

Summary

The following submission provides feedback and comments on the strategy and options discussed in the Treasury discussion paper seeking different approaches for reducing reliance on high-cost, short-term, small amount lending.

In particular this submission looks at alternative means of assistance for Indigenous Australians whose level of financial exclusion is higher per capita than non-indigenous Australians.

Background

NAB and Centre of Social Impact recently released the second annual detailed measurement of the extent of financial exclusion in Australia.

The 'Measuring Financial Exclusion in Australia' report highlights that just under three million, or 17.2% of Australians, are now either fully or severely financially excluded from affordable and appropriate financial services.

Indigenous Australians are cited as some of the most vulnerable to financial exclusion and were over-represented in this category with 43.1% of Aboriginal or Torres Straight Islanders (ATSI) considered financially excluded.

This can be put down to numerous factors amongst which are more complex issues such as mainstream banking regulations, cultural differences and levels of financial literacy and also simple reason such as habits or beliefs that have been passed down among family members and friends.

Many ATSI cannot qualify for mainstream finance due to issues with their credit file. This may be a matter of defaults on previous loans or some cases may be demonstrated as a complete lack of a credit history due to the borrower never seeking a credit product in the past. ATSI can also find difficulty in proving income and in some examples identity and fixed location.

Some ATSI have an indoctrinated/ long term suspicion of a the systems and procedures that are run by western standards and cannot or do not want to be involved in practices that will mean they have to become a part of that system.

A further problem that we have personally witnessed is a lack of alternatives and the consequences that derive from a poor financial education and decision making.

This has been seen in the west of Sydney in the MtDruit/St Marys area which has one of the largest concentration of indigenous people in Australia. We have reports of community officers in the area



dealing with issues of chronic debt and finding that when the locals open their purse or wallet they invariably have a customer card from CASH STOP in there.

CASH STOP are one of the very visible and highly prominent exponents of payday lending Australia wide. They offer a convenient corner store alternative to a mainstream bank with an ability to refinance existing customers quickly and easily. This is proven to be attractive to many borrowers but what they probably don't realise is the fact that they are often paying interest rates of more than 300% p.a.

An education process to improve Financial Literacy is a much needed construct and will assist ATSI in better managing their current and, more importantly, future financial situation.

What we feel is equally as important is a fair and reasonable credit alternative to assist borrowers to move away from to predatory lenders and the debt cycle.

In May 2011 the Fair Loans Foundation [a Community Development Financial Institution (CDFI) that is participating in the FaHCSIA pilot] analysed borrower profiles and discovered that participation and access to their existing loan products for the indigenous community was limited.

As result Fair Loans and CCAB have joined together to create Fair Loans Muru (translation - Pathway) a product that will not only assist ATSI with their financial literacy and long term financial health but will ,even more critically, provide immediate assistance in the form of fair and immediate credit to get them out of their current financial bind.

Fair Loans Muru plans to follow many of the principles set up by CDFI's worldwide and, in particular, the model that has been successfully deployed by Fair Loans in Australia.

Fair Loans Muru bridges the gap between the main stream finance providers (Banks/Credit Unions) and the predatory pay day lenders, who until now have had free rein to target those in the community excluded from access to mainstream finance.

To improve access to financial services we now have an Indigenous Engagement officer working in the Mt Druitt/St Marys districts of Sydney's outer West offering a referral and education service.

To further improve access to financial services Fair Loans is opening a branch office in the Mount Druitt district in late June.

The Branch office will be the base of operations for the area Money Mentor and Indigenous Engagement officer. We will provide IT facilities and assistance for Indigenous community members and the wider community to access Fair Loans products and other financial services. Community members will be able submit their supporting documentation using the office facilities and be able to manage their existing financial commitments with assistance from the Money Mentor.

We have a long term goal to open Branch Offices that serve indigenous communities across Australia.



The Fair Loans Foundation has a strong relationship with Baptist Community Services (BCS) who are a NILS provider through Good Shepherd. Fair Loans has been providing funding for a Money Mentor who is managed by BCS Warilla.

Our aim is that many of these Branch offices will also house a BCS Food 4 Life facility.

BCS Food 4 Life provides vulnerable people experiencing disadvantage with access to nutritional food. Clients with a Government benefit card register with the BCS Food 4 Life program and in return receive grocery products of their choice. Clients contribute a small donation to assist with the ongoing provision of the service, which promotes a sense of ownership And Enhanced self-esteem for clients participating.

The BCS Food 4 Life program is about partnering with the local community to build relationships and empower people to make life-transforming choices, for themselves and for their families. All BCS Food 4 Life centres offer a safe and welcoming environment, and the opportunity to sit and chat with volunteers and friends while enjoying a cup of tea or coffee. Beyond providing much-needed food the service acts as a connection point, opening doors to other physical, emotional and spiritual support services.

The branches will be a true hub for the community and will act as the template for a national roll out over the next 5 years.

In addition to the above, Fair Loans Muru has already engaged the local community by funding an Aboriginal Education Grant at Werrington Public School.

Werrington Public School - Aboriginal Education Grant

Plan of Action - Funded by Fair Loans Muru

Target 1: To strengthen the engagement and connection of Aboriginal students, their community and the school community.

Funding: \$500.00

Strategy:

- School community to create an Aboriginal wall of art for unveiling during NAIDOC week's opening ceremony, 25th June, 2012.

Target 2: To improve the performance of Aboriginal students in literacy and NAPLAN

Funding: \$2000.00 (2012), \$4000.00 (2013), \$4000.00 (2014)

Strategies for 2012:

-Aboriginal Education Co-ordinator and Support Teacher Learning to identify ATSI students requiring learning support in reading.

-ATSI students to access a support program to increase reading levels, comprehension and sight word knowledge.



-2012 funding will enable Aboriginal Education Co-ordinator to implement a literacy support program for 3 hours per week for 12 weeks in Terms 3 and 4. Parents, carers and peers will be trained to be reading tutors to support the program.

-Students will be monitored and assessed throughout the program.

-Students reading levels and sight word knowledge will be assessed at the end of the 12 week program and reported on.

-Aboriginal Education Co-ordinator in liaison with Aboriginal Committee and Principal will prepare an updated strategic plan for the CEO and Board of Fair Loans Foundation for 2013- 2014 .