



Defence Service Homes Amendment Act 1997

No. 183, 1997



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**An Act to amend the *Defence Service Homes Act
1918*, and for related purposes**

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Defence Service Homes Amendment Act 1997

No. 183, 1997

An Act to amend the *Defence Service Homes Act 1918*, and for related purposes

[Assented to 27 November 1997]

The Parliament of Australia enacts:

1 Short title

This Act may be cited as the *Defence Service Homes Amendment Act 1997*.

2 Commencement

This Act commences on the day on which it receives the Royal Assent.

3 Schedule(s)

Each Act that is specified in a Schedule to this Act is amended or repealed as set out in the applicable items in the Schedule

concerned, and any other item in a Schedule to this Act has effect according to its terms.

Schedule 1—Amendment of the Defence Service Homes Act 1918

1 After paragraph 17(3)(d)

Insert:

(da) contain a statement setting out the effect of section 35AA (which, in some situations, reduces the rate of interest payable on a subsidised advance); and

2 Section 33

Repeal the section, substitute:

33 Rate of interest on additional advances

The rate of interest that must be specified under paragraph 17(3)(d) in a certificate of entitlement in relation to an additional advance that a person may seek from the Bank is 6.85% per year.

3 Subsection 34(1)

After “per year”, insert “(disregarding section 35AA)”.

4 Paragraph 34(2)(a)

After “that applied”, insert “(disregarding section 35AA)”.

5 After subsection 34(2)

Insert:

(2A) For the purposes of this section, in determining the rate of interest that was payable in relation to a previous advance at any time before 5 January 1998, apply sections 35AB and 35AC as if the application of those sections were not limited to the calculation of interest for 5 January 1998 and later days.

6 Section 35

Omit “is 10%”, substitute “is 6.85%”.

7 After section 35

Insert:

35AA Interest rates reduced according to reduced Benchmark rate

- (1) If the rate of interest payable for a particular month on a subsidised advance, or on an amount owed to the Bank in relation to a specified portfolio asset, exceeds the reduced Benchmark rate, the rate payable for that month is reduced to the level of the reduced Benchmark rate.
- (2) The *reduced Benchmark rate* for the month is the Benchmark rate worked out for the month in accordance with subclause 11.10 of the agreement, rounded up or down to 2 decimal places (rounding 0.005% up), less 1.5 percentage points.
- (3) This section applies despite anything in any certificate of entitlement or in any subsidised advance contract or portfolio mortgage, portfolio contract of sale, portfolio supplementary agreement or other portfolio agreement.

35AB Reduction of certain single-tiered rates of interest

- (1) If:
 - (a) a person is the borrower in respect of a subsidised advance or an amount owed to the Bank in relation to a specified portfolio asset; and
 - (b) apart from this section, a single rate of interest would be payable on the whole of the balance of the advance or amount; and
 - (c) that rate exceeds 6.85% per year;the rate of interest payable on the balance is reduced to 6.85% per year.
- (2) This section applies despite anything in any certificate of entitlement or in any subsidised advance contract or portfolio mortgage, portfolio contract of sale, portfolio supplementary agreement or other portfolio agreement.
- (3) This section is subject to section 35AA (which will sometimes reduce the rate of interest payable to less than 6.85% per year).

35AC Replacement of multi-tiered rates of interest with single rate

- (1) If:

- (a) a person is the borrower in respect of a subsidised advance or an amount owed to the Bank in relation to a specified portfolio asset; and
- (b) apart from this section, 2 or more different rates of interest would be payable on different parts of the balance of the advance or amount;

the following single rate of interest is instead taken to be payable on the balance:

- (c) if the blended interest rate (see subsection (2)) for the advance or amount is less than 4.5% per year—3.75% per year;
 - (d) if the blended interest rate is less than 6.85% per year but not less than 4.5% per year—4.5% per year;
 - (e) in any other case—6.85% per year.
- (2) This is how to work out the **blended interest rate** for the advance or amount:

Method statement

Step 1. For each different rate of interest payable, multiply the rate by that part of the limit of the advance, or of the limit of the amount, on which the rate is payable, and total the results.

Note: However, if that limit is nil, see subsection (4).

Step 2. Divide the total by the limit of the advance or amount.

Step 3. Express the result as a percentage rate per year and round the rate up or down to 2 decimal places (rounding 0.005% up). This is the **blended interest rate** for the advance or amount (subject to Steps 4 and 5).

Step 4. If:

- (a) the result from Step 3 is less than 6.85% per year but not less than 6.67% per year; and

- (b) apart from this section, the different rates of interest payable on the different parts of the limit are 3.75% per year, 7.25% per year and 10% per year;

the **blended interest rate** is instead 6.85% per year.

Step 5. If:

- (a) the result from Step 3 is less than 4.5% per year but not less than 4.45% per year; and
- (b) apart from this section, the different rates of interest payable on the different parts of the limit are 3.75% per year and 7.25% per year;

the **blended interest rate** is instead 4.5% per year.

Note: Steps 4 and 5 are needed because the amortisation of the limit of the advance or amount over the term of the loan or contract can cause small temporary deviations from the average of the various rates of interest over the term. Steps 4 and 5 prevent these deviations from affecting the calculation of the blended interest rate.

- (3) This is an example of how to work out the **blended interest rate** for an advance or amount:

Example: Assume that the limit of an advance is \$4,000. Interest is payable at the rates of 3.75% per year on the first \$1,000, 7.25% per year on the next \$1,000 and 10% per year on the last \$2,000 of that limit.

The Step 1 calculations are:

$$\left(\$1,000 \times 3.75\% \right) + \left(\$1,000 \times 7.25\% \right) + \left(\$2,000 \times 10\% \right) = \$37.50 + \$72.50 + \$200 = \$310$$

Under Step 2, the \$310 is divided by the total limit of \$4,000, giving a result of 0.0775.

Under Step 3, that result is expressed as a percentage: 7.75% per year.

Step 4 does not apply, because the blended interest rate is too high. Step 5 does not apply, because the blended interest rate is too high and in any event because the rates of interest in question are not the ones specified in Step 5. Therefore, the **blended interest rate** for the advance is 7.75% per year.

- (4) For Steps 1 and 2 of the method statement in subsection (2), if the limit of the advance or amount at the time concerned is nil, then, instead of nil, use the amount of the limit from when the advance

was first made, or when the amount first became owing to the Bank.

- (5) This section applies despite anything in any certificate of entitlement or in any subsidised advance contract or portfolio mortgage, portfolio contract of sale, portfolio supplementary agreement or other portfolio agreement.
- (6) This section is subject to section 35AA (which will sometimes further reduce the rate of interest payable).
- (7) If this section would increase the total amount of interest payable on the balance of an advance or amount over the term of the advance or amount, then this section does not apply to that balance.

35AD Rates not altered for certain portfolio contracts of sale

Sections 35AA, 35AB and 35AC do not apply in relation to a portfolio contract of sale made as a result of the exercise of a power under section 36 of this Act as in force before the commencing day if, when the contract was made, the purchaser was not an eligible person within the meaning of this Act as then in force.

8 At the end of section 45

Add:

- (3) Subsection (1) does not apply to any agreement made between the Commonwealth and the Bank within 3 months after the day on which the *Defence Service Homes Amendment Act 1997* receives the Royal Assent that amends or otherwise affects the operation of clause 11 of the agreement.
- (4) An agreement made between the Commonwealth and the Bank within 3 months after the day on which that Act receives the Royal Assent that amends or otherwise affects the operation of the agreement may be expressed to apply, or to have applied, from 5 January 1998.

9 Schedule 2 (table entry relating to regulation 23)

Repeal the entry.

10 Application of amendments

- (1) The amendments made by items 1 to 6 apply to certificates of entitlement issued on or after 5 January 1998.
- (2) The amendments made by items 7 and 9 apply to interest payable on subsidised advances, or on amounts owed to the Bank in relation to specified portfolio assets, if the interest is calculated for 5 January 1998 or any later day.

*[Minister's second reading speech made in—
House of Representatives on 22 October 1997
Senate on 10 November 1997]*

(192/97)

