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Minister’s Foreword

A safe and secure home is an aspiration shared by all Australians and their families. Indigenous Australians are half as likely as other Australians to own or be purchasing their own home. The Australian Government is committed to closing the gap on Indigenous disadvantage and recognises the importance of a secure and healthy home as a basis for improving Indigenous life outcomes.

The National Affordable Housing Agreement agreed by the Council of Australian Governments specifically commits governments to reducing Indigenous disadvantage by improving access by Indigenous Australians to mainstream housing, including home ownership.

The Australian Government is working with State and Territory Governments to improve the supply of affordable rental housing and has made an historic investment in social housing and reforming the delivery and management of Indigenous rental housing in remote Australia. Along with changed land tenure arrangements that make possible opportunities for individual ownership, these reforms provide a pathway for those who want and are able to own their own homes.

Encouragingly, the home ownership gap between Indigenous people and other Australians is closing, particularly in urban areas. However the gap remains significant. Home ownership provides important social and economic benefits such as a secure home base, with links to improved health, educational outcomes and safer and more stable neighbourhoods, as well as an asset that can be passed on to future generations.

This paper canvasses the issues affecting home ownership amongst Indigenous Australians across Australia, including those factors particular to Indigenous land ownership. It also outlines existing supports and services in place to assist with home ownership and raises questions to stimulate discussion on this important issue.

While the aspirations of Indigenous people across Australia will differ, and home ownership may not be possible for everyone, the Australian Government’s aim is to facilitate opportunities for people to exercise choice over their housing circumstances.

If you would like to contribute suggested approaches to increasing home ownership amongst Indigenous Australians please provide a written or online submission to the Department of Families, Housing, Community Services and Indigenous Affairs. These contributions will help the Australian Government to continue to develop new approaches to facilitate home ownership opportunities for Indigenous Australians. This is a key priority within the Indigenous Economic Development Strategy (IEDS), which will be released shortly. While I would appreciate early feedback, a series of public consultations about the IEDS will provide further opportunity to put forward your ideas in response to this paper.

I look forward to receiving your comments.

The Hon Jenny Macklin MP
Minister for Families, Housing, Community Services and Indigenous Affairs
Chapter 1: The Housing Circumstances of Indigenous Australians

- Indigenous households are half as likely to own or be purchasing their own homes as non-Indigenous Australians and twice as likely to be renting
- Indigenous home ownership has increased from around 19% in 1991 to 36% in 2006
- Approximately 345,000 Indigenous people live in urban/regional areas and 108,000 live in remote locations
- Of the 167,000 Indigenous households in Australia in 2006 more than 70% had incomes in the bottom two income quintiles, nearly double the percentage of the non-Indigenous population in the two lowest income quintiles
- Indigenous households are 4.5 times more likely to be overcrowded than non-Indigenous households
- Indigenous people are over represented in homelessness statistics, accounting for 9% of the homeless population

The housing circumstances of Indigenous Australians

According to the 2006 Census, Indigenous households across Australia are half as likely to own or be purchasing their own homes as non-Indigenous Australians.

Australian Bureau of Statistics (ABS) data shows that of the estimated 166,700 Indigenous households in the 2006 Census, 36% were home owners (with or without a mortgage). In comparison, 69% of the estimated 7 million other Australian households were home owners (with or without a mortgage), with 26% renting and 2% holding other tenure types.

In contrast the Census data shows that 63% of Indigenous households were renting – with about one quarter renting privately, one fifth from State or Territory housing authorities and one tenth from community housing organisations, including Indigenous-specific community housing organisations. Conversely, 26% of non-Indigenous Australian households were renting, with the vast majority renting privately and about 5% renting from State or Territory housing authorities or community housing organisations.1

While Indigenous home ownership has increased from around 19% in 1991 to 36% in 2006, Indigenous people are still under represented across all income groups and household types and significantly over represented in social housing. Indigenous Australians are also over-represented in homelessness statistics, accounting for 9% of the homeless population but only 2.4% of Australia’s total population. Indigenous Australians are also far more likely to be residing in an overcrowded dwelling; around 14% of Indigenous households are overcrowded compared to 3% of non-Indigenous households.2

More detailed comparison of the housing circumstances of Indigenous and non-Indigenous Australians is set out in Figure 1.1.

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2 ABS 2006 Census of Population and Housing.
1.1 Indigenous Households and Persons in Indigenous Households - 2006

Indigenous households – 166,669(a)
All persons – 549,922
Indigenous persons – 410,557

Homeowners/purchasers
56,026 households – 34%
181,286 – 33%
116,144 Indigenous persons

Renters
98,091 households – 59%
332,420 persons – 60%
265,205 Indigenous persons

Other tenure types (b)
4,457 households - 3%
14,578 persons - 3%
11,429 Indigenous persons

No mortgage
18,363 households – 11%
50,743 persons – 9%
32,117 Indigenous persons

With mortgage
37,663 households – 23%
130,543 persons – 24%
84,027 Indigenous persons

Renters – housing assistance programs
47,752 households – 29%
181,235 persons – 33%
161,510 Indigenous persons

Private renters
44,406 households – 27%
133,235 persons – 24%
89,820 Indigenous persons

Other renters (c)
5,933 households – 3%
17,951 persons – 3%
13,876 Indigenous persons

State/Territory Housing Authority
33,294 households – 20%
109,720 persons – 20%
92,298 Indigenous persons

Indigenous or mainstream community housing (d)
14,458 households – 9%
71,515 persons – 13%
69,212 Indigenous persons

(a) The 8,095 Indigenous households with tenure type not stated are not shown in this chart.
(b) Includes households and persons in rent/buy schemes, living rent-free or under a life tenure scheme.
(c) Includes 1,331 Indigenous households with landlord not stated.
(d) Community housing managed by Indigenous community housing organisations or mainstream community housing providers.

Source: ABS2006 Census of Population and Housing

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3 ABS and AIHW p30. Note that Figure 1.1 does not show around 8,000 households who did not state tenure type but has included them in calculating percentages. Other ABS data excludes these households (and figures quoted throughout this paper draw on that data).
Why is home ownership important?

Australia is recognised as a home ownership society, with the aspiration of owning one’s own home generally regarded as the ‘great Australian dream’. Home ownership has been the preferred form of tenure for around 90% of households in all housing preference surveys conducted in Australia, with reasons frequently focused on ‘security and belonging’ and ‘financial security’. In the past, these aspirations have been supported by explicit measures to support the growth of home ownership in Australia, including sales of public housing on generous terms, protection of home lending rates and, more recently, First Home Owners Schemes. The importance of home ownership to Australians is also recognised in other current policy, such as the exclusion of an individual’s home from the assets test for receipt of welfare payments and the exemption of the family home from capital gains tax.

The advantages of home ownership are both financial and non-financial.

First, home ownership offers people across many income levels the opportunity to create wealth, both for themselves and on an intergenerational basis. The act of saving for a deposit and paying off a mortgage is a means to encourage personal savings. Over time home owners generally benefit from capital appreciation. This accumulated wealth is often passed on to the next generation and can be used to leverage other investment or spending opportunities.

Secondly, home ownership is perceived by many to offer a secure home base over which owners can enjoy significant control. The security that it offers has been linked to other social outcomes including improved mental and physical health, improved educational outcomes, safer and more stable neighbourhoods, inclusive and cohesive residential areas and a more active and responsible citizenry.

Governments have also recognised the strong associations between home ownership and family formation, stability and continuity.

However, as noted by Hulse and Burke home ownership also carries risk. Largely these risks are financial, including the stress of mortgage payments which frequently consume a large share of household income, ongoing costs such as rates, maintenance and insurance and the risk that the asset will not appreciate in value. Furthermore, where people lose jobs, face relationship breakdown, accumulate mortgage repayment arrears or have invested in an asset which declines in value over time, housing-related psychological stress may adversely affect their health and wellbeing.

In comparison, for some, renting, whether privately or through access to social housing, can be more affordable, does not eat into discretionary income to fund the purchase of the asset, and does not require ongoing expenditure or responsibility in relation to property maintenance or improvement. It can also provide significant flexibility for individuals or families who wish to move residence more frequently. Nevertheless, for most Australians the advantages of home ownership outweigh the advantages of renting.

The benefits of comprehensive policies that facilitate greater home ownership opportunities for all Australians are considerable. While owning one’s own home may not be possible for, or indeed desired by, all Australians, it is important that those who aspire to home ownership, and have the financial capacity to do so, have the greatest number of possibilities available.

Home ownership and Indigenous Australians

Research by the Australian Housing and Urban Research Institute (AHURI) indicates that most Indigenous Australians, like their non-Indigenous counterparts, aspire to home ownership, with affordability identified as the main impediment to achieving this aspiration.

Indigenous Australians see the main advantages of home ownership as the social benefits, such as being able to pass the house on to future generations, and a greater sense of control and security, as well as additional benefits, such as being able to live on traditional land. The economic benefits of home ownership, such as being able to sell the house for a profit, are generally seen as less important.

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6 Hulse and Burke p1.

7 Winter p 9.

8 Hulse and Burke p1.


10 Memmott, P p97
What are the factors that contribute to Indigenous home ownership being only half that of other Australians?

1. Demographics of the Indigenous population
The Indigenous population is significantly younger in age profile than the non-Indigenous population, with a median age of 21 years compared with 37 years.

At 20 June 2006, people aged 65 years and over comprised just 3% of the Indigenous population, compared with 13% of the non-Indigenous population.

In addition 37% of Indigenous people were under 15 years of age compared with 19% of non-Indigenous people.

These differing demographics have an impact on relative home ownership rates between Indigenous and non-Indigenous Australians. As Figure 1.2 below shows, the proportion of people in each age group across Australia who rent their home (with or without a mortgage) decreases with the age profile of the household.

2. Income
Different aspects of disadvantage are often interrelated. Factors such as educational attainment and labour force participation have strong links to the income of individuals.

In 2006 the median equivalised gross household income of Indigenous people was $362 per week. This was equivalent to just over half the corresponding income for non-Indigenous people, at $642 per week.\footnote{ABS and AIHW p.12.}

Given that the monthly loan repayment needed for a typical first home mortgage was $2,505 in the December 2009 quarter, income is a key factor in the low rates of Indigenous home ownership across Australia.

In 2006, of the 167,000 Indigenous households in Australia more than 70% had incomes in the bottom two income quintiles and 45% of Indigenous households were in the lowest income quintile.

As outlined in Table 1.3, this is nearly double the percentage of the non-Indigenous population in the two lowest income quintiles and is likely to have a significant impact on home ownership rates amongst Indigenous people in these income quintiles.
3. Educational outcomes

Educational outcomes can have a significant impact on future socioeconomic status. In 2006 23% of Indigenous people aged 15 and over had completed year 12 compared to almost half of non-Indigenous Australians. In remote areas of Australia levels of educational attainment were even lower, with only 14% of Indigenous people aged 15 and over having completed year 12.\(^{12}\)

4. Labour force participation

The 2006 Census reveals that Indigenous people have lower levels of labour force participation and higher levels of unemployment than non-Indigenous people, with an overall average participation rate of 54% compared to 75% and an unemployment rate that is three times higher (16% compared to 5%). These comparisons held true in all geographic areas, States and Territories and across all age groups. Part-time employment also accounts for a greater share of total employment among Indigenous people (37%) than for non-Indigenous people (29%).

5. Financial literacy

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 socioeconomic circumstances.\(^ {13}\)

In a 2008 ANZ Survey of Adult Financial Literacy in Australia financial literacy scores were significantly below the mean amongst the unemployed, people working in lower blue collar occupations, people whose main source of income was a Government benefit or allowance and people whose household income was less than $25,000 per annum.\(^ {14}\) Indigenous Australians are highly represented in each of these groups. The survey also found that the relatively small number of people surveyed who were of Aboriginal or Torres Strait Islander descent scored lower than the mean financial literacy scores.

6. Geographical location

Location is also an important factor in home ownership levels. Approximately 345,000 Indigenous people live in urban/regional areas and 108,000 live in remote locations, with a high proportion of remote residents living on community-title land where individual home ownership is generally not available.\(^ {15}\)

While the level of Indigenous home ownership across Australia is generally low, the rate is lowest in remote areas. Table 1.4 shows that the home ownership rate for Indigenous households in remote Australia, while increasing, is half that of Indigenous households in urban and regional Australia and is less than one third the rate for non-Indigenous households.

\(^{12}\) ABS and AIHW p7.


\(^{14}\) Roy Morgan Research p 2.

\(^{15}\) In this paper ‘community-title land’ means land granted to, or held by or on behalf of, Indigenous traditional owners or communities.
### 1.4 Home tenure by remoteness

<table>
<thead>
<tr>
<th>Tenure by Remoteness 2001 and 2006</th>
<th>Urban and Regional</th>
<th>Remote</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indigenous Owned/Being Purchased</td>
<td>35%</td>
<td>39%</td>
<td>15%</td>
</tr>
<tr>
<td>Non-Indigenous Owned/Being Purchased</td>
<td>68%</td>
<td>71%</td>
<td>55%</td>
</tr>
<tr>
<td>Indigenous Rented</td>
<td>61%</td>
<td>60%</td>
<td>77%</td>
</tr>
<tr>
<td>Non-Indigenous Rented</td>
<td>26%</td>
<td>28%</td>
<td>36%</td>
</tr>
</tbody>
</table>

2001 Data - ABS-Cat. no. 4713.0 Population Characteristics, Aboriginal and Torres Strait Islander Australians Table 8.1
2006 Data - ABS-47130DC001 Population Characteristics, Aboriginal and Torres Strait Islander Australians, 2006* Table 32
Chapter 2: Indigenous Home Ownership In Urban And Regional Areas

The housing circumstances of Indigenous Australians in urban and regional areas

In 2006 around three quarters of the estimated resident Indigenous population lived in major cities and regional areas. This has been on the increase since 1971 – rising from 44% in 1971 to 74% in 2001.

Indigenous home ownership is also increasing in urban and regional areas. As outlined in Table 1.4, between 2001 and 2006 there was an increase in urban and regional Indigenous home ownership, from 35% to 39%. While this is more than double the rate for Indigenous households in remote areas, it is still just over half the levels of home ownership experienced by non-Indigenous Australians in urban and regional areas.

In urban and regional areas of Australia, land ownership is generally available under freehold or long-term leasehold arrangements. There is also Indigenous-owned or controlled land in some urban and regional areas, particularly in New South Wales (NSW), although the majority of Indigenous-held land is in remote and very remote locations.

While the challenges in achieving home ownership in remote Indigenous-held locations will be discussed more fully in Chapter 3, they are also relevant in these urban and regional settings. In NSW, the Australian Government in partnership with the NSW Aboriginal Land Council (NSWALC) has committed funds for the surveying and conveyancing costs of the subdivision of more than 60 former reserves across NSW to facilitate home ownership opportunities. Tenure arrangements under the Aboriginal Lands Rights Act 1983 are flexible and allow for land to be leased, sold and mortgaged to secure investments and raise finance for home ownership purposes however, the majority of land is on a single communal title rather than individual lots. Technical work, such as the development of planning instruments, is currently being undertaken to support sub-divisions in Indigenous communities. The subdivision work will also require individual land council approval.

Factors impacting on home ownership

Research shows that the gap between Indigenous and non-Indigenous home ownership decreases with higher household income in urban and regional locations. For example, as outlined in Figure 2.1, it is at the lowest income quintiles at which the home ownership gap between Indigenous people and non-Indigenous people is greatest.
As discussed earlier, the average income of Indigenous Australians is significantly lower than that of other Australians. In 2006 for example the weekly household income for Indigenous households in major cities was $539 compared to $779 for non-Indigenous households. Reduced income not only affects ability to meet mortgage repayments but also affects the ability of low to moderate income earners to save for deposits and to manage the immediate costs of purchasing a property.

Potential low income home buyers also have difficulty establishing credit ratings or maintaining a good credit history. Mainstream lenders often will not lend to these applicants due to their risk profile or seek to offset their risk by requiring the applicants to purchase mortgage insurance.

Research has highlighted the impact that an individual’s family experience can have on their aspirations to own a home. In a 2008 ethnographic study conducted with Indigenous people in Western Australia (WA) researchers observed that:

“... among those who were purchasing their own homes or who hoped one day to do so, it was discovered that previous generations of the family had owned homes or farming properties and that the current generation of the family viewed home ownership as an achievable and necessary goal.”

Home buyers who are not familiar with the home buying process, including where there has been little or no generational or familial exposure to home ownership and home lending, are less likely to aspire to home ownership and may find it difficult to navigate the complexities of the lending process. These challenges may be exacerbated by educational barriers and more limited family financial support or assistance for the up front costs and requirements that home ownership frequently entails.

**What has been done so far to improve home ownership outcomes for Indigenous people in urban and regional Australia?**

A number of practical responses have been developed in both the public and private sectors to facilitate Indigenous home ownership in urban and regional areas, primarily focused on addressing the sorts of barriers outlined above. These Indigenous-specific home loan finance schemes operate through the Commonwealth or State Governments and target Indigenous people on low incomes who would generally not meet the eligibility criteria of mainstream home loan finance institutions.

Most of the programs provide assistance through reduced deposit requirements or reduced interest rates. Others provide intensive support to navigate the finance system for those unfamiliar with home lending.

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Some examples are outlined below.

1. The Home Ownership Program

The Australian Government’s Home Ownership Program (HOP) began in 1975 through the then Aboriginal Loans Commission and is currently administered by Indigenous Business Australia (IBA).

IBA is a Commonwealth Authority established to:

“…assist and enhance Aboriginal and Torres Strait Islander self-management and economic self-sufficiency and to advance the commercial and economic interests of Aboriginal persons and Torres Strait Islanders by accumulating and using a substantial capital asset for the benefit of the Aboriginal and Torres Strait Islander peoples.”

HOP has been running continuously since 1975 and is estimated to have provided home loans to 14,000 Indigenous individuals and families since that time.

Assistance provided under HOP is targeted to families who would otherwise be unable to obtain home loan finance, typically due to limited savings, lower incomes and, often, poor or variable credit histories.

HOP provides assistance in several key areas:

- the deposit required to secure a home loan under HOP is low compared with other lenders;
- a discounted interest rate is applied (varying according to personal circumstances);
- loan terms are longer than those normally offered; and
- no fees are charged for loan application or mortgage preparation.

Individual client management is also provided both prior to loan approval and with after loan care. IBA maintains close links to communities and local people and issues with loan repayments are handled quickly to guide the client through any difficulties. This is an important early response for those with potentially lower rates of financial literacy or familiarity with the lending process.

New lending under HOP is primarily self-funded through revenue received from loan repayments and the early payout of loans.

Information on the performance of HOP for the past two years is shown below and reveals a growing waiting list for loans under the program. Since 2007-08 HOP has assisted 822 Indigenous families into home ownership, 88% of whom were first home buyers. In November 2009 there was a waiting list of 1,427 prospective home buyers, with more than 460 of these in Queensland and more than 400 in NSW. The current average loan value is approximately $260,000.

2.2 Home Ownership Program

<table>
<thead>
<tr>
<th></th>
<th>2007-08</th>
<th>2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>New loans approved</td>
<td>474</td>
<td>348</td>
</tr>
<tr>
<td>Value of new loans</td>
<td>$113.9m</td>
<td>$86.8m</td>
</tr>
<tr>
<td>First home buyers</td>
<td>407</td>
<td>314</td>
</tr>
<tr>
<td>Waiting list</td>
<td>911</td>
<td>1,323</td>
</tr>
<tr>
<td>Average loan amount</td>
<td>$249,151</td>
<td>$258,210</td>
</tr>
</tbody>
</table>

Source: Indigenous Business Australia

In response to the high demand for the program, the Australian Government committed an additional $56 million of unutilised capital to HOP in the 2010-11 Budget to assist more Indigenous households into home ownership.

After about five to seven years, many borrowers transition from HOP to mainstream financial institutions. Of the 336 loans discharged in 2008-09, 157 applicants were refinanced by a mainstream lending organisation.

A recent evaluation of HOP found that for survey respondents:

“...there were important social benefits in dealing with IBA, which encompass such things as the flexibility and cultural appropriateness of the process, and the confidence and ease attributed to transactions when ‘dealing with my own (Indigenous) people.’”

HomeStart Nunga Loan

In March 2004, in response to low rates of Indigenous home ownership in South Australia (SA), the South Australian Government’s HomeStart Finance

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17 Aboriginal and Torres Strait Islander Act 2005 (Cth) s146.
18 Based on an internal analysis of 400 home loan approvals, IBA advises that more than 90% would have been unlikely to have been approved for one or more of these reasons.
20 HomeStart Finance is a statutory corporation established under the Housing and Urban Development (Administrative Arrangements) Act 1995 (SA). It was established in 1989 to facilitate home ownership in SA by providing finance, including on special terms, for low to moderate income earners and providing and managing home finance products to encourage home ownership.
organisation trialled a home loan product called the “Nunga Home Loan”, targeting Indigenous South Australians. It also conducted research into why Nunga customers (generally Indigenous people in southern SA) had previously been unsuccessful in gaining approval for existing home loan products and found that a lack of funds for a deposit, adverse credit history and a high level of consumer debt were the main barriers to home loan approval.

The Nunga Loan provides people of Aboriginal or Torres Strait Islander origin the chance to purchase established homes in SA by offering low interest terms and flexible repayment structures, accepting lower deposits (from 3%) and requiring no account keeping fees to administer the loan.

In the decade between 1996 and 2006 Indigenous home ownership in SA has increased from 30 % to 36 % according to Census data, the highest increase over that period of all the States in Australia. 413 Nunga Loans have been approved since the program’s inception, totalling over $50 million.

Aboriginal Home Ownership Scheme

In WA, the State Department of Housing, under its Keystart initiative, offers an Aboriginal Home Ownership Scheme, which is described on the Keystart website as designed to:

“…provide Aboriginal people with an opportunity to achieve home ownership and to establish a proud, secure base within the community for themselves and their family.”

The scheme includes low deposit loans, shared equity loans, advice, assessment of financial circumstances and ongoing support after the loan has been taken out. While originally directed at low income earners, higher income earners whose income level previously made them ineligible are now able to apply.

There are also a small number of Indigenous-specific schemes in the private sector which provide loans and/or financial information. Some examples are outlined below.

First Nations Australian Credit Union

The First Nations Australian Credit Union is the only national Indigenous-owned and operated financial institution to provide Indigenous-specific housing loans. It operates under the provisions of a traditional lending institution and provides Indigenous culturally-specific support products such as a Clan Account and the My Moola Indigenous Guide to Budgeting.

Financial Institutions

The Australian Bankers Association (ABA) and its member banks have developed an Indigenous Statement of Commitment that outlines how the retail banking industry can make a difference for Indigenous people and their communities. ABA member banks have in place a number of programs that focus on providing financial literacy training and financial inclusion programs to Indigenous communities, but do not currently offer home loans targeted specifically to Indigenous Australians.

Most of the major banks have developed Reconciliation Action Plans, which include commitments to improve the banking experience for Indigenous customers through support programs to increase the financial literacy of Indigenous Australians, which may lead to improved opportunities for home ownership over time.

For example, the Australia and New Zealand Banking Group (ANZ) in July 2007 published the Home Ownership and Indigenous Australians Discussion Paper. The objective of the paper was to:

“...provide a framework for a discussion between ANZ and interested stakeholders about what we may do to assist in improving the level of home ownership by Indigenous Australians.”

The paper suggested several options for consideration to promote home ownership among Indigenous people.

Other forms of assistance

A wide range of housing assistance is also available to both Indigenous and non-Indigenous people from governments. Examples include:

- first home owners assistance;
- first home saver accounts;
- stamp duty concessions and exemptions;
- direct lending for home purchase;
- shared equity schemes;
- tenant sales programs; and
- the Housing Affordability Fund to address the supply side of affordable housing.


Chapter 3: Indigenous Home Ownership In Remote Areas

Overview

Approximately 25% of Indigenous people live in remote and very remote areas of Australia. Home ownership levels – at 18% for Indigenous households – are very low in remote locations even when compared with the comparatively low rates found in the overall Indigenous population. Around 80% of Indigenous people in remote Australia rent their homes, a rate double that of non-Indigenous Australians. In very remote locations around 80% of Indigenous Australians who rent their home do so through a public authority or community housing group.

Of the people who live in remote Australia, around one quarter reside on community-title land, primarily in northern and central areas of Australia. While there are a number of different Indigenous community-title systems in operation across Australia, the typical features of each system are that:

- title to the land is vested in an entity such as an Indigenous trust or corporation;
- the entity holds the land on behalf of a group (eg Indigenous traditional owners); and
- the entity is generally not allowed to dispose of its interest in the land (ie, it cannot sell the land outright) and may otherwise deal with the land (eg, mortgage or lease the land) only with the consent of traditional owners.  

Challenges to home ownership in remote communities

Traditionally, individual home ownership has not been possible on community-title land. The restrictions involved with dealing with community-title land, particularly disposal and transfer restrictions, have meant that individuals are unable to own their home outright and cannot satisfy security requirements for lending organisations.

State and Territory Governments have not invested in surveying most remote Indigenous settlements, and individual plots or parcels generally do not exist. Frequently, communities have experienced little or no town planning, including the sort of preparatory survey work that is required to develop land subdivisions.

A large proportion of Indigenous people living in remote communities rent government-funded accommodation. In many cases they belong to families who have rented accommodation for some generations, often managed through local Indigenous housing organisations. Historically, in remote communities rents have been low (and well below public housing rates), rent collection patchy and individuals have not always been required to pay for repairs where they have contributed to damage of homes. Households have generally had little control over their housing, such as, for example, the basis on which new housing is allocated or the sort of house they are allocated. According to the Cape York Institute for Policy and Leadership:

23 State and Territory examples of such communal land systems include the Aboriginal Land Rights (Northern Territory) Act 1976 (Cth) for NT; the Aboriginal Affairs Planning Authority Act 1972 (WA); the Aboriginal Land Act 1991 (Qld); and the Aboriginal Land Rights Act 1983 (NSW).

24 ABS and AIHW p 31.
“There is now an inter-generational expectation within Indigenous communities that governments will provide, maintain, and in the end replace their housing. Like other forms of passive welfare over the past three decades, public housing in Indigenous communities has promoted dependency and passivity.”

To move from a situation in which the norm is that housing is provided and maintained by others requires a significant shift in mindset and the take-up of individual responsibility, including re-shaping the relationship of the individual to government services. A recent media article quoted a resident of the Ilpeye Ilpeye town camp in Alice Springs when asked how she would feel about owning a home:

“It’s a bit of a hard question because no-one’s ever asked us. I guess it’ll make (camp residents) feel secure, to own their own house. We’ve never owned our homes so we don’t really know. We’ve been renting for 20-odd years now.”

Added to this is the level of disadvantage that many Indigenous Australians experience in remote areas, including lower levels of educational attainment, employment and income. As we have seen in Chapter 1 these factors also have a downward effect on rates of home ownership.

What is being done?

The Australian Government has led a number of key reforms aimed at regularising housing arrangements in remote Australia and providing a stronger foundation and underpinning for home ownership opportunities and economic development.

For example, in late 2008 the Australian Government funded and agreed with States and the Northern Territory a National Partnership Agreement on Remote Indigenous Housing (NPA). The NPA provides $5.5 billion over 10 years to implement major reforms to the way in which public housing is delivered and managed in remote communities. This includes significant investment in the construction and refurbishment of houses to reduce overcrowding and housing shortage.

Under the National Partnership Agreement, the Commonwealth has required the states and the Northern Territory to implement standard tenancy management arrangements to establish clear responsibilities for both social housing providers and tenants that mirror those in place across Australia. Tenants are required to sign up to, and adhere to, normal tenancy agreements - an important lever to rebuild positive community values and behaviour. These reforms will also see tenants required to pay regular and standardised rent and meet care of property requirements. This is part of developing the personal responsibility and individual financial resilience and discipline that is also required to purchase and pay off a home.

The NPA requires the development and implementation of land tenure arrangements to protect housing assets and to facilitate the ongoing effective management of social housing, including tenancy management and appropriate repairs and maintenance over the life of the asset. At a minimum, this requires government to have access to and control of the land for 40 years.

Asset security is usually obtained either through freehold title or appropriate leasing arrangements. On Indigenous held land, utilising freehold title to secure assets is often not possible since Indigenous held lands cannot be sold hence the requirement for leases. The negotiation of leases for social housing also sets a pathway for negotiation of longer term leases over community-title land, to facilitate home ownership and economic development. Most mainstream financial institutions will require a long-term lease as security.

The requirement for secure land tenure also applies to town camps in or on the outskirts of established urban areas as much as to remote communities. For example in the 18 town camps in Alice Springs where Indigenous people have been living for years in appalling conditions the Australian Government has taken action to transform the camps and establish a regularised social housing system. This is laying the groundwork for residents to aspire to home ownership in the future as their surrounds begin to approximate the suburbs of Alice Springs.

In 2009 to assist the delivery of housing and essential services in Indigenous communities, the Australian Government introduced the Native Title Amendment Bill (No.2) 2009 into Parliament, comprising a new “future act” regime to facilitate the urgent construction of public housing and infrastructure on Indigenous land under the Native Title Act 1993. At the time of writing

26 Harvey, C. “New Door Opens”. Sunday Telegraph (Sydney) 28 February 2010 p45.
this paper, the bill had passed through the House of Representatives and is before the Senate.

While the Native Title Amendment Bill focuses on ensuring urgent construction of social housing, there is also a range of initiatives currently underway by Native Title holders and claimants to facilitate home ownership on claimed lands. For example, in January this year in Alice Springs, the Lhere Artepe Aboriginal Corporation, which represents the Native Title holders of Alice Springs, and the Housing Association reached agreement with the Australian Government for Commonwealth acquisition of land at Ilpeye Ilpeye town camp, changing the underlying tenure from a community-held lease to freehold with the clear objective of moving more readily towards individual home ownership. In WA, the Yawuru people in Broome successfully negotiated a Native Title Agreement with the WA Government which includes the transfer to the Native Title Holders of freehold land as well as community-title land to enable home ownership and economic development opportunities for the community into the future.

The Queensland and WA Governments are also reforming legislative and administrative arrangements in relation to Indigenous land within the State to provide greater opportunities for the timely provision of public housing in remote communities and to create better conditions for home ownership and economic development.

In WA the Aboriginal Housing Legislation Amendment Bill 2009, currently before the WA Legislative Council, will enable social housing assets on Indigenous-held reserve land to be securely managed by the State Housing Authority under Housing Management Agreements. Further reforms will be required to support Indigenous home ownership on Indigenous-held land. The WA Government has committed to review and reform tenure arrangements to facilitate this.

In 2008, the Queensland Government amended the Aboriginal Land Act 1991 and the Torres Strait Land Act 1991 to provide for leases of up to 99 years, which enable government and individuals to secure an interest in land in Indigenous Deed of Grant in Trust (DOGIT) areas.

The Queensland Government also established an Indigenous Land Trustee Support Unit in Cairns to provide advice and training to trustees who are responsible for granting leases and in 2009, the Remote Indigenous Land and Infrastructure Program Office to work with remote communities to facilitate leasing for land and infrastructure development. As a first step 40 year social housing leases have been secured or are committed in 11 communities.

While 40 year leases have been agreed for social housing, there is provision within these leases to enable portions of the 40 year lease to be surrendered, to allow trustees to grant individuals 99 year leases to secure finance for private home ownership purposes.

South Australia is currently reviewing tenure arrangements on Indigenous-held land to allow for fully transferable leasing which will support economic development and commercial opportunities including home ownership.

In NSW, tenure arrangements underpinning Indigenous-held lands support fully transferable leasing for home ownership purposes. However in the majority of cases, the residential properties on these lands are on a single communal title rather than individual residential allotments. As outlined in Chapter 2 the Australian Government and the NSW Aboriginal Land Council have each contributed $3 million to a partnership to increase home ownership opportunities for Indigenous people living on former reserves across NSW.

One of the single biggest reforms in remote Australia is the introduction of township leasing arrangements in the Northern Territory under the Aboriginal Land Rights (Northern Territory) Act 1976. Under that legislation, an Aboriginal land-holding body (which holds land on behalf of traditional owners) may execute a long-term head-lease to an approved Commonwealth or Northern Territory land-holding entity, which, in turn, can grant sub-leases of parcels of land under the head lease. This allows the land-holding entity to facilitate commercial and residential use of the land.

To date, township leases have been executed in respect of the Nguiu community on the Tiwi Islands for 99 years, and in respect of the Umbakumba, Angurugu and Milyakburra communities in the Groote Eylandt region for 80 years. These township leases are held by the Commonwealth through the statutory office of the Executive Director of Township Leasing.

These leasing arrangements enable and require land surveys to facilitate individual sub-leases and individual

property valuations, including for government and commercial property in the township to ensure appropriate payment of rents. In Nguiu, the Executive Director of Township Leasing determined valuations using a discounted nominal value methodology, which recognises factors such as socioeconomic conditions, the nascent nature of the market and comparison with similar remote communities.

As has been described by the Executive Director of Township Leasing, the next challenge under the township lease model is:

“To move each of the townships from a situation in which the community is almost totally reliant on Commonwealth and Northern Territory Government capital injections for economic development to one that more closely aligns to a market-based approach.”

Where appropriate tenure exists, such as in the case of township leases, financial support to assist potential home buyers in remote Australia may also be available.

IBA’s Home Ownership on Indigenous Land (HOIL) program assists Indigenous Australians living on Indigenous community-title land to purchase homes by providing access to housing finance, assistance with the home purchase and financial information and support. HOIL requires secure tenure to be in place over the property in order for financial support to be provided.

The HOIL loan package is targeted at assisting low income earners with repayment affordability. This consists of low interest rates, establishment grants, and co-payment grants over the first ten years of the loan, coupled with deposit assistance for matched savings and a good renter’s discount on the purchase price. Ongoing aftercare and monitoring of the loan repayments and advice and assistance to clients are also features of the program. The First Home Owners Grant is also available.

To date 15 HOIL loans have been issued for home purchase, all on the Tiwi Islands. Of these, 14 are in Nguiu, secured by the township lease, and most have been for the purchase and renovation of existing social housing dwellings with prices determined by the valuation methodology outlined earlier in this chapter.

Other issues and ideas

For most Australians investment in a home brings with it the possibility of capital appreciation over time. Even in residential property markets where the value of a dwelling is declining over time, this is generally more than compensated for by escalating land values.

However, in places where housing markets are limited or non-existent the possibility of “debt-traps” over a declining or static asset value must be considered if one key goal for home ownership is building wealth and economic independence. This may be countered by the opportunity for home owners to live rent and debt free once their mortgage is discharged, and holding an unencumbered asset that can be passed on to family members.

A robust housing market is a strong defence against possible debt traps and housing stress for Indigenous people. The effect of any limitations on the transferability of property to people from outside of the community may also need to be considered.

Community Land Trusts

Community land trusts have been suggested as another means by which Indigenous Australians on lower incomes can access the benefits of home ownership. The primary focus of community land trusts is to acquire, own and never sell, and steward land for particular community purposes, but not to own buildings on the land. In most discussions of the possible use of community lands trust for Indigenous communities, buildings are sold to an owner-occupier of a dwelling, with the relationship between them regulated through a lease. The lease gives the owner of the building exclusive use of the land on which the building sits (ie for renovations or improvements). The sale of a dwelling on community land trust land would adhere to conditions set by the trust and generally incorporate a formula-determined resale price which retains the subsidy that the owner received by not having to pay for the land. Any appreciation of the asset is then shared between the individual and the trust.

The advantage of this type of model is improved housing affordability, as the land price is effectively removed from the purchase price. It also provides an opportunity for the social responsibility of maintaining a home.


However the model also raises the possibility of individuals holding assets of declining value without the underlying benefit of ownership of the land, the value of which generally appreciates over time in residential markets. Some models of community land trusts limit sales to community members or selected outsiders thereby operating as closed markets. This reflects the desire of some Indigenous people to retain control over who may reside in their community.

**Housing affordability**

Given the relatively low incomes of Indigenous Australians in remote communities one of the key barriers to home ownership to be addressed is that of housing affordability. As the cost of construction in remote locations is considerably higher than for urban and regional areas, the cost of new housing for sale may be prohibitive high. One option is the provision of low-cost housing options, although it is important to ensure that building standards and reasonable levels of amenity are maintained.

Another barrier is the poor employment status of Indigenous people. If Indigenous Australians are to make the socioeconomic transition to home ownership in significant numbers greater rates of employment will be required. The Australian Government has committed to significant reform of employment services to ensure more Indigenous Australians have the skills needed to get and keep a job. This is key to making progress to meet the agreed COAG target to halve the employment gap between Indigenous and non-Indigenous Australians within a decade.\(^\text{30}\)

Making existing social housing assets available for sale to tenants may be a more affordable option in some communities than building new dwellings, and a number of jurisdictions have policies in place to provide for this. Experience to date in the HOIL program has seen the majority of loans directed to the purchase and renovation of existing social housing dwellings. The manner in which property in remote locations is valued is important, given that in many cases this will be the first time in which a value has been placed on these assets.

The additional costs of maintaining a home once purchased also need to be considered, especially where families have limited incomes.

As most remote community residents have received social housing at low rents for many years, for home ownership to be an option the cost of a mortgage needs to be seen as an incremental step from social housing rent levels. Social housing rents must be regularised to reflect the truer cost of the housing – a reform underway under the National Partnership Agreement on Remote Indigenous Housing.

Of course these issues do not apply only to community-title land. While many Indigenous people in remote Australia do reside on community-title land there are locations with high percentages of Indigenous residents on freehold title or lands held in trust by various organisations. The demographic profile of these Indigenous residents is similar to those on community-title land and some of these locations are in close proximity to community-title land.

Current IBA loan products offer a greater subsidy to applicants on community-title land under the Home Ownership on Indigenous Land Program (HOIL) than is available to Indigenous people under the Home Ownership Program (HOP), in recognition of the need to overcome greater barriers than typically exist on freehold land. To overcome this disparity, it may be appropriate to broaden HOIL to apply to some remote locations not on community-title land.

The Australian Government is committed to pursuing land tenure reforms for townships on Indigenous land that approximate ordinary freehold title to the greatest extent possible. This, combined with the provision of better coordinated services and legal and governance frameworks that regulate and support economic activity, is being developed in partnership with Indigenous communities under the National Partnership Agreement on Remote Service Delivery. These reforms will help build the opportunities and incentives for economic development that lay the foundations for vibrant community towns in remote Australia.

Chapter 4: Conclusion

The Council of Australian Governments (COAG) has committed to Closing the Gap on disadvantage between Indigenous and non-Indigenous people across many indicators of disadvantage. Reducing the disparity in education, employment and income between Indigenous people and non-Indigenous people should see home ownership rates increase for Indigenous Australians over time.

While Australia has high levels of home ownership, there are also many people renting accommodation, including as social housing tenants. Social housing is an important safety net, particularly for the most disadvantaged Australians for whom home ownership may be difficult to achieve. For Indigenous Australians, housing aspirations will differ across the community and will be impacted by economic and social circumstances.

The degree of disadvantage for Indigenous Australians is greatest in remote areas and is compounded by entrenched inter-generational welfare dependence. The majority of housing on communities has historically been provided and maintained by government and is regarded as the social norm rather than a safety net. Changes to support increased personal responsibility for housing, such as regular payment of rent, and economic independence are vital preconditions to increase home ownership rates in these locations.

The challenge for government is to enable opportunities for real choice for Indigenous people and to assist pathways to home ownership. This includes improving education about housing options and financial literacy to help with budgeting and saving.

Specific challenges are posed by the nature of community-title land and the limited or non-existent housing markets in remote locations. Nonetheless it is clear that Indigenous people in remote Australia do aspire to home ownership, particularly to provide security for themselves and future generations.

Land tenure reforms are making it possible for those individuals who want and are able to afford to own their own homes, while the regularisation of tenancy arrangements in remote Australia will help to establish the financial discipline and personal responsibility required to purchase and pay off a home.

Given the factors affecting Indigenous home ownership outlined throughout this paper, several key questions are critical to policy makers:

1. How can Government achieve the right balance between facilitating home ownership for Indigenous Australians as an economic opportunity and supporting home ownership as a means to help build individual and social responsibility?
   - For example, should Government directly influence through such things as subsidies or act primarily as an enabler through the provision of financial literacy support?

2. How might government and private sector lending institutions create better access for Indigenous Australians to adequate information, education and support to assist in navigating lending pathways to home ownership?

3. Security of tenure is essential to enable Indigenous people residing on community-title land to access mainstream lending to facilitate commercial and residential development.
   - Are there alternative models that provide this security and, if so, how would they operate?
   - What further actions by government, the private sector, and Indigenous communities need to be taken to progress these reforms?

4. In situations where existing social housing assets are sold to tenants, what is the best valuation methodology in new and emerging markets?