Chapter 11

Home ownership

11.1 Home ownership has long been the preferred tenure type of a majority of Australians. However, as the committee heard from a broad range of witnesses throughout the inquiry, with home prices growing well above the rate of incomes, the 'Australian dream' is drifting out of reach for a growing number of people. This is particularly the case for low-to-moderate income earners and younger people generally, with many struggling to build a deposit sufficient to secure a home in a rising market.

11.2 For the most part, witnesses told the committee that governments should set policies that encourage or even facilitate home ownership, not least because it has numerous financial and social benefits relative to other tenure types. However, the committee was cautioned by a number of housing policy experts and industry bodies that even well intentioned policies to encourage home ownership could be of limited use or counterproductive if they are poorly designed and directed. Many witnesses argued that demand-side measures, and in particular direct subsidies to homebuyers, often did nothing more than bring forward purchases that would have occurred anyway, rather than increase home ownership levels. Worse still, if direct subsidies are not adequately targeted, they may end up being capitalised into home prices, compounding the housing affordability problems they were ostensibly designed to address.

11.3 Despite the challenges of implementing policies to directly facilitate home ownership, the committee received promising evidence regarding the potential of several schemes, including shared equity and credit support schemes, currently in place in several Australian and foreign jurisdictions.

11.4 In this chapter, the committee considers the benefits of home ownership and the effect of housing affordability on home ownership trends in recent years. This chapter also analyses the merits or otherwise of various government policies and programs, both existing and potential, to help people who want to become home owners enter and remain in the market.

The benefits of home ownership

11.5 Australian governments have long recognised and indeed sought to encourage the general Australian preference for home ownership over other tenure types. The resulting policy approaches have varied, and indeed since the 1970s the

Commonwealth has shifted away from directly providing housing supply to encourage home ownership.[1] Still, as Mr Eslake wrote:

> Australian Governments of all political persuasions have long purported to attach a great deal of significance to goals such as promoting home ownership, improving housing affordability, and increasing housing supply.[2]

11.6 According to many witnesses, the Australian preference for home ownership over other tenure types is understandable, given the substantial financial and social benefits that can accrue from home ownership. For example, HomeStart Finance told the committee that promoting home ownership was sound policy for government given that ownership:

> …provides security of tenure and helps a family to build roots and connections within their community. Research shows that home ownership contributes to wellbeing, feelings of financial security, community pride and better educational and health outcomes for families.[3]

11.7 UDIA echoed these points in its submission, arguing that the Australian preference for home ownership, and the popular acceptance of access to affordable home ownership as a fundamental and desirable facet of modern Australian society, was well based. Home ownership, the UDIA argued:

> …offers greater security, financial self-sufficiency, enhanced social capital and a greater sense of connection to the community. Affordable housing and home ownership is essential to the health, wellbeing and ongoing sustainability of Australian communities.[4]

11.8 AHURI suggested that although it is becoming progressively harder for low-to-moderate income earners to purchase a home, home ownership still provides financial benefits to people on low incomes and those living in outer suburbs. It pointed to research suggesting that:

> …low–moderate purchasers buying in outer urban areas will have financial advantages compared to continuing to rent, which can be realised in some cases within four years of purchase.[5]

11.9 Noting that home ownership rates in Australia are among the highest in the world at 67.5 per cent in 2012 (although this is only slightly above the OECD average), the ABA explained that it believed:

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1 Mr Saul Eslake, *Submission 2*, pp. 2–3; Reform of the Federation White Paper, Issues Paper No. 2, *Roles and Responsibilities in Housing and Homelessness* (December 2014), p. 5.

2 Mr Saul Eslake, *Submission 2*, p. 2.

3 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 2.

4 Urban Development Institute of Australia, *Submission 190*, p. 4.

5 Australian Housing and Urban Research Institute, *Submission 93*, p. 5.

> …home ownership is an important part of achieving financial and social wellbeing and economic and social participation. Home ownership is an important financial goal and lifestyle aspiration for many Australians and an important mechanism for wealth accumulation.[6]

11.10 In light of the apparent benefits of home ownership, the ABA argued that 'policies which facilitate affordable and sustainable home ownership must remain at the centre of Australia's housing policy agenda.'[7] However, the ABA also noted that 'home ownership may not be suitable for all and housing policy should take account of alternative and complementary policies designed and implemented to ensure appropriate housing solutions for all'.[8]

11.11 While not taking a position on whether an objective of government policy should be to achieve home ownership for all who seek it, the Australia Institute noted the multiple benefits of home ownership relative to renting:

> Home ownership provides many benefits, both social and economic. In contrast to the rental market where leases may be terminated or not renewed, home ownership provides people with more secure tenure. This security has the associated benefits of creating a stable base for participation in work and education.
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> Home ownership also has large economic benefits and reduces housing costs in the long term. Unlike renting which has constant ongoing costs, housing costs are very low for home owners once mortgages have been paid off. This is a desirable situation for those who are entering retirement and have less earning potential. Homes are also an investment and provide people with an asset against which they can borrow. Home ownership gives people more purchasing power and many people re-mortgage their homes for upgrades, restorations or other purchases.[9]

11.12 Some submitters also noted that, for better or worse, the aged pension system in Australia was largely predicated on the assumption that people would own their own home by retirement (an issue addressed in chapter twelve). As National Shelter explained to the committee, this meant the decline in home ownership was cause for concern, at least to the extent that corresponding reforms to the rental sector were not implemented:

> We have a long-term intergenerational headache that is really starting to grow and grow. Australia's pension system is predicated on the basis that people retire owning a property; therefore, the pension is adequate to live if you have achieved home ownership. If you have not achieved home ownership, and this is increasingly the experience of many low-income households, then the private rental market is a brutal place if you are on a

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6 Australian Bankers' Association, *Submission 197*, p. 1–3.

7 Australian Bankers' Association, *Submission 197*, p. 9.

8 Australian Bankers' Association, *Submission 197*, p. 9.

9 The Australia Institute, *Submission 92*, p. 3.

> fixed income or even a pension, and a pension is probably the best of those income support payments that you can be on.[10]

11.13 While by no means suggesting the government should focus on home ownership at the expense of other tenure types, Uniting Communities noted that when ownership was accessible this relieved demand on the rental sector. Thus, while home ownership might not be within reach for everyone, policy measures that helped move people into ownership would nonetheless ease the pressure on the private rental market and thereby assist some of the most vulnerable households in rental accommodation.[11]

11.14 Similarly, Professor Yates advised that declining home ownership would likely translate into added pressures in other parts of the housing system:

> While a declining rate of home ownership might not be perceived as a negative in its own right, it will almost certainly place additional demand pressure on the private rental market, increase rents substantially and place additional pressure on the already overwhelmed social housing system.[12]

11.15 While most witnesses noted the advantages of home ownership, some suggested that the focus on home ownership by governments often occurred at the expense of attention to other tenure types, particularly rental housing. As Dr Emma Baker from the University of Adelaide's Centre for Housing, Urban and Regional Planning told the committee:

> I think in the past we have been myopic in just looking at home ownership, and I think renters of all variations are really important in terms of housing affordability.[13]

11.16 The CFRC took this point further, suggesting that declining rates of home ownership (as discussed in the next part of this chapter) were unlikely to be reversed by government policy. Rather than attempting to expand the size and significance of the first home buyer market, the CFRC argued, the government should instead focus on the policy and regulatory issues in the rental sector that were emerging due to declining home ownership rates.[14]

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10 Mr Adrian Pisarski, Executive Officer, National Shelter, *Proof Committee Hansard*, 10 September 2014, p. 33.

11 Mr Simon Schrapel, Chief Executive, Uniting Communities, *Proof Committee Hansard*, 28 July 2014, p. 32.

12 Honorary Associate Professor Judith Yates, University of Sydney, *Submission 53*, p. 3.

13 Dr Emma Baker, Deputy Director, Centre for Housing, Urban and Regional Planning, University of Adelaide , *Proof Committee Hansard*, 28 July 2014, p. 19.

14 City Futures Research Centre, UNSW, *Submission 152*, p. 8.

Home ownership trends in Australia

11.17 Overwhelmingly, the evidence received during this inquiry suggested that fewer Australians are becoming home owners, with the trend most evident in declining rates of first home buyers and younger age cohorts generally as a proportion of the home ownership market.

11.18 Appearing before the committee, the REIA referred to an 'exodus' of first home buyers from the housing market. It pointed to a number of indicators that fewer and fewer people were making the decision to purchase their first home:

> In May [2014] the number of first homebuyers as a proportion of the owner-occupied finance commitments was 12.6 per cent. This is actually a slight rise from the figure of 12.3 per cent for November 2013 and April 2014, where the level was at its lowest since the ABS started collecting data in July 1991. Among the many factors behind this appalling statistic is economic sentiment amongst potential first homebuyers. Market confidence among first homebuyers has fallen, with the General Homebuyer Confidence Index slipping to 82.3 in March 2014, driven by fears around unemployment. The figure is at its lowest since 2007 and is significantly lower than the March 2004 figure of 99.[15]

11.19 In its submission, the REIA observed that while financing approvals had increased as interest rates had declined, the proportion of first home buyers receiving housing finance was declining, with the increase largely due to investors and changeover buyers.[16]

11.20 The REIA further noted that the decline in first home buyers was, unsurprisingly, translating into lower home ownership levels overall:

> Over the five years to 2011, home ownership declined by 1.1 percentage points to 67.0% of occupied private dwellings. The drop was evident across all states and territories and was most pronounced in the 35 to 54 age group. In the decade to 2011, home ownership dropped by 4.5 percentage points for the 35 to 44 age group and by 5.5 percentage points for the 45 to 54 age group. The National Housing Supply Council, in its 2012-13 report, showed that it seemed certain that the rate of home ownership would drop further.[17]

11.21 Mr Eslake noted that the decline in home ownership rates had occurred in recent decades despite on-average lower mortgage interest rates:

> What is also noticeable about the last twenty years is that—despite mortgage interest rates having been substantially lower, on average, over this period (7.59% pa over the past 20 years, compared with 11.95% over

15 Ms Amanda Lynch, Chief Executive Officer, Real Estate Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 72.

16 Real Estate Institute of Australia, *Submission 88*, p. 3.

17 Real Estate Institute of Australia, *Submission 88*, p. 2.

> the preceding 20), and despite unprecedented expenditure on grants to first home buyers—the overall home ownership rate has actually declined by 5 percentage points, to 67% at the 2011 Census, its lowest figure since the 1954 Census…[18]

11.22 Declining home ownership rates, AHURI noted, were most pronounced for younger people. Whereas 61 per cent of 25 to 34 year olds and 75 per cent of 35 to 44 year olds were home owners in 1981, by 2011 these figures had fallen to 47 per cent and 64 per cent respectively.[19] Professor Yates also told the committee that the declining trend in home ownership could only be properly understood by assessing ownership trends by age group. She explained:

> Although the aggregate home ownership rate in Australia has remained relatively stable at around 70% for the past 50 or so years, this can be attributed primarily to the effect of the ageing of a population that gained access to home ownership before the structural factors outlined above [in Professor Yates' submission] limited first time home purchase to moderate to high income households (often two-earner households) or those willing or able to live in less accessible locations. Between 1981 and 2006, home ownership rates for households aged between 25 and 34 years old declined by 10 percentage points and by seven percentage points for those between 35 and 44 years old. ABS survey data from 2009–10 suggest this trend has continued with age-specific home ownership rates falling a further 5 percentage points for each of these key age groups since 2006.[20]

11.23 Referring to Professor Yates' research on the issue, Mr Eslake suggested that the decline in home ownership rates for younger people was due in part to changing preferences. These changing preferences included 'partnering and having children at older ages, and greater importance attached to proximity to employment or entertainment venues'. Nonetheless, Mr Eslake maintained that declining housing affordability was 'undoubtedly' a more important driver of the trend away from home ownership for younger age groups.[21]

11.24 Similarly, Uniting Voice suggested that the main reason the rate of young home owners had declined was declining affordability:

> Taking as an example a qualified childcare worker who earns the modern award rate of pay, Census data from the past decade…reveals that the cost of an average first home mortgage repayment has increased from approximately 44% to 61% of the workers' wage. It is no surprise that 15 per cent fewer 25 to 44 year olds are purchasing houses today compared to twenty years ago.[22]

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18 Mr Saul Eslake, *Submission 2*, pp. 6–7.

19 Australian Housing and Urban Research Institute, *Submission 93*, p. ii.

20 Honorary Associate Professor Judith Yates, University of Sydney, *Submission 53*, p. 2.

21 Mr Saul Eslake, *Submission 2*, pp. 6–7.

22 United Voice, *Submission 169*, p. 5.

First Home Owner Grants (FHOGs)

11.25 First home owner grants (FHOGs) are a demand-side direct subsidy intended to encourage home ownership. FHOGs, in one form or another, are a long established mechanism by which governments provide direct assistance to first home buyers.[23] Currently, each state and territory in Australia provides FHOGs, although the terms and conditions attached to the grants vary from jurisdiction to jurisdiction (see Figure 11.1). In most jurisdictions, FHOGs now include value caps (that is, they cannot be used for homes over a certain value) and are generally restricted to new housing, although in Western Australia a reduced grant is still available for established homes ($3000, instead of the $10,000 for new housing). The efficacy of FHOGs in improving housing affordability was a key concern for many witnesses in this inquiry.

11.26 The CFRC contended that demand-side subsidies to facilitate home ownership, if poorly designed, were inequitable, ineffective and inefficient:

- inequitable, to the extent they were utilised by higher income earners rather than lower income earners who remained in the rental market;
- ineffective, inasmuch as they only brought forward purchases that probably would have occurred anyway; and
- inefficient, in the sense they compounded price pressures, exposing vulnerable households to repayment stress and heightening macroeconomic risks.[24]

11.27 Mr Eslake was also highly critical of FHOGs. He suggested that despite some $22.5 billion (in 2011-12 dollars) being provided under various first home buyer schemes between 1964 and 2011, such grants had failed to improve housing affordability for first home buyers. In fact, Mr Eslake noted, home ownership rates had never increased above 70 per cent since peaking at 72 per cent in 1961. He argued that it was:

> …hard to think of any government policy that has been pursued for so long, in the face of such incontrovertible evidence that it doesn't work, than the policy of giving cash to first home buyers in the belief that doing so will promote home ownership.[25]

11.28 Indeed, Mr Eslake argued, rather than improving affordability for first home buyers, first home owner cash grants actually served to:

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23 For background on FHOGs in Australia, see Australian Housing and Urban Research Institute, *Submission 93*, p. 2

24 City Futures Research Centre, UNSW, *Submission 152*, p. 4.

25 Mr Saul Eslake, *Submission 2*, p. 7. Mr Eslake's findings were endorsed by the Australia Institute. The Australia Institute, *Submission 92*, p. 8.

> …exacerbate the already substantial imbalance between the underlying demand for housing and the supply of it.
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> In those circumstances, cash handouts for first home buyers have simply added to upward pressure on housing prices, enriching vendors (and making those who already [own] housing feel richer) whilst doing precisely nothing to assist young people (or anybody else) into home ownership. For that reason, I often think that these grants should be called 'Existing Home Vendors' Grants'—because that's where the money ends up—rather than First Home Owners' Grants.[26]

11.29 Despite this criticism, Mr Eslake welcomed the fact that in recent years every state and territory had either abolished or substantially reduced grants to first home buyers purchasing existing dwellings. He added:

> I have no doubt that some of the increased grants to first time buyers of new homes will end up boosting developers' or builders' profits: but I accept that at least some of it will induce a supply side response to any resulting increase in demand for new homes, while considerably fewer taxpayers' dollars will be wasted inflating the prices of existing homes.[27]

11.30 Other submitters also provided evidence suggesting that FHOGs should not be available for existing housing stock. Noting that FHOGs had been introduced in 2001 to offset the impact of GST on new houses for first home buyers, JELD-WEN argued that the 'chronic' mismatch between housing demand and supply indicated that:

> …demand-side grants and subsidies for the purchase of existing housing, such as the First Home Owners Grant (FHOG) should be eschewed.[28]

11.31 JELD-WEN continued that because the FHOG (as introduced in 2001) had been made available for established as well as new homes—despite established homes not incurring GST—more purchase activity had shifted from new housing to established housing. This, according to JELD-WEN, demonstrated that:

> …demand-side subsidies to reduce deposit gaps can be self-defeating if subsidies become capitalised into house prices, particularly in supply-constrained markets.[29]

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26 Mr Saul Eslake, *Submission 2*, p. 9.

27 Mr Saul Eslake, *Submission 2*, p. 9.

28 JELD-WEN Australia, *Submission 54*, p. 4.

29 JELD-WEN Australia, *Submission 54*, p. 4.

Table 11.1: Summary of First Home Owner Grants by jurisdiction

Jurisdiction	**Arrangements**
NSW	From 1 July 2014, the value cap for the $15,000 FHOG for new homes was lifted to $750,000. The grant reduces to $10,000 from 1 January 2016. The grant is available to Australian citizens and permanent residents and is subject to a six month principal place of residence requirement.
VIC	Since 1 July 2013, first home buyers of new homes have been entitled to a $10,000 grant on purchases valued up to $750,000.
QLD	Since 12 September 2012, a $15,000 grant has been available for the purchase of eligible new homes valued up to $750,000.
WA	Since 25 September 2013, a $10,000 grant has been available for the purchase or construction of a new home. A grant of $3,000 is available for the purchase of an established home. The grant is capped up to the value of $750,000 for homes below the 26th parallel or $1,000,000 above the 26th parallel.
SA	On 15 October 2012, the FHOG was increased to $15,000 for purchases of eligible new homes. At that point the FHOG for eligible established homes was reduced to $5,000, and abolished on 1 July 2014. From 17 September 2010, a property value cap of $575,000 applies for properties otherwise eligible for the FHOG.
TAS	In addition to the $7,000 FHOG, a First Home Builder Boost of up to $8,000 was available to eligible first home buyers who entered into a contract to purchase or build a new dwelling in the period 1 January 2013 to 30 June 2014. A further boost of $23,000 was available to first home buyers who built or bought a new home in the period 1 July 2014 to 31 December 2014. From 1 January 2015 to 30 June 2015, the total assistance available to eligible first home buyers is $20,000 and from 1 July 2015 onwards, eligible first home buyers will receive total assistance of $10,000. The FHOG for first home buyers of established homes ceased on 30 June 2014.
NT	From 13 May 2014, the FHOG was increased to $26,000 for new homes, and the value cap was removed for new homes. The first home owner grant for established homes ceased on 1 January 2015.
ACT	From 1 September 2013, FHOGs are only available on the purchase of a new or substantially renovated property. A grant of $12,500 per eligible application is available, with a property cap of $750,000.

Source: The Treasury (NSW), *Interstate Comparison of Taxes 2014-15*, Research and Information Paper (November 2014), pp. 17-18.

11.32 According to AHURI, the fact that FHOGs are not subject to means testing means that in effect they tend to be utilised by first homebuyers who would have entered the market eventually anyway.[30] The Equality Rights Alliance also argued

30 Australian Housing and Urban Research Institute, *Submission 93*, p. 4.

that FHOGs would be more effective if they were better targeted through means testing, rather than through value caps. It noted that the 2004 Productivity Commission report on first home owners had found that the lack of targeting of FHOGs resulted in the bulk of assistance going to 'families who might otherwise have purchased a house before too long, even without assistance'.[31] NT Shelter also recommended means testing FHOGs for the same reason.[32]

11.33 A number of submitters recommending abolishing FHOGs and redirecting the funding to more effective and efficient housing affordability measures. The Victorian Public Tenants Union suggested FHOGs should be abolished and replaced with 'significant stamp duty discounts and/or other incentives to attract first time new home purchasers'.[33] Tamworth City Council, meanwhile, suggested that direct subsidies to first home buyers should be reconsidered, with the funding perhaps better spent by being reinvested 'back into affordable housing schemes'.[34] In a joint submission, a group of housing researchers from Swinburne University of Technology argued that FHOGs should be scrapped, with the savings rolled into the NAHA and used to expand home equity programs such as Western Australia's Keystart Home Loan program (which is discussed further below).[35]

11.34 Not all witnesses were critical of FHOGs, and some questioned whether it was appropriate or necessary to limit the availability of such grants to new housing. Asked for its view on how FHOGs impacted on the housing market, HomeStart Finance (a South Australian Government-created financial institution that, as noted later in this chapter, provides finance for affordable home ownership) conceded that such grants probably did inflate house prices. However, HomeStart also considered FHOGs a useful contribution to the equity first homebuyers could use to move into home ownership. HomeStart further noted that it had not seen any evidence that the recent removal of the $5000 first home buyer's grant for established houses in South Australia had led to a commensurate fall in home prices.[36]

11.35 The REIA argued in support of FHOGs generally and their availability for established homes specifically. That availability, REIA argued, was an important short term means of encouraging first homebuyers into the market until longer term supply side issues were addressed.[37]

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31 Productivity Commission, *First Home Ownership*, Australian Government, Canberra, 2004, as cited in Equality Rights Alliance, *Submission 95*, p. 5.

32 NT Shelter, *Submission 118*, p. 4.

33 The Victorian Public Tenants Association, *Submission 40*, p. 4.

34 Tamworth Regional Council, *Submission 12*, p. 2.

35 Institute for Social Research, Swinburne University of Technology, *Submission 86*, p. 9.

36 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 4.

37 Ms Amanda Lynch, Chief Executive Officer, Real Estate Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 72.

11.36 In addition to noting that only a small proportion of first home buyers purchased new homes (18.6 per cent in 2011-12), the REIA also suggested that even when first home buyers purchased established dwellings, there was a positive supply effect:

> Another dynamic of the housing market is that sales of established homes to first home buyers in many cases lead to purchases of new housing by the sellers. In these cases the multiplier and employment effects are probably greater than where a first home buyer purchases a new house. Furthermore first home buyers of established homes usually embark on a program of home improvement and renovation providing a stimulus to the building sector.[38]

11.37 The REIA conceded that econometric work showed that *at times* FHOGs could lead to price increases. However, it noted that this effect depended on 'the sort of elasticity of the supply curves and the response of the supply to increased demand from these schemes.' It suggested that by and large FHOGs had helped first home buyers rather than inflating prices. It further observed that prices had continued to rise in Sydney since the withdrawal of FHOGs for existing housing.[39]

11.38 Home Loan Experts also argued in favour of first home owner grants, suggesting they were effective in helping new buyers, and in particular young buyers, into home ownership as well as driving new construction.[40]

First Home Saver Accounts

11.39 The now-defunct First Home Saver Account (FHSA) scheme was introduced in 2008 to help prospective home owners save for a deposit. FHSAs were provided by ordinary financial institutions, and account holders received a 17 per cent contribution from the government on the first $5,000 they deposited in each year that contributions were made. Certain conditions needed to be met before the money could be accessed, including that the account needed to be open for at least four years. If a FHSA account holder built or bought a home before four years had passed, the account would become inactive, and the funds could be paid against the account holder's mortgage after the four year qualifying period was reached. Account monies could also be rolled into superannuation at any time. As of June 2014, there were 49,400 FHSAs, containing $616.8 million.[41]

11.40 In the 2014–15 Budget, the government announced the abolition of the FHSA scheme.

38 Real Estate Institute of Australia, *Submission 88*, p. 5.

39 Mr Jock Kreitals, Manager, Policy, Real Estate Institute of Australia, *Proof Committee Hansard*, 30 July 2014, pp. 75–76.

40 Home Loan Experts, *Submission 5*, p. 1.

41 Figures from APRA, First Home Saver Accounts, http://www.apra.gov.au/crossindustry/FHSA/Pages/default.aspx.

11.41 In a submission made prior to the abolition of the FHSA scheme, the ABA explained that the complexity of FHSAs, and the restrictions placed on them, meant that many banks had decided not to offer them and would-be home buyers had not taken them up in great numbers. As such, the ABA had recommended removing the four-year qualifying rule to 'make these products simpler and more customer focused'.[42]

11.42 Speaking after the abolition was announced, the REIA made a similar point, telling the committee that the FHSA scheme had been 'unnecessarily complex', and the four-year qualifying rule had meant take-up rates were relatively low. Nonetheless, the REIA suggested that the 'concept was good but some of the details needed revisiting'.[43]

11.43 The Customer Owned Banking Association, in a submission made prior to the abolition of the scheme, informed the committee that its members viewed FHSAs as 'vital in encouraging and supporting' first home buyers. It suggested, however, that the restrictions that applied to the scheme should be significantly revised.[44]

Access to superannuation for a home deposit

11.44 Several witnesses argued that there might be merit in allowing first home buyers to access their superannuation to build a home deposit.

11.45 HomeStart Finance, for instance, suggested that most people would aspire to have two assets by the time they retired: superannuation, sufficient to finance a comfortable retirement; and a home that they owned.[45] On the basis that a home constitutes a form of retirement wealth, HomeStart Finance argued that it might be worth considering a scheme that allowed would-be homebuyers to access part of their superannuation to enter the home ownership market. Specifically, HomeStart referred to a Canadian scheme which allows first-home buyers to access up to $25,000 of their superannuation, which in turn they would need to repay to their superannuation account over a period of no more than 15 years.

> [I]n looking wider than Australia and endeavouring to find a solution to the key issue of raising a deposit, we do believe there is merit in considering the Canadian Home Buyers' Plan, which allows Canadian first-home buyers to have access to a capped portion of their retirement plan or superannuation to assist [in the] purchase [of] a house.[46]

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42 Australian Bankers' Association, *Submission 197*, p. 12.

43 Mr Jock Kreitals, Manager, Policy, Real Estate Institute of Australia, *Proof Committee Hansard*, 30 July 2014, p. 73.

44 Customer Owned Banking Association, *Submission 146*, pp. 3–4.

45 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 5.

46 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 2; HomeStart Finance, *Submission 72*, pp. 17–18.

11.46 The REIA was supportive of the idea of allowing first homebuyers to access their superannuation to purchase a home, and argued that such schemes have 'proven to be successful in Canada, New Zealand and Singapore'.[47] Like HomeStart Finance, the REIA argued that superannuation and home ownership:

> …are both components of a retiree's 'nest egg' and not competing products. By buying earlier in life retirees have every prospect of having a higher equity on retirement and a larger 'nest egg' on downsizing.
>
> Furthermore, access to superannuation for the purchase of a first home by helping reverse the trend of falling home ownership, addresses the looming large policy problem of large numbers of long-term renters aged 45 years and over remaining in the rental sector and possibly requiring rental support in later years.[48]

11.47 Asked about the possibility of allowing people to access their superannuation to purchase a home, Mr Simon Schrapel from Uniting Communities told the committee that any moves that brought 'additional capital into the market would help, and superannuation is certainly one form [of capital]':

> If it can be freed up—with certain controls, obviously, so that people still have a retirement income upon their retirement—and it can be used more productively during their working years, when they need housing, then I think it is worthwhile pursuing.[49]

11.48 The Victorian Public Tenants Association argued that one of the main barriers to home ownership for many people was their inability to build a deposit. It argued:

> Allowing access to one's own superannuation investment would help address this particularly where the ongoing mortgage repayment is affordable and replaces the rent being paid. The other benefits of such an arrangement include freeing up some additional rental stock—lessening the competition for affordable rental properties and providing a greater stimulus to the economy via increased building and related services.[50]

11.49 In contrast, ASFA argued against allowing an early release of superannuation savings for the purpose of acquiring property, suggesting that for the superannuation system to be effective 'any payments made from it should be in the form of income in retirement' (except in the event of death, disability or extreme financial hardship). In addition to suggesting the early release of superannuation would undermine the compounding effect on the value of savings, it could also be argued that any early

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47 Real Estate Institute of Australia, *Submission 88*, pp. 5–6; Ms Amanda Lynch, Chief Executive Officer, Real Estate Institute of Australia, *Proof Committee Hansard*, 30 July 2014, pp. 72–73.

48 Real Estate Institute of Australia, *Submission 88*, pp. 5–6.

49 Mr Simon Schrapel, Chief Executive, Uniting Communities, *Proof Committee Hansard*, 28 July 2014, p. 32.

50 The Victorian Public Tenants Association, *Submission 40*, p. 2.

release 'would only serve to further inflate house prices and make housing less affordable than it is at present'.[51]

Shared equity schemes

11.50 Shared equity schemes were raised by numerous witnesses as a promising means of helping people on low and moderate incomes purchase a home. In shared equity arrangements, 'the consumer shares the capital cost of purchasing a home with an equity partner in return for a share of any home price appreciation that occurs'.[52] Shared equity schemes are often government-administered or supported, although in Australia a number of unsubsidised, private sector-led shared equity products also exist. As an AHURI research paper explained, shared equity arrangements can have certain advantages over conventional mortgage arrangements for low to moderate homebuyers, including enhancing affordability by reducing both deposit requirements and ongoing housing costs.[53]

11.51 Western Australia's Keystart Shared Ownership Home Loan Scheme was one existing shared equity scheme commended by several witnesses. Keystart is designed to assist low to moderate income earners purchase a share in a home. The Western Australian Department of Housing co-owns the property up to a 40 per cent share depending on the buyer's income and household size. Later, when the buyer can afford it, they may be able to purchase all or part of the Department of Housing's share in the property and become an outright owner.[54] As the Department of Housing explained to the committee, Keystart began in 1989, and is funded through state debt, with its profits returned to the Department. (Keystart has been profitable for 24 of its 25 years of operation, having only made a loss in 1999.) Keystart operates as a low-deposit scheme, and is only available to people under a certain income threshold. It is not, however, a low-interest scheme, and rates are set to an average of the rates of the big four banks.[55]

11.52 The Department of Housing told the committee that Keystart had proven 'a wonderful success story'. In addition to helping more than 85,000 Western Australians

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51 The Association of Superannuation Funds of Australia, *Submission 130*, p. 7.

52 Simon Pinnegar, Hazel Easthope, Bill Randolph, Peter Williams and Judith Yates, *AHURI Final Report No. 137*, 'Innovative financing for homeownership: the potential for shared equity initiatives in Australia' (August 2009), pp. 1–2.

53 Pinnegar et al., 'Innovative financing for homeownership', pp. 1–2.

54 See http://www.keystart.com.au/home-loans/shared.

55 Mr Grahame John Searle, Director-General, Department of Housing, *Proof Committee Hansard*, 11 November 2014, pp. 4–5.

become home owners over a period of 25 years[56], Keystart borrowers had lower than average rates of arrears. The Department explained the likely reasons for this:

> Keystart has got really robust and solid processes coming in for education of mortgagors, understanding their personal debt limits; understanding their saving programs; working really hard to support those tenants so that as they transitioned into homeownership they knew what they were getting themselves in for; and then a rigorous follow-up program as soon as people looked like they were in trouble to make sure they respond appropriately. We think some of this is because these people know this is their only chance. This is the one chance they are going to get and, if they do not grab this with both hands and make the most of it, they are not going to get a second chance. We think that is reflected in their mortgage repayments.[57]

11.53 The Department of Housing explained that its SharedStart loans—one of the loans offered under Keystart—was in part directed toward helping would-be home owners provide a deposit:

> One of the big market problems—not at the bottom quartile, but it will get a lot of people out of rental—is the issue of deposits. The difference between rent and mortgage payments is not huge. It is relatively small. But the problem is, with a median house price at $450,000, who can save $45,000 for a deposit? Even on good incomes, who can save that money in a short period of time? One of the really interesting things to come out of our review of Shared Start by PricewaterhouseCoopers and AHURI was their estimate that it got people into home ownership 11 years earlier. That is a huge period of time.[58]

11.54 The ACT Government noted that its own shared equity scheme for public housing tenants was helping facilitate 'successful transitions into home ownership' while releasing 'valuable public housing resources for allocation to people in greatest need'.[59] The ACT Government also referred to its Land Rent Scheme as a 'prime example' of its innovative housing affordability programs:

> The scheme, which has proven extremely popular, reduces the entry costs for moderate income households to enter the home buyer market by allowing purchasers to initially rent a block of land from the Government, rather than purchasing it outright when building their home.[60]

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56 This is noted on http://www.keystart.com.au/about-us/about-us. The Department of Housing told the committee that over 25 years 57,545 loans had been issued. Ms Tania Loosley-Smith, General Manager, Strategy and Policy, Department of Housing, *Proof Committee Hansard*, 11 November 2014, p. 5.

57 Mr Grahame John Searle, Director-General, Department of Housing, *Proof Committee Hansard*, 11 November 2014, p. 5.

58 Mr Grahame John Searle, Director-General, Department of Housing, *Proof Committee Hansard*, 11 November 2014, p. 8.

59 ACT Government, *Submission 162*, p. 1.

60 ACT Government, *Submission 162*, p. 1.

11.55 Housing Tasmania explained to the committee that most states and territories already offered shared equity schemes in one form or another, especially for public housing tenants. It noted:

> Housing Tasmania has two homeownership assistance programs, HomeShare and Streets Ahead. HomeShare was introduced by the Tasmanian Government in December 2008 to assist Tasmanians on low to moderate incomes with home ownership. It supports first home ownership and stimulates new housing constructions. The program allows a home buyer to purchase an existing home owned by the Director of Housing or newly constructed homes. Under HomeShare, the Director retains approximately 25 per cent equity share in the purchase property or a maximum contribution of up to $50,000 towards the purchase price. By sharing the costs of purchase, households are able to buy properties which otherwise would be unaffordable.
>
> Streets Ahead provides financial assistance up to $7,000 and other support to households on low and moderate incomes to become homeowners. The additional support includes independent financial council, free independent building report and advice on property valuation information. An Essential Maintenance Package is also available to Streets Ahead purchasers to provide financial assistance worth up to $2,000 for major maintenance items such as hot water cylinders.[61]

11.56 A number of witnesses spoke in support of shared equity schemes such as Keystart. For instance, Mr Eslake called for:

> …expanding or replicating programs like Western Australia's 'Keystart' scheme which assist eligible people to become home owners on a 'shared equity' basis, with eligibility being subject to a means test, and which creates a 'revolving fund' as the 'shared equity' is returned to the State Government upon sale.[62]

11.57 More broadly, AHURI told the committee that state government-operated shared equity schemes had been effective in facilitating home ownership for people on low incomes. AHURI pointed to research demonstrating that shared equity schemes were more effective than FHOGs at helping low-income earners to become home owners. AHURI noted that the success of shared schemes was likely contingent on certain design features, including allowing shared equity owners to 'step up' their equity over time to become outright owners:

> Such schemes are predicted to increase (in the short run) the share of home ownership taken up by lower income households by 8.8 percentage points. However, capping the proportion of equity taken by the limited partner significantly reduces the number of tenant income units predicted to enter shared equity home ownership arrangements. Reluctance by financial

61 Housing Tasmania, *Submission 217*, pp. 3–4.

62 Mr Saul Eslake, *Submission 2*, p. 15.

> institutions to purchase high equity shares would severely limit the short-term effectiveness of a shared equity scheme.[63]

11.58 AHURI also noted that while most government housing policies are not tied to new supply, shared equity schemes could be designed to promote new housing stock. For instance, SharedStart loans in Western Australia are 'explicitly linked to new build thereby promoting increased supply'.[64]

11.59 Some witnesses suggested that shared equity schemes were a potentially useful means by which vulnerable groups with particular housing needs might be assisted into home ownership. For instance, Carers Victoria recommended that the Commonwealth government give careful consideration to:

> …the scaling up of mixed equity schemes. Planning and analysis…is likely to show that there is a significant population of people with a disability (and their families) who have a small source of capital. This may be sufficient to exclude them from access to social housing but be insufficient to allow them to purchase a home, given that incomes of people with a disability are often low. There may be significant cost-benefits for the government in providing assistance in the form of equity to allow home purchase.[65]

11.60 The committee also heard that some commercial banks and financial institutions were offering shared equity products in cooperation with social housing providers and government agencies. The ABA informed the committee that shared equity loans offered by the some banks 'allow borrowers to secure higher finance for a purchase, but share the increase in value when the property is sold or refinanced.'[66]

11.61 Rismark told the committee that in 2007, in conjunction with Bendigo and Adelaide Bank, it had launched the Equity Finance Mortgage (EFM). EFMs, Rismark explained:

> …provide households a means of financing homeownership without regular interest and debt servicing payments in return for sharing a minority portion of the capital gains in their home. The EFM provides finance for 20% of the value of a home. When it is repaid at maturity, or any earlier time at the borrower's election without penalty, the borrower must repay the initial principal borrowed plus 40% of the appreciation in the property during the term of the EFM.
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> From the home owner's perspective, they obtain 100% of the benefit of living in the home (otherwise known as imputed rental income) and 60% of

63 Australian Housing and Urban Research Institute, *Submission 93*, pp. 3–4.

64 Australian Housing and Urban Research Institute, *Submission 93*, pp. 8–9.

65 Carers Victoria, *Submission 110*, p. 6.

66 Australian Bankers' Association, *Submission 197*, pp. 10, 16.

> the appreciation in the home, while the EFM funder receives zero rent, but, 40% of the appreciation.[67]

11.62 Some witnesses noted that shared equity schemes had also proven successful overseas. In its submission, the REIA referred to a shared equity scheme in the United Kingdom for first home buyers:

> The UK also has an equity scheme for first time buyers, although directed at new dwellings valued to £600,000. Buyers need a 5% deposit. The government then contributes 20% interest free for five years with the remaining 75% being a conventional mortgage. After five years the 'equity loan' attracts a fee of 1.75% of the loans value, which is adjusted each year to the CPI. The 20% loan has to be paid back when you sell.[68]

Financing support, including HomeStart Finance

11.63 The committee also considered financing support options for low to moderate income home buyers, including support provided by South Australia's HomeStart Finance. HomeStart is a South Australian statutory corporation which provides home loans to low and moderate income earners, including finance on concessional or special terms. Approximately half of HomeStart's loans are made to first home buyers, many of whom are not in full-time work or receive Centrelink benefits.[69] While HomeStart issues loans to customers who would not typically meet the income or deposit requirements of mainstream lenders, it maintains that its loans are not 'low doc' or 'subprime'; rather, it has strict credit and documentation criteria. Importantly, while the arrears rate for HomeStart mortgages sits above that of mainstream prime mortgages, HomeStart noted that this rate is 'materially better' than that experienced by subprime lenders.[70] Mr John Oliver, HomeStart's Chief Executive Officer, told the committee:

> We provide finance to people who can afford the loan, have good credit history and have shown over the years they are willing to make sacrifices to ensure they attain homeownership rather than rely on private, public or social rental housing. To emphasise this point, over our 25 years we have lent more than $6 billion for housing. Our loan losses are less than $30 million—quite an outstanding achievement if you reflect on the fact that our customer base was initially not good enough for a bank loan.[71]

11.64 HomeStart advised the committee that since its creation in 1989 by the South Australian Government, it has helped 64,000 households become home owners, and

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67 Rismark International, *Submission 64*, p. 4.

68 Real Estate Institute of Australia, *Submission 88*, p. 8.

69 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 7.

70 HomeStart Finance, *Submission 72*, pp. 1–13.

71 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 2.

HomeStart estimates that 80 per cent of those households would not have been able to access finance from a mainstream lender. HomeStart has a current loan portfolio of $1.9 billion (as of 2014), and has returned a profit in every year of its operation.[72]

11.65 HomeStart Finance explained to the committee that it helped homebuyers overcome up-front costs and enhance their borrowing power, with the ultimate aim of transitioning customers to mainstream financial institutions once they had sufficient equity in their home. It further explained that it did not compete with the private sector, which would not provide housing finance for the niche market it operated in. HomeStart told the committee:

> There is little discussion about the actual financing options available that contribute to homeownership because of an apparent belief that the private sector—that is, mainstream financial institutions—provide the answer to that issue. We do not believe that is always the case. There exists a group of people who do not fit the bank criteria but who are creditworthy, capable of homeownership and deserve a hand up rather than just a handout—and there exists our niche.[73]

11.66 Asked why there was not a niche private market for the product that HomeStart provided, given the low default rates and the fact that HomeStart avoided taking on too high a risk profile, HomeStart explained that it offered high LVR loans without charging mortgage insurance, something private lenders would not do:

> We play at the pointy end of the lending margins. A lot of the lending we do is at the upper end of the loan-to-valuation scale. We are here for people who have low deposits but who are creditworthy. With most banks and other financial institutions if you need to borrow more than 80 per cent you have to pay lenders mortgage insurance. That is a significant cost. … If you go through a bank, on a $300,000 loan the lenders mortgage insurance is something like $8,000 to $10,000. We self-insure. We have a loan protection charge and that caps out for us at $2,500. So on that particular transaction the cost to the borrower, depending on their loan to valuation ratio, is probably around $1,500.[74]

11.67 HomeStart explained that whereas most banks will allow borrowers to only go to a 95 per cent LVR (with mortgage insurance), HomeStart would lend up to 97 per cent LVR for some borrowers—for instance, graduates and people with certain trade qualifications.[75]

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72 HomeStart Finance, *Submission 72*, p. 1.

73 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 1–2.

74 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 3.

75 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 3.

11.68 HomeStart Finance argued that it would be relatively simple and inexpensive to replicate HomeStart in other jurisdictions. Mr Oliver told the committee:

> You simply need some capital and then you obviously have to have the systems, the processes and the infrastructure behind that. We basically run HomeStart as a stand-alone financial institution. I liken us to the credit union type philosophy, if you like. We have 95 people. We self-insure. We run our own technology. Our loan products are quite different from the way banks normally look at loan products—for example, the way they calculate repayments and the way they work through interest rate cycles. It is eminently replicable, and we have 25 years that say and show that it can be done. It does not take hundreds and hundreds of millions of dollars, and you are not necessarily putting the state to any degree of unsustainable financial risk.[76]

11.69 HomeStart conceded that the difficult history of state-owned financial institutions perhaps made other states reluctant to set up HomeStart-type schemes. However, Mr Oliver argued that this reluctance was not well grounded:

> I was in New South Wales when HomeFund failed and cost the state government there something like $800 million. We do tend to run under a little bit of the shadow here of the failure of the State Bank of South Australia. That said, the state bank here did not lose one single, solitary cent on home mortgages; it lost it all on commercial lending. We only lend for mortgages. There certainly seems to be a view within bureaucrat world, for want of another way of saying it, that governments should not own financial institutions. I think we prove that they can and that they can be very, very successful.[77]

11.70 The HomeStart model received support from a number of witnesses. These included researchers from the University of Adelaide's Centre for Housing, Urban and Regional Planning, who told the committee that research they had undertaken had found that 'HomeStart has a very positive impact on the wellbeing of the recipients of their mortgages'.[78] The Victorian Public Tenants Association suggested that other state governments should replicate the HomeStart scheme.[79]

11.71 Some witnesses also referred to international approaches to credit support that might be worth considering in Australia. For example, WALGA referred to the 'Local Lend a Hand' mortgage scheme launched in the UK by one the main banks, Lloyds TSB:

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76 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 7.

77 Mr John Oliver, Chief Executive Officer, HomeStart Finance, *Proof Committee Hansard*, 28 July 2014, p. 7.

78 Professor Andrew Beer, Director, Centre for Housing, Urban and Regional Planning, University of Adelaide, *Proof Committee Hansard*, 28 July 2014, p. 10.

79 The Victorian Public Tenants Association, *Submission 40*, p. 3.

> Local Governments work in partnership with the bank to help 'first buyers' borrow with a lower deposit than is usually needed. In summary, the Local Government acts as a guarantor whilst earning interest on their investment, an arrangement benefiting both parties. To date 53 schemes have been launched with 47 Local Governments helping more than 1,100 first-time buyers get on the property ladder, kick starting local property chains. Three quarters of councils say the scheme has a demonstrable impact on local areas.[80]

Indigenous home ownership

11.72 Indigenous home ownership participation is currently 37.4 per cent, well below the average for other Australian households of 69.6 per cent. Indigenous Business Australia (IBA)[81] detailed systemic barriers to home ownership faced by Aboriginal and Torres Strait Islander people in its submission. These barriers are both financial and non-financial, general (that is, experienced by non-Indigenous people) and unique to Aboriginal and Torres Strait Island people.[82]

11.73 Barriers to Indigenous home ownership also differ substantially from region to region, and community to community. As the ABA pointed out in its submission:

> For Indigenous peoples living in very remote and remote locations, home ownership will necessarily require greater support through Indigenous-targeted strategies and public housing programs. For Indigenous peoples living in regional areas, home ownership will likely involve support promoting the engaged and informed participation of Indigenous peoples in the mainstream property market as well as promoting the capacity of Indigenous peoples to develop a real property market on Indigenous lands. For Indigenous peoples in urban areas and major cities, home ownership will likely involve support through Indigenous-targeted and non-targeted strategies and initiatives aimed at housing affordability.[83]

11.74 There are currently a range of government and government-supported programs aimed at addressing the barriers to affordability for Aboriginal and Torres Strait Islander home buyers. In addition to the Commonwealth's Indigenous Home Ownership Program, which is administered by the IBA and provides concessional loans and case management support to clients who do not qualify for bank finance,[84] there are also:

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80 Western Australian Local Government Association, *Submission 37*, p. 13.

81 IBA is an Australian Government statutory authority created to assist and enhance the economic and development opportunities of Aboriginal and Torres Strait Islander people. It operates economic development programs spanning home ownership, business development and larger scale investments. Indigenous Business Australia, *Submission 203*, p. 9.

82 For detail on these barriers, see Indigenous Business Australia, *Submission 203*, pp. 11–16.

83 Australian Bankers' Association, *Submission 197*, p. 19.

84 For detail, see Indigenous Business Australia, *Submission 203*, pp. 20–29.

> …a range of State and Territory government targeted programs that assist Aboriginal and Torres Strait Islander home buyers, such as stamp duty exemptions or discounts, shared equity schemes, concessional interest loans, and public housing tenant sales schemes. Additionally, there are specific strategies in place in some jurisdictions to address the particularly complex barriers to home ownership on Indigenous land and discrete Indigenous communities.[85]

11.75 IBA noted that FHOGs and stamp duty concessions have been particularly important in helping a large number of Indigenous Australians move into home ownership. IBA expressed concern that:

> …decisions by some jurisdictions since 2011 to change their First Home Owners Grants and stamp duty concession schemes, especially by reducing or abolishing the grant for the purchase of existing homes, has had a significant adverse impact on the ability of Indigenous Australian to obtain finance from commercial lenders and/or IBA.[86]

11.76 With regard to recent moves by some jurisdictions to restrict the use of FHOGs to the construction of new dwellings, IBA expressed its concern that this was:

> …impacting on home ownership opportunities for a significant segment of potential Indigenous home owners by excluding the option of purchasing existing properties with a minimal deposit. There will be a particular disadvantage to potential Indigenous home owners seeking to purchase a home in rural and remote areas that have high construction costs and limited access to suitable land.[87]

11.77 Given Indigenous people make up a relatively small proportion of the overall population (3 per cent), with potential homebuyers in this segment smaller still, IBA suggested that this direct assistance 'would not have the inflationary and other distortionary effects on the housing market as has been argued in relation to the general application of concessions and subsidies'. Conversely, to the extent fewer Aboriginal and Torres Strait Islander people are able to access finance from the IBA or the banks, IBA argued, this would impose:

> …a significant opportunity cost in terms of the economic and social benefits that would have accrued through increased rates of Indigenous home ownership. In the long term, this cost is compounded by the intergenerational effect—including retarding wealth accumulation and retirement savings.[88]

11.78 IBA recommended that all jurisdictions:

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85 Indigenous Business Australia, *Submission 203*, pp. 4–5.

86 Indigenous Business Australia, *Submission 203*, p. 5.

87 Indigenous Business Australia, *Submission 203*, p. 31.

88 Indigenous Business Australia, *Submission 203*, pp. 5–6.

> …target application of the First Home Owners Grants and stamp duty relief to low to medium income Indigenous Australians regardless of whether they are purchasing an existing or new home. This will facilitate more Indigenous Australians being able to access home loans from mainstream financial institutions, in addition to those who may qualify for IBA assistance.[89]

11.79 IBA also addressed the need to improve pathways from social housing to home ownership for Aboriginal and Torres Strait Islander people, recommending that states and territories:

> …strengthen the focus on support mechanisms that facilitate transfer of social housing into private ownership. Moreover, IBA encourages closer collaboration between state and territory government programs and loan providers, including IBA, to strengthen the pathway between social housing rental and home ownership.[90]

11.80 For its part, the ABA outlined a wide range of measures that the Australian Government might implement to assist Indigenous people who wish to become home owners. Such measures, ABA wrote, might include financial supports, such as subsidies, security guarantees, concessional loans and loan support schemes, shared equity schemes, and so on. The ABA noted that the government could also assist Indigenous home buyers with financial literacy, counselling and mentoring services, and the like.[91]

11.81 The ABA also suggested that banks themselves should review their product offerings with a view to providing products that both meet Indigenous peoples' needs and the banks' commercial interests and legal responsibilities. It recommended that:

> …given the complexity of the factors surrounding Indigenous home ownership and social and financial inclusion, the Federal Government should task the Indigenous Advisory Council to develop policies on home ownership and housing options for Indigenous Australians, and more broadly strategies to address rental and housing affordability for Indigenous Australians across regions.[92]

Committee view

11.82 While governments should devote their attention to improving affordability outcomes for all types of housing tenure, the committee considers that it is appropriate for governments to promote home ownership. The committee agrees with the point made by a number of submitters that home ownership can be an important means for

89 Indigenous Business Australia, *Submission 203*, p. 6.

90 Indigenous Business Australia, *Submission 203*, p. 6.

91 Australian Bankers' Association, *Submission 197*, p. 20.

92 Australian Bankers' Association, *Submission 197*, p. 20.

people to achieve financial and social wellbeing, and that high rates of home ownership also provide broader economic and social benefits to the community.

11.83 The committee notes recommendations from some witnesses that first home buyers should be allowed to draw on or borrow from their superannuation balances to contribute to a home deposit. While recognising the positive intent underlying such proposals, the committee believes providing first home buyers with access to their superannuation would significantly add to demand-side pressures, with the extra money available to first home buyers ultimately capitalised into higher housing prices. Moreover, such moves would leave Australian workers with less money at retirement, and more broadly compromise the integrity of Australia's retirement savings system.

11.84 The committee believes that the government should, however, give consideration to other schemes that may help would-be first home buyers build a deposit or otherwise access finance (with the important caveat that such schemes should not facilitate access to debt that home buyers cannot service). In particular, the committee believes that shared equity schemes are a particularly promising mechanism for helping low to moderate income earners purchase their first home, and notes the success of government-backed schemes such as HomeStart in South Australia and Keystart in Western Australia in responding to purchase affordability constraints. The committee also welcomes the emergence of private-sector shared equity products, and believes such products have the potential to become an important means in helping more Australians own their home. The committee also notes that specialised shared equity schemes may help specific groups of people, such as Indigenous Australians, become home owners.

11.85 The committee is less convinced that first home buyer grants are an equitable, efficient or effective means of assisting first home buyers. To the extent that states continue with such schemes, the committee believes they should be subject to value caps and limited to new housing stock (as many now are). Exceptions to the new housing stock requirement might be appropriately applied for certain groups of home buyers where there is a compelling policy case to do so, such as for Aboriginal and Torres Strait Islander home buyers in rural and remote areas where new housing stock is prohibitively expensive. The committee further believes that the positive effect of first home owner grants would likely be enhanced if they were better targeted through the use of appropriate means testing.

Recommendation 14

11.86 The committee recommends that, to the extent state and territory governments maintain first home buyer grants, they apply appropriate value caps and limit their availability to new housing stock (with appropriate exceptions for certain groups of buyers), and consider introducing means testing to ensure that the grants are appropriately targeted.

Recommendation 15

11.87 The committee recommends that the Australian Government consider introducing a scheme designed to assist first home buyers save for a home deposit, drawing as appropriate on the experiences of the First Home Save Account scheme.

Recommendation 16

11.88 The committee recommends that all governments, through the proposed ministerial council on housing and homelessness (see recommendation 2) or another appropriate intergovernmental forum, investigate ways to expand shared equity programs, including both government-backed and private-sector backed programs. The committee further recommends that, as part of this process, consideration be given to other mechanisms to facilitate affordable home ownership, such as community land trusts, rent to buy schemes, and the like, and consider the inclusion of such mechanisms within the national affordable housing plan proposed at recommendation 4, or the National Affordable Housing Agreement.