a year.

## Defence Force (Home Loans Assistance) Amendment Bill 1994

**NOTES ON CLAUSES****Clause 1 - Short title etc.**

1. This clause provides for the short title of the Act.

**Clause 2 - Commencement**

2. This clause provides that the Act commences on Royal Assent.

**Clause 3 - Subclause 8.4 of agreement not to be revoked or varied**

3. The Defence Force (Home Loans Assistance) Act 1990 ("the Principal Act") establishes a scheme to provide assistance by way of subsidised loans for eligible members of the Defence Force who purchase their own homes. The loans in question are provided by the National Australia Bank (NAB), which holds the franchise for the scheme.

4. An essential part of the scheme is an Agreement between the Commonwealth and the NAB, contained in Schedule 1 to the Principal Act.

5. Clause 5 of the Agreement covers subsidised loans. Subclause 5.15 makes provision for calculation of the Benchmark Rate of interest to be used for the purpose of calculating the subsidy.

6. Section 35 of the Principal Act prohibits amendment of subclause 5.15 and subclause 8.4 (which covers a matter unrelated to this Bill).

7. There is now a requirement to amend subclause 5.15 because it operates in a manner that was not anticipated and is not desired by either the Commonwealth or the NAB. Under the Agreement the Benchmark Rate of interest is the lower of the rate offered by the NAB and the average of the rates offered by the five largest Australian banks. When the Agreement was drawn up, special introductory rates for new loans, with interest rates fixed for a period of 12 months or less, were not contemplated. The Agreement as currently drafted would apply the special introductory rates to all borrowers under the scheme, irrespective of whether they are new borrowers, and for as long as those rates are offered.

8. The Commonwealth and the NAB have agreed that subclause 5.15 of the Agreement should be amended so that the special introductory rates would apply only for new borrowers and for the period that those rates are available to the public. To enable the amendment of subclause 5.15, section 35 of the Principal Act will have to be amended to remove the prohibition on amending that subclause. Clause 3 of the Bill achieves this by removing the reference to subclause 5.15 from section 35. (This will leave the unrelated subclause 8.4 as the only entrenched provision of the Agreement.)

9. The proposed amendment of the Agreement itself will still be subject to clause 20 of the Agreement, which provides that any amendment to the Agreement will have no effect unless it is confirmed in writing by the Commonwealth and the NAB.

