



Mr Chris Leptos AM  
C/o NHFIC Act Review Secretariat  
The Treasury  
Langton Crescent  
PARKES ACT 2600

*Via email: NHFICsecretariat@treasury.gov.au*

3/02/2021

Dear Mr Leptos AM

## **Review of the National Housing Finance and Investment Corporation Act 2018**

The Commonwealth Bank (CBA) welcomes the opportunity to contribute to the Review of the National Housing Finance and Investment Corporation Act 2018. This submission outlines CBA's views on some of matters covered in the Issues Paper.

### *Impact of NHFIC on the Community Housing Provider Sector*

In its role as a bond aggregator, the National Housing Finance and Investment Corporation (NHFIC) has successfully sourced 10 year funding in the medium term note markets for the community-housing sector. This is reflected in NHFIC's bond issuances receiving strong investor demand resulting in oversubscription, as well as accessing the amounts sought at competitive price points in the market. Given this, we anticipate future demand will remain strong, particularly with the Government's guarantee in place.

With NHFIC's ability to access debt capital markets, we consider that NHFIC has been able to play a positive role in providing secure, long-term and competitively priced finance for the community housing provider sector in Australia.

### *The role of NHFIC in housing supply*

We believe NHFIC has a positive role to play in large-scale social housing public-private partnership (PPP) projects by helping to address potential market gaps, such as covering first loss, providing longer tenure of funding as well as supporting equity participation. By covering some market gaps, NHFIC can provide unique value add and help amplify investment in social housing. Other government bodies play similar roles in their respective industries, such as Export Finance Australia and the support it provides to large export projects.

There continues to be a role for the finance sector in providing construction phase lending for new social housing stock being developed, as the finance sector has significant scale and experience in managing construction risk with existing robust specialist governance frameworks. However, medium term debt beyond seven years is not typically offered within the Australian banking industry, given the nature of local funding markets.

NHFIC therefore has an important role to play in the medium to longer term funding component of the social housing value chain. This will help to ensure social housing providers have access to more cost-effective, long term financing opportunities, including the refinancing of debt post the successful completion of construction.

In relation to the Government's guarantee of NHFIC liabilities, we consider that the Government's guarantee remains a strong credit characteristic for NHFIC's bond aggregator program. It is a major contributor to NHFIC's ability to attract investor demand and source competitive bond pricing, given the market confidence it provides.

#### *First Home Loan Deposit Scheme*

CBA was appointed, in 2019, to the panel of residential mortgage lenders able to offer guarantees under the Federal Government's First Home Loan Deposit Scheme (FHLDS). As Australia's largest home lender, we welcome the opportunity to help more Australians into their first home.

The FHLDS has been very effective in helping increase the purchase activity of first time buyers across the country and, since its commencement on 1 January 2020, we have seen strong market appetite for FHLDS places.

The expansion of the FHLDS, announced in the 2020/21 Federal Budget, is encouraging even more Australians to buy their first home, as we see continued strong demand for these new Scheme places as well. With the Scheme expansion focusing on new builds, it is also providing timely support for employment in the construction industry, as the Australian economy recovers from the coronavirus pandemic.

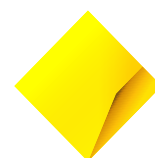
The strong demand for property by first home buyers is being driven by the FHLDS, with buyers also taking advantage of record low interest rates and other government schemes on offer, such as HomeBuilder and state-based first home owner grants. ABS lending statistics for December 2020 revealed the number of owner-occupier first home buyer loan commitments had risen by 56.6 per cent since December 2019 and was at its highest level since June 2009; while, the value of owner-occupier home loan commitments reached record highs.<sup>1</sup>

As one of only two major lenders to participate in the Scheme, we have helped more than 4,200 Australians purchase a home sooner than they otherwise would have.

We have had a positive experience working with NHFIC to implement and deliver the FHLDS. We will continue to work constructively with NHFIC to help deliver the Scheme and its objectives, and also deliver a positive customer experience for first home buyers.

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<sup>1</sup> ABS, *Lending Indicators*, December 2020.



Should you have any questions or require more information regarding the information provided, do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'ERobertson', with a long horizontal line extending to the right.

Euan Robertson  
General Manager Government, Industry & Sustainability

