

Home loan scheme is hurting and not helping

David Killick

First-home buyers using a government-backed scheme are being charged higher interest rates and offered less flexibility with repayments than borrowers using similar schemes interstate.

Independent MLC for Nelson Meg Webb has called for a review of the MyHome shared equity housing loan program, saying it could be disadvantaging the struggling Tasmanians it was supposed to be helping into affordable home ownership.

"I am particularly concerned about the high interest rates charged for the MyHome loan product, and the apparent lack of repayment flexibility provided for scheme participants, in contrast to other local home loan products on offer," she said.

"When assessing the MyHome program against other jurisdictions' shared equity housing loan schemes, it is apparent low-income Tasmanians are not necessarily getting as good a deal as their interstate counterparts.

"When I undertook an initial online assessment of interstate shared equity housing schemes' interest rates, it didn't take long to see that at 6.86 per cent the Tasmanian MyHome program was nowhere near as competitive to other states such as NSW and Victoria, where some lenders were offering 5.99 per cent.

"In fact, the MyHome interest rate is not as competitive as other home loan products offered by the same finance provider, Bank of Us, many of



Independent MLC for Nelson Meg Webb.

which have considerably lower interest rates, such as the Flexi Discount Home Loan rate special of 5.99 per cent.

"Why is the program intended to assist low-income earners secure a home charging higher interest rates than its other non-shared equity loans?"

Ms Webb said there was a need for a review into the scheme, which also did not offer flexible payments.

"Tasmanian participants in the MyHome scheme appear to be locked into a monthly payment regime, unlike every other interstate shared equity scheme where clients can choose weekly, fortnightly or monthly options.

"Interstate schemes also encourage participants to make additional payments in advance should they wish to, unlike Tasmanian MyHome clients who are instead directed to having an offset account.

"This is despite all research, and common sense, saying there is demonstrable benefit and advantage for borrowers to

be able to pay more frequently, and in those times where they may have the funds available to do so."

Homes Tasmania did not address questions about the interest rate differentials and the inflexibility of repayment options in a statement in response to Ms Webb's claims.

"As with all lenders, Bank of Us is subject to and must comply with the regulations that govern responsible lending practices," Homes Tasmania said in a statement.

Bank of Us head of lending Phil Kitto said the bank was proud of its role in the scheme.

"We see MyHome filling an important gap for Tasmanians who are in a position to service a mortgage and satisfy lending criteria, and the shared equity program gives them a real leg up," he said.

"MyHome program loans are based on the Bank of Us FlexiChoice loan. There are no restrictions to repayments – customers can opt for monthly, fortnightly or weekly."