



National Affordable Housing Consortium

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FAO: Senate Economics Legislation Committee

Dear Members

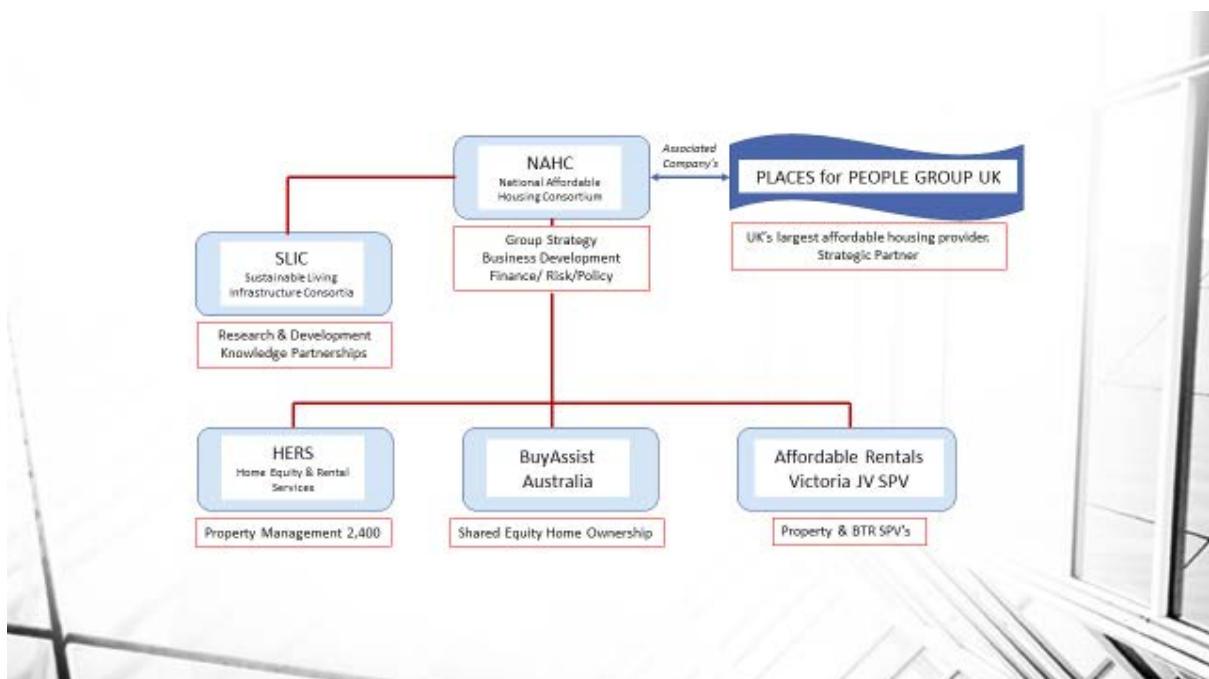
Re: National Housing Finance and Investment Corporation [NHFIC] Amendment Bill 2019

The National Affordable Housing Consortium is a not for profit Tier 1 community housing provider specialising in affordable housing provision. Through our peak body the Community Housing Industry Association [CHIA] we would like to assist the Committee to consider how the proposed First Home Loan Deposit Scheme could include a specific program to assist lower and moderate income households enter home ownership

The diagram below illustrates that NAHC has relevant experience in this area, particularly through BuyAssist Australia, its shared equity home ownership vehicle. Please watch the video below,

<https://www.buyassistaustralia.com.au/homebuyers/>

<https://youtu.be/fnqnWuhTBKI>



1. Demand for improved pathways into home ownership from lower and moderate income households

The Committee is seeking information that indicates the level and type of demand for this product from those currently in affordable rental housing.

NAHC is Australia's largest provider under the National Rental Affordability Scheme [NRAS] with 3,520 new homes delivered since 2009.

The Australian Government's NRAS Tenant Demographic Report April 2018 contains the following data which give a general indication of households that may be able to consider home ownership:-

- Around 7,000 NRAS households have income exceeding \$60,000 py with over 4,000 households on incomes exceeding \$70,000 py
- Around 17,000 NRAS households are employed or self employed

In 2018 the University of Queensland undertook a survey of NAHC NRAS Tenants across Australia 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]

BuyAssist Australia attract registrations via social media and its website. It currently has over 3,000 lower income eligible households registered for support

2. Designing an approach to assisting lower income households access the Loan Deposit Scheme

a) Target Income:

Incomes will need to reflect ability to borrow and service a modest starter home in different jurisdictions. For example in Victoria, the Victorian Treasury / BuyAssist Australia program targets the following incomes:-

- Single People with incomes up to \$75,000
- Couples with incomes up to \$95,000
- Families with children on incomes up to \$115,000

Affordability means no more than 30% gross income is spent on housing costs

b) Serviceability remains an issue for lower income households

Whilst the First Home Loan Deposit Scheme rightly acknowledges the deposit hurdle for its broad target group, the issue of serviceability is also a challenge for lower income households. For example many single people who have a good credit rating, including teachers, care workers, retail and manufacturing workers, cannot borrow sufficient for a starter home.

This is where a social equity investment can provide a 'hand up' and can help close the gap.

c) Enhancing the Schemes outcomes

We propose 10% of the Guarantees [1,000] are reserved for lower income households under the following arrangements:

- Customers are nominated through Registered Community Housing Providers or NRAS Approved Participants

- Community Housing Providers can provide up to 10% in social equity to support the potential buyers on a Shared Equity basis. This will replace the need for lower income households to meet the 5% deposit.
- Buyers might also access homes developed by CHP's in mixed tenure developments
- Lower income buyers and their community housing sponsors can access the BuyAssist Australia platform and secure **low cost** Principal and Interest loans via the credit unions and other lenders that support Shared Equity housing
- New build properties could be prioritised and this would enhance new supply, jobs and provides a lower risk regarding the critical early years' re maintenance / unexpected costs.
- Community housing providers will be able to recycle their equity to assist other households in the future.

We welcome the Australian Governments interest in helping people achieve home ownership and we hope the Committee sees merit in supporting a pilot for lower income buyers within this Scheme, particularly where risk is reduced for those buyers via a social equity contribution and the customer journey is guided by Regulated community housing providers with a commitment to long term outcomes.

With Regards

Michael Myers

NAHC Group Managing Director

30th September 2019