

# Home Ownership – Executive Summary

## Guiding Principles

There are a number of financial and non-financial ways in which governments in partnership with the private sector and the community sector meet its housing objectives and provide a genuine choice for people who are currently excluded from home ownership. In developing those into a package of homeownership assistance, four principles need to be paramount:

- Sustainability – it is important that the benefits of home ownership (shelter, investment, social inclusion) are sustained now and in the future. For this to happen, homeowners need to be able to invest in housing that is:
  - of a quality that effectively meets the shelter needs of the homeowner;
  - secure so that the danger of losing the home is minimised; and
  - viable enough for homeowners to manage and cope with the financial requirements of home ownership.
- Choice – New Zealand society is becoming increasingly diverse ethnically, by household type, and along regional lines. Choice is about developing initiatives that encourage a diversity of responses to meet a diversity of need. Choice is also about increasing people’s knowledge to make informed choices about the most appropriate way to meet their housing needs.
- Empowerment – Home ownership initiatives should not only enable people to make an informed choice about home ownership, but should also encourage homeowners to take greater responsibility for meeting their current and future housing needs. Empowerment means that, through the process of home ownership, people are able to have greater control over their lives.
- Safety – a safe home is key to personal well being. For many, the home provides a sanctuary from the stresses and pressures of everyday life. For some though, the home does not provide sanctuary and actively contributes to stress undermining wellbeing. Safety means that home ownership initiatives should provide active support to homeowners and encourage them to seek assistance if their home no longer is safe.

## Key Outcomes

Desired outcomes have not been specifically addressed by the working party, and are implicit within working party discussions. Further detail can be obtained from the ‘preamble’ section of the full report.

## Key Issues

The groups who need and would benefit from assistance to have a genuine choice about entering home ownership include:

- Low-income households living in high house price areas (urban) where housing is no longer affordable and home ownership is simply not a choice;
- Households in rural areas where there does not exist a viable rental sector providing adequate housing as an alternative to home ownership and who often face high building costs;
- Households under served by lending markets and who also frequently face discrimination or difficulties achieving appropriate housing in the rental market including low income

- Māori , Pacific peoples, refugees, people with disabilities, older people and young people.
- Households who are *already* in home ownership but are vulnerable to losing their homes through declining quality (e.g. due to poor design, poor maintenance, poor building), family dissolution, exposure to domestic violence, accident or illness, and/or negative equity.

## Goal

To give low-income people and under-served communities a genuine choice to invest in their communities and meet their housing needs through homeownership.

## Objectives

1. Increase opportunities to enter homeownership;
2. Encouraging and supporting existing and potential lenders to finance low income people and expand their lending in under served communities;
3. Protecting low-income people and vulnerable groups' investment in homeownership;
4. Increasing the supply of affordable, good quality and appropriately well designed housing for low-income people wanting to enter homeownership.

## Action Plans

Objective 1: Three action pathways for increasing opportunities for homeownership:

- *Close the deposit gap* by:
  - Providing conditional grants to assist people meet deposit requirements;
  - Encouraging re-alignment of benefit policy so that the money a beneficiary household saves toward a deposit is not treated as a cash assets for income purposes;
  - Developing saving schemes to encourage people to save and improve their savings capacity through some form of incentive;
  - Developing a rent-to-buy scheme that generates a deposit that can be put toward the purchase of the house.
- *Reduce the cost and uncertainties of home ownership* by:
  - Developing fixed interest rate products to provide increased certainty around housing costs;
  - Encouraging alternative tenure arrangements that can make home ownership more affordable and manageable (e.g. shared ownership, multi-ownership).
- *Filling the knowledge gap* by:
  - Promoting and making available information on home ownership including the provision of education classes;

Objective 2: Encourage lenders to serve low-income and under-served groups to achieve home ownership by:

- *Working with mainstream lenders and insurers to encourage them to be more receptive to low-income households, under-served groups and alternative lending arrangements* by:
  - Underwriting service for loans made to under-served segments;
  - Crisis intervention services; and

- Improved protections and management of debt.
- *Encouraging the growth of alternative lending services*
  - Changing perceptions to improve the level of understanding of the risks and costs associated with lending to under-served segments;
  - Engage in research to more accurately assess the level of risk and the contributing factors and share this information with lenders;
  - Develop best practice guidelines for managing the risks and how to reduce the cost to the homeowner as well as to the lender;
  - Promote demonstration models for alternative tenure arrangements like shared ownership or multi-ownership.

Objective 3: Four action pathways to protect people's investment in home ownership:

- *Assisting people to maintain their homes by:*
  - Ending products for home maintenance/improvement purposes, including emergency lending when an unexpected large maintenance cost has to be met;
  - Providing maintenance information and education;
  - Review opportunities for developing housing 'warrant of fitness'.
- *Helping people to preserve their housing access in the midst of personal crisis by*
  - Providing mortgage repayment protection to those most vulnerable to changes in their personal income flows; and
  - Options for early intervention if a homeowner is at risk of default including restructuring the loan term;
  - Information and education services to assist people to consider and prepare for uncertain futures;
  - Improve intervention policy and services designed to assist people in crisis (e.g. relationship breakdown or mental health episode) to more actively take into account housing need including protection of home ownership.
- *Supporting people to prevent the loss of value of their investment in their homes by:*
  - Invest in community renewal initiatives in areas of decline to ensure people's investments are not undermined;
  - Developing best practice guidelines for arrears management focussed both on addressing the problem of arrears and sustaining home ownership (i.e. early intervention before problem becomes unmanageable);
  - Improve the process of housing valuations to ensure people get an accurate assessment of what a house is worth before purchasing;
  - Encourage local authorities to better manage rate arrears including using the appropriate channels for following up rate arrears and not seek to pass the cost onto other entities like lenders.

Objective 4: Four action pathways to expand the supply of quality affordable sustainable housing for home ownership by:

- *Promoting affordable durable and safe design through:*
  - Investigating and demonstrating new building solutions that are affordable, durable and easy to build;
  - Developing (support) design options with (or by) Māori, Pacific and other ethnic communities;
  - Encouraging innovation in the building industry;
  - Training partnerships with universities educating architects, and commissioning and

testing innovative approaches to building affordable stock in HNZC's own housing stock and through its home ownership programmes.

- *Improved regulatory management and control of building standards by:*
  - Evaluation and subsequent review of the adequacy of the current Building Act and regulatory processes as a platform for achieving stock quality in existing and new domestic stock.
- *Promoting a better understanding of the quality, appropriate performance expectations, and maintenance of the housing stock by:*
  - Developing and promote consumer checklists and accreditation mechanisms for new and existing housing;
  - Establishing a regular programme of research and monitoring of stock quality;
- *Promote affordable housing through improved planning and human settlement practices through:*
  - Better alignment of planning and housing needs to better take into account the impact of planning decisions or the supply and cost of housing;
  - Review of land development processes and options for including affordable housing developments within land development initiatives.