



Brotherhood of St Laurence
Working for an Australia free of poverty



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ANZ and Brotherhood of St Laurence team up to offer small loans for people on low-incomes

People on low-incomes struggling to access mainstream credit will be able to take out small loans to pay for essential items under an initiative announced today by ANZ and the Brotherhood of St Laurence.

The Progress Loans program will give low-income earners access to loans of between \$500 and \$3,000.

The Brotherhood of St Laurence has partnered with ANZ to pilot the program for six months. Three loans officers funded by ANZ and based at the Brotherhood's offices in Frankston and Fitzroy will guide each client through the loan application process.

ANZ commissioned Australia's first research into the issue of financial exclusion in 2004 which showed that many Australians struggle to access appropriate low-cost, fair and safe financial services from mainstream providers. Around six per cent of adults have minimal access to financial services.

In response to this research, ANZ has been working with community partners including the Brotherhood of St Laurence to improve financial inclusion in Australia. The Progress Loans program is the culmination of more than 18 months of consultation and development work to ensure that it meets the needs of people on low incomes.

Mr Tony Nicholson, Executive Director of the Brotherhood of St Laurence, said: "Many people on low incomes have traditionally been excluded from affordable mainstream financial services and have often had to rely on very expensive forms of credit or simply going without household items that most Australians take for granted.

"Families we work with survive without a fridge or a washing machine, using an esky to keep food cool and visiting the laundromat on a daily basis. Over the space of a year this adds up to more than the cost of a personal loan.

"With Progress Loans, we will be able to assist many of these families on low incomes to borrow money via the mainstream credit market in a way which is sustainable and protects them from exploitation.

"Our research and experience with small loans programs indicates that Progress Loans will help more people on low incomes build a base of assets, take more control of their financial circumstances and overcome poverty traps associated with financial exclusion."

ANZ Chief Executive Officer, Mr John McFarlane, said that as a financial institution, ANZ had a responsibility to work towards financial inclusion for everyone in the community.

"Progress Loans offers a mainstream product for people who would normally have been excluded either because their borrowing requirements are small or because they have difficulties in establishing a credit rating.

“Following our research, we have made a significant, long term commitment to improve levels of financial literacy and inclusion in Australia. We have also led the development of a number of other programs in addition to Progress Loans, to help build the financial knowledge, skills and confidence of people on low incomes.

“We recognise that while we can make a significant difference; we cannot do this alone. Bringing together ANZ’s resources and expertise in financial services and the knowledge and experience of organisations like the Brotherhood of St Laurence, will help to ensure that we are reaching the people in greatest need of financial assistance,” Mr McFarlane said.

The Brotherhood of St Laurence has made a substantial investment into personal loans for people on low incomes over the past few years, piloting programs with Bendigo Bank and Community Sector Banking.

“Our research and previous work in this area of financial services has informed the development of Progress Loans with ANZ, and highlighted the creditworthiness of people on low incomes with a default rate of only 0.9 per cent,” Cath Scarth, General Manager of Community Services at the Brotherhood, said.

“We also know that access to small loans can help to lift people out of poverty and assist them to have greater control of their lives.”

ANZ and the Brotherhood of St Laurence aim for the Progress Loans program to eventually become sustainable and meet its operating costs. Each loan has a low \$40 approval fee and an annual interest rate at 12.7 per cent, in line with interest rates for mainstream unsecured personal lending.

To be eligible for a Progress Loan, applicants must have a Health Care Card or Pension Card issued by Centrelink; have lived in the same residence for more than six months; and be up-to-date with current utility bills and rent.

Following the initial six-month pilot, the Progress Loans program will be reviewed by ANZ and the Brotherhood of St Laurence and extended to include additional community partners.

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