

Senate Economics Legislation Committee

Dear Senators

National Housing Finance and Investment Corporation (NHFIC) Amendment Bill 2019 [Provisions]

The Community Housing Industry Association (CHIA) thanks you for the opportunity to present at the public inquiry held on Friday 27 September.

I took two questions on notice and have provided additional information below. Due to the tight deadline, the information I have been able to assemble is less than I would have wished and rather hastily put together.

I hope it is useful and please contact me if you wish to follow up or clarify any points.

Evidence of the Outcomes for Lower Income Households entering Home Ownership

Generally, it is fair to say that the guarantee scheme might work best for many lower income households (particularly in metro areas) if it was combined with other initiatives generally because a 5% deposit may be difficult to save for on a full price apartment.

Shared home ownership is one obvious example which could if supported bring homeownership forwards for a group not well served by the market. This would be feasible, I assume, as long as the definition of homeownership adopted for the guarantee scheme allowed for part ownership of the dwelling with a community housing provider. This is worth making explicit as in NSW the first home owner grant wasn't originally available to households purchasing a shared equity product.

In Australia there have been a number of initiatives to encourage shared home ownership, other than the state government schemes such as Key Start. I think it is fair to say that all these schemes have faced hurdles (legislative, financial - it is form of subsidised housing after all, and from lenders unfamiliar with the model and thus wary of providing mortgages) and has thus not broken through. Rather than supporting a particular business model CHIA has put forward a proposal to NHFIC that there is merit in convening a roundtable to examine the options and the conditions that would enable this tenure to be successful.

I also spoke to Indigenous Business Australia who offer home loans with low deposit requirements for the mainly lower income households they work with. Deposits are frequently as low as \$1,500 – see table below. They report that they have good sustainment outcomes. Given that they report demand far exceeds supply (capped I believe at circa 150 p month while applications exceed 600) there may also be scope for liaison between IBA and NHFIC (and indeed Aboriginal community housing providers) to explore whether the guarantee scheme can assist with some of this additional demand.



Minimum deposit required for first home buyers^	
Total gross income	Minimum deposit amount
Up to \$73,593	\$1,500
\$73,594–\$121,212	\$3,000
\$121,213–\$142,857	3% of purchase price
More than \$142,858	5% of purchase price

What proportion of lower income households living in community housing might sustain a home ownership

In the short time available I have been unable to collate robust data and clearly the numbers who could be helped will depend on the geographical area in which the community housing provider (CHP) operates – this impacting house prices, the extent to which they provide affordable as opposed to social housing and also whether shared home ownership is on offer.

One NSW CHP is preparing analysis of the potential capacity of its tenants to transition to home ownership. They currently estimate around 5% across both its social and affordable housing portfolio might 'qualify'. Some tenants would transition over a longer period than others, requiring mentoring / support to save or to rise up the income scale. The CHP is aiming to make the analysis available to inform the design of the guarantee scheme should this be considered useful. Another large national CHP similarly estimated that circa 5% might benefit from the guarantee scheme with some targeted assistance. Most of these tenants are living in areas such as regional Victoria and SA where house prices are moderate.

A NSW CHP that has actively investigated shared home ownership undertook research in one relatively prosperous regional town and believe 50% of their tenants could conceivably afford a shared equity product - accepting not all could purchase a 50/50 share. The guarantee scheme could assist these households by overcoming the deposit barrier.

CHPs with a larger affordable housing portfolio have identified greater numbers that might access homeownership. In 2018 the University of Queensland undertook a survey of National Affordable Housing Consortium (NAHC) NRAS Tenants across Australia but mainly in QLD and reported that 15% envisaged they would enter home ownership upon exit from NRAS whilst 27% aspired to home ownership within 5 years. [Housing Pathways of NRAS Tenants 2018]. The latter group might well benefit from targeted access to guarantees.

Another affordable housing provider operating in metro Sydney where prices are higher noted 12% (24 households) were moderate income households (in NSW for non NRAS affordable housing the eligibility is based on the 2019/20 ministerial guidelines which has a range for moderate incomes of \$77,100-\$115,700) and possibly able to hold down a mortgage.

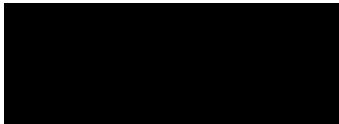


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In higher priced Sydney and Melbourne house prices in most locations will exclude lower income households both because a 5% deposit will be a substantial amount to accumulate and mortgage repayments above a reasonable proportion of income. One NSW CHP undertook market research in 2016 to assess the viability of a shared homeownership scheme targeted at households with joint incomes between the ministerial guidelines noted above and found that many could conceivably afford (and were interested in) shared homeownership. Depending on income and dwelling size the households could generally afford a 25% or 50% share. It is worth highlighting that these households face few affordable housing options and many do not have recourse to parental assistance.

I hope this information is of use.

Yours sincerely,



Wendy Hayhurst
CEO

