



# **Submission to the Senate Economics Legislation Committee - Help to Buy Bills 2023**

## **CHIA and National Shelter**

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## Introduction

The Community Housing Industry Association (CHIA) and National Shelter welcome the opportunity to respond to the Senate Economics Legislation Committee's Inquiry in to the 2023 Help to Buy Bills.

CHIA is the peak body representing not-for-profit community housing organisations (CHOs) across Australia. Not-for-profit CHOs are regulated, organisations that manage rental homes for the long-term, primarily to assist low-income households disadvantaged in securing suitable homes in the private market. They invest financial surpluses in building homes, enhancing landlord services, and implementing property improvements instead of shareholder profits. Our 150+ members collectively manage more than 120,000 homes, valued at over \$40 billion for the benefit of our residents and their communities.

National Shelter is a non-government peak organisation that aims to improve housing access, affordability, appropriateness, safety, and security for people on low incomes. National Shelter is supported by the work of State Shelters and members in all jurisdictions, as well as national member organisations, associate members, and sponsors.

While there are differences in scheme design, shared equity models involve a home buyer sharing the capital cost in purchasing a home with an equity partner. This reduces both the upfront costs of purchase by lowering the deposit required and ongoing housing (mortgage repayment) costs. At the same time, the homebuyer will share any capital gain with the equity partner on sale. Shared equity schemes are not new and have been operating in Australia in varying States and Territories for some time.

Many of the lower income households our organisations work with and represent (i.e. those entering, or living in various forms of rental housing) aspire to home ownership but are unable to benefit from existing forms of assistance such as Housing Australia's Home Guarantee Scheme (HGS) or some other state and territory shared equity schemes<sup>i</sup> which require applicants to purchase at least 75 percent of the home and in other cases also put down a larger deposit<sup>ii</sup>.

Clearly any form of scheme needs to ensure applicants can maintain (as well as access) homeownership, but we believe with careful targeting the Help to Buy scheme provides an opportunity to extend homeownership to more disadvantaged groups who are unable to compete in the open market including people with a disability, older women, and Aboriginal and Torres Strait Islander people. To do so would give effect to the Housing Minister's intention expressed in her media release<sup>iii</sup> in November 2023, 'this will be life changing for thousands of Australians who have been locked out of the security and stability of home ownership'. In particular, it could provide a housing career pathway for affordable housing tenants whose income circumstances and prospects make this possible.

The submission draws on the experience and expertise of our members who have researched, and in some cases, developed and operated, shared equity models and understand the housing needs of lower income households. It also reflects feedback we provided to the Australian Treasury during the early stages of the Help to Buy scheme's development.

While the Government's proposed legislation is generally concerned to provide legal authority for the Help to Buy scheme, we have taken the opportunity to respond to the Committee's request to share our 'opinions and proposals' regarding the program more broadly. In this respect we have also considered the changed economic environment since the Help to Buy scheme was conceived in early 2021, with rising interest rates having pushed growing numbers of existing lower income homeowners into mortgage stress but also reduced the capacity for lower income households to borrow. Further, since Help to Buy was announced, NSW has become the fifth state to offer its own (admittedly pilot) shared equity scheme<sup>iv</sup>, compounding the need to ensure the Federal scheme complements rather than duplicates existing programs.

We would like to bring to the Committee's attention previous Parliamentary and Senate affordable housing inquiries that have included shared equity<sup>v</sup>. Recommendations from those inquiries included investigating ways to expand shared equity programs to facilitate affordable home ownership and viewing shared equity schemes as another way viable alternative housing offering.

## Recommendations

### Establish a revolving fund

The Help to Buy Scheme aims to assist up to 40,000 households over a four-year period. Given the reduction in home ownership rates particularly among younger people, it is a reasonable assumption that demand for the scheme will (1) exceed the supply of assistance (2) exist beyond 2028.

It is therefore disappointing that monies received by Housing Australia at the conclusion of a shared equity arrangement (including 'any interest Housing Australia receiving in performing its functions under the Act'<sup>vi</sup>) must be paid back to the Commonwealth Government.

In our view, there is a case for these monies being retained by Housing Australia, for recycling to new Help to Buy applicants, thus enabling the scheme to operate as an ongoing revolving fund, continuing to provide assistance to low-income home buyers into the future.

While this involves a one-off cost to the government, the investment if maintained will enable considerably more than 40,000 homeowners to be assisted.

We therefore recommend removing Part 4, Section 27, Clause 28 of the Help to Buy Act 2023 and its replacement with clauses to enable the retention and reuse of funds.

### Scope for the program to fulfil other housing policy objectives

The Help to Buy scheme should be designed to support other Commonwealth government's housing objectives. First, the National Housing Accord's ambitious new housing supply target of 1.2million homes suggests the Help to Buy scheme should be predominantly focused on new supply.

In addition, focusing on new supply would also address criticisms that the scheme could be inflationary by increasing demand for existing homes, especially in the low-end of the market, in turn pushing up prices.

It is acknowledged there are circumstances where it might be appropriate to allow the purchase of existing homes (for example where the applicant wishes to purchase an affordable rental home in which they have been living and where that property is about to be sold / or revert to market rent) but these are likely to be limited in number.

Focusing on new supply has the added benefit that homes will meet higher energy performance and support the government's aim of reducing emissions from residential properties. It also has the important benefit to the purchaser that higher energy performance will reducing overall running costs and increasing overall affordability. An additional benefit is homes that meet the livable housing standard.

Thirdly, the Help to Buy scheme could support the object in the Housing Australia 2018 Act to contribute *'to the development of the scale, efficiency and effectiveness of the community housing sector in Australia'*. This could involve community housing organisations (CHOs) including Aboriginal Community Controlled Organisations being funded to develop new homes for sale on Help to Buy terms potentially as part of a broader development under for example the Housing Australia Future Fund. The CHO would be the holder of the second mortgage and therefore the recipient of the repaid equity share upon property sale or mortgage re-financing. This option would

also allow CHOs to provide (and co-design) homes, for purchasers with an equity contribution but limited capacity to finance a mortgage including people with disability and older women – see below.

This has the potential to build the sector but also generating an ongoing income stream to build financial capacity for recycling into social/affordable housing investment. Of course, this would reduce the capital in the Help to Buy Fund, though this could be periodically topped up by the Commonwealth government or there could be a requirement for CHOs to return monies to Housing Australia on conclusion of a shared equity arrangement.

Finally, the scheme should encourage purchase of medium density housing such as apartments and town houses. These types of housing are likely to be comparative more affordable for lower income households and are often more favourably located, closer to jobs, services and transport. In Australia, off-the-plan purchase is the predominant method for delivering new medium density housing. Therefore, it is important that Help to Buy is sufficiently flexible to support off-the-plan purchase. Off-the-plan is also important for disability accommodation, where non-standard accessibility modifications are costly if the apartment is already built.

## **Ensuring Access to Help to Buy to all Disadvantaged Groups**

The proposed Help to Buy household income limits –\$90,000 or less per annum for individuals, or \$120,000 or less per annum for couples<sup>vii</sup> – should ensure the scheme is targeted at lower income households who would find it hard to access home ownership without additional financial support. However, under a first-come first-served model as envisaged it is unlikely that Help to Buy will help all disadvantaged households unless there is at least a requirement to (1) communicate the scheme in a way that ensures it reaches all groups, (2) provides funding for assistance to support lower income groups into home ownership and (3) targets particular groups.

### **Communication**

There should be targeted communication and outreach via organisations that are connected into the more disadvantaged groups already such as CHOs, financial counsellors, and charitable organisations that work closely with specific cohorts like, for example, single parents, people with a disability, domestic and family violence support services, and other services that provide support to older women. Such networks should be leveraged as informal channel partners in preparation for launch.

### **Support**

There is scope to provide funding to help lower income families get “mortgage ready” and able to access the Help to Buy scheme in the future, possibly targeting households in affordable rental housing. These support services should be accessible post purchase too, to assist if a household’s circumstances adversely change. In addition, there is scope to set up a panel of mortgage brokers experienced with working with more disadvantaged groups, less familiar with home ownership and finance options.

### **Targeting**

The government has established the principle of using targets as part of the Housing Australia Future Fund to ensure households in particular need are assisted. Three groups we highlight here are people with disability, Aboriginal and Torres Strait Islander and older women who could benefit from Help to Buy providing the scheme.

The housing needs of people with disability have been recently highlighted in both the report from the Disability Royal Commission<sup>viii</sup> and the NDIS review report<sup>ix</sup>. The latter identifies that people with disability have *‘limited choice over where, how and with whom they live’*; and *‘cannot easily access the information and support that would enable them to explore and compare different housing and living solutions, both within and outside the scheme.’* While Specialist Disability Accommodation (SDA) provides an option for some people, it is limited in capacity. While social and affordable rental

housing is the most urgent need there is a small but significant number of people with disability who, with the right financial product, could be enabled to access home ownership.

As an example, the mixed equity scheme that was operated by Housing Choices from 2003 with grant support from the Victorian Government is an illustration of what can be achieved. It has targeted households where they or another family member can make an equity contribution. It operated as a revolving fund and assisted 68 households, although due to the nature of the target group, few households increase their stake in the home. Fifty-two households remain in the scheme to this day. As no new grant funding has been provided since 2013, it is limited in the number of new households it can help.

The Aboriginal and Torres Strait Islander home ownership rate was 42% in 2021, around 20 percentage points lower than home ownership rates for non-Indigenous Australians across all birth cohorts and age groups.<sup>x</sup> There is an opportunity to target a proportion of the Help to Buy scheme at this cohort. There are examples to learn from. The Victorian Government has partnered with Indigenous Business Australia to provide a tailored product under their Home Buyer scheme.<sup>xi</sup> In New Zealand, the Progressive Home Ownership Fund<sup>xii</sup> enables an approved not for profit Māori provider to develop homes for the scheme.

Older single women who may have some, but insufficient, equity to invest in home purchase have frequently featured as a potential target for shared equity schemes. The Gold Star Project commissioned by Q Shelter and the Mercy Foundation illustrates the circumstances in which this product might be most appropriate – generally those aged below 55 years old.<sup>xiii</sup>

## **Integration into the National Housing and Homelessness Plan**

In CHIA and National Shelter's joint submission to the National Housing and Homelessness Plan we recommended that the Plan needed to include a focus on provided co-ordinated assistance for low to moderate income households to enter home ownership.<sup>xiv</sup>

As noted earlier, the Help to Buy Scheme will exist alongside a growing number of other state and territory low-cost home ownership supports<sup>xv</sup>, including other shared equity schemes. In addition, since it was conceived home ownership has become less unaffordable for many and a source of housing stress for a growing number of lower income homeowners.

The Plan provides an opportunity to show how Help to Buy is intended to contribute to improving homeownership rates and specifically how the various and variable schemes can be co-ordinated to ensure they work together well and increase the likelihood that states and territories will choose to participate in Help to Buy.

By integrating Help to Buy into the Plan, its wider impact can be assessed and need for modifications appropriately identified.

## **Legislate with flexibility**

CHIA and National Shelter note that in Part 3 Section 25, the Housing Minister has a degree of flexibility to vary aspects of the scheme including the types of homes it covers and the amount of contribution that Housing Australia can make.

We believe that additional flexibility under this section should be given to allow for the participation of CHOs as outlined earlier and also to respond to emerging issues such as responding to mortgage stress to prevent existing homeowners losing their homes.

We appreciate the scheme will be reviewed after three years but recommend that the annual report required in the legislation also includes an assessment of the scheme's operations, whether it is responding to more disadvantaged groups, and whether changes are needed in the light of economic.

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<sup>i</sup> <https://homeseeker.sa.gov.au/buying-a-home/what-is-shared-equity>

<sup>ii</sup> <https://www.sro.vic.gov.au/homebuyer#:~:text=The%20Victorian%20Homebuyer%20Fund%20is%20a%20shared%20equity,exchange%20for%20an%20equivalent%20share%20in%20the%20property>.

<sup>iii</sup> [Help to Buy to deliver more support for Australian homebuyers | Treasury Ministers](#)

<sup>iv</sup> [Shared Equity Home Buyer Helper Customer Guide | NSW Government](#)

<sup>v</sup> See [Affordable housing – Parliament of Australia \(aph.gov.au\)](#) and [TheAustralianDream.pdf;fileType=application/pdf \(aph.gov.au\)](#)

<sup>vi</sup> Help to Buy Bill 2023, Part 4 Section 27. P19

<sup>vii</sup> <https://www.abc.net.au/news/2023-08-18/rent-to-buy-housing-scheme-explained/102743694>

<sup>viii</sup> [Final Report | Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability](#)

<sup>ix</sup> [Working together to deliver the NDIS. NDIS Review: Final Report](#)

<sup>x</sup> <https://www.aihw.gov.au/reports/australias-welfare/home-ownership-and-housing-tenure>

<sup>xi</sup> <https://iba.gov.au/home-ownership/iba-housing-loan-features/victorian-home-buyer-fund/>

<sup>xii</sup> <https://www.hud.govt.nz/our-work/progressive-home-ownership-fund/>

<sup>xiii</sup> <https://housingolderwomen.org.au/wp-content/uploads/2023/08/Gold-Star-Project-Report-Shared-Equity-Schemes-for-Older-Women-Dec-2021.pdf>

<sup>xiv</sup> <https://www.communityhousing.com.au/wp-content/uploads/2023/10/CHIA-National-Shelter-NHHP-Submission-20102023-with-appendix.pdf?x12978>

<sup>xv</sup> Pawson, H., Martin, C., Lawson, J., Whelan, S. and Aminpour, F. (2022) Assisting first homebuyers: an international policy review, Final Report No. 381, Melbourne: AHURI <https://www.ahuri.edu.au/research/final-reports/381>