Minister for Housing, Peter Chandler, has moved to clarify misconceptions surrounding HomeNorth’s housing loans.

“We announced in the Mini Budget that we would be realigning some existing loans so that there is fairness across the 1144 existing government home assistance loans,” Mr Chandler said.

“This means we are now linking 293 HomeNorth loans to the Commonwealth Bank’s variable rate to fit with the other government home loans, and not the Reserve Bank of Australia cash rate, plus a margin.

“The 293 loan holders - a pocket of borrowers between July 2004 and June 2009 - have enjoyed a 4.99% rate compared with other borrowers paying around 6.6%.

“They will now pay an average of $43.30 more a week at the linked variable rate of 6.6%, but they are free to shop around. Any bank will rub their hands with glee when they turn up – a borrower wanting a small loan against a valuable asset.

“Most of these loans are around $140,000 and in many cases the loan holders enjoyed significant capital gain for their properties.

“Fifty-seven of the loan holders do not live in the home, so they no longer require the Government loan assistance.

“The Government needs to review its assistance on a regular basis and make sure it is targeted at the right people.

“The change we have made will act as a driving mechanism to get people to take a look at their loan financing and consider alternatives.

“There are low interest rates at present, it makes sense to shop around.
“The Department of Housing sent a letter to loan holders on December 7th which included information on the changes and interest rates.

“Loan holders will receive another letter (from TIO) in mid-January advising them of their new repayments.

“The first repayments at the new interest rate will be due from mid-February 2013.

“Net savings to the Government will be $752,000 in the 2013-14 year which was the amount of subsidy we were paying for the lower interest loans.

“Anyone who has inquiries or particular circumstances can contact TIO on 1300 301 833 or email: homestartnt@tiofi.com.au.”

Media Contact:
Judith Hughey 8928 6619 or 0448 614 836