

## 7.9 Council's Loan Guarantor Scheme

**File Reference:** NA

### **Delivery Program**

**Goal:** 5. Organisational management

**Outcome:** 5.1 Corporate management

**Strategy:** 5.1.1 Financial Management and accountability systems

**Author:** General Manager

### **STAFF DISCLOSURE OF INTEREST** Nil

### **IN BRIEF/SUMMARY RECOMMENDATION**

This report recommends that the draft Loan Guarantor Policy be advertised for public comment.

### **TABLED ITEMS** Nil

### **BACKGROUND**

At the Council's 7<sup>th</sup> August 2024 Meeting the Council considered a request from resident to expand the current home loan guarantor scheme to business loans.

Following discussion the Council resolved:

**FURTHER that the staff arrange for the loan guarantee arrangement with the Regional Australia Bank to be expanded to include Business Loans subject to borrowers meeting the RAB's normal loan criteria other than a deposit shortfall.**

This was a significant departure from the scheme in operation and a complete re-evaluation was required in developing an appropriate draft policy, which is attached.

The current home loan scheme and a brief history is outline below.

Both the former Yallaroi and Bingara Shire Councils provided home loans to residents, effectively operating as a bank. This continued after the 2004 amalgamation until the Council decided that the local Credit Union was far better placed to carry out the due diligence required to assess the ability of the resident seeking a loan to be able to meet this financial burden.

The Council plays no role in the processing of loan applications, which includes selecting the successful applicants over other applicants.

The Council is approached by the Regional Australia Bank if it has an application from a resident which the bank believes is a suitable risk for the Council to act as guarantor securing the additional funds needed to satisfy the Bank's deposit requirements.

The scheme is available to all residents providing they are purchasing a dwelling within Gwydir Shire, and they can satisfy the requirements of the Regional Australia Bank. The home loan scheme only applies to house loans and not vacant land.

Under the current guarantor arrangement, the loan that the Council acts as guarantor for is paid back first, thus releasing those funds for new applicants. This is also a significant improvement on the previous mortgaged based loan scheme of the former pre-amalgamation Councils.

This loan program pre-amalgamation and more recently has never had any defaults.

Following on from the 7<sup>th</sup> August Council Meeting the staff commenced an investigation into the possibility of extending the Council's guarantor role to Commercial Loans through the Regional Australia Bank.

The RAB has advised that it would be difficult to extend the existing agreement in place to commercial loans because of so many variables being in place when assessing a commercial loan.

However, RAB has advised that it could assess these commercial loan applications on an individual basis and look at the percentage that Council would need to guarantee. This would include an individual assessment and Risk assessment carried out by the bank and making its recommendations on an individual basis and will require an individual agreement for each commercial loan.

This would make the commercial loan process fundamentally different to the existing home loan guarantor scheme, hence the need for a revised policy document.

## **COMMENT**

The Office of Local Government has shown interest in this issue and were advised of the process being followed and that the draft policy document would be placed on public exhibition prior to any final adoption.

## **OFFICER RECOMMENDATION**

**THAT Council resolve to exhibit the draft Loan Guarantor Policy for 28 days to seek public comment and that the draft Policy be adopted if no objection submissions are received or be brought back to Council for its consideration if any objections are received.**

## **ATTACHMENTS**

1. Draft Policy [7.9.1 - 5 pages]



Gwydir Shire Council  
**Loan Guarantor  
Policy**

DRAFT

File Reference: ##    Version 1:1  
Council                Pages 05  
Resolution:

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<b>Department</b>	Corporate Services
<b>Responsible Manager</b>	CFO
<b>Date Adopted</b>	or Approved under Delegation, General Manager
<b>File reference</b>	
<b>Version no</b>	1.1
<b>Next Review</b>	March 2028

## Revision record

Date	Version	Revision details	Officer	Next Review
14/03/2025	1.1	initial document	GJC	March 2028

## Objectives

The objective of this policy is to enhance economic growth and community stability within Gwydir Shire by providing financial support to residents and businesses who meet eligibility criteria. By acting as a guarantor, the Council aims to reduce financial barriers to home ownership and business investment, fostering long-term prosperity for the local community.

### 1. Purpose

This policy establishes the framework under which Gwydir Shire Council (the Council) may act as a loan guarantor for eligible residents and businesses within the Gwydir Shire Council area. The aim is to support home ownership and business development by facilitating access to financing through the Regional Australia Bank (RAB).

### 2. Scope

This policy applies to:

- Residents applying for a home loan through RAB who require assistance with a deposit.
- Businesses within Gwydir Shire Council seeking financial support through a business loan.

### 3. Loan Guarantor For Residential Properties

- 3.1. Eligible residents may apply for Council to act as a guarantor for a separate loan to cover the deposit required for purchasing a residential property within the Gwydir Shire Council area. Council has an agreement outlined with the Regional Australia Bank to provide this service.
- 3.2. The resident must first apply for a home loan through RAB and undergo their standard application process, including risk assessment and evaluation of the applicant's financial viability.
- 3.3. The deposit loan will be separate from the home loan and must be repaid first before the primary mortgage.
- 3.4. The application must be submitted to the General Manager for final approval before the guarantee is granted.
- 3.5. The Council reserves the right to decline applications based on financial risk or other relevant factors.

#### 4. Loan Guarantor For Business Loans

- 4.1. Businesses seeking financial assistance within the Gwydir Shire Council area may apply for Council to act as a guarantor for a business loan.
- 4.2. Each business loan application will be assessed on an individual basis.
- 4.3. RAB will determine the loan amount requiring a Council guarantee and conduct a financial viability assessment of the business and the client's ability to repay the loan.
- 4.4. The Council's decision to act as a guarantor will depend on RAB's assessment and the approval of the General Manager.
- 4.5. Council reserves the right to impose conditions on the guarantee, including repayment terms and risk mitigation measures.

#### 5. Application Process

- 5.1. Interested residents and businesses must submit a formal application, including all necessary financial documents, to RAB for initial assessment.
- 5.2. Once RAB has completed its risk assessment and determined the applicant's viability, the application will be forwarded to the Council for consideration.
- 5.3. The General Manager will review applications and make a final determination based on financial risk and benefit to the community.
- 5.4. Approved guarantees will be documented with formal agreements outlining repayment terms and conditions.

#### 6. Conditions And Limitations

- 6.1. Council will only act as a guarantor within its financial capacity and in accordance with regulatory requirements.
- 6.2. Guarantees will not be provided where there is a high risk of default, as determined by RAB's assessment.
- 6.3. The Council reserves the right to review and revoke guarantees if financial circumstances change significantly.
- 6.4. Applicants must provide evidence of their ability to meet repayment obligations.
- 6.5. Council will monitor repayments and ensure compliance with agreed terms.

## 7. Responsibilities

- 7.1. The General Manager is responsible for assessing and approving applications.
- 7.2. The Finance Department will monitor loan repayments and compliance with the agreed terms.
- 7.3. *Council will liaise with RAB to ensure a structured and risk-managed approach to loan guarantees.*

## 8. Policy Review

- 8.1. This policy will be reviewed periodically to ensure its effectiveness and alignment with Council's financial capacity and strategic objectives.
- 8.2. Amendments to this policy will be subject to approval by the Council.

## Related Documents

*Local Government Act 1993*

*Regional Australia Bank Agreement*