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Sent by email: housingconsultation@treasury.gov.au

Re : National Housing Finance and Investment Corporation Investment Mandate Amendment (First Home Loan Deposit Scheme) Direction 2019

PowerHousing Australia would like to make a brief response to the draft National Housing Finance and Investment Corporation (NHFIC) Investment Mandate Amendment (First Home Loan Deposit Scheme) Direction 2019.

The Investment Mandate is to be finalised as the mechanism through which the Government details its expectations of NHFIC and the NHFIC Board.

The draft Investment Mandate amendment details:

- how NHFIC is to issue the 10,000 guarantees per financial year related to first home buyer loans;
- eligibility criteria for the First Home Loan Deposit Scheme;
- the principles NHFIC is to follow in administering the First Home Loan Deposit Scheme; and
- the requirements of NHFIC in undertaking research into housing affordability in Australia.

PowerHousing would like to acknowledge the development of the Investment Mandate for the First Home Loan Deposit Scheme which aims to help eligible first home buyers enter the property market sooner and to also establish a research function within NHFIC to provide a greater understanding of housing affordability in Australia.

Housing supply enabled to meet demand is a critical lever for supporting jobs, taxes, and supply which, if targeted to affordable pricing points, can take pressure off more Australians after two decades of increased and sustained affordability challenges.

A focus here on the first home buyer mechanism is an important and welcome response signalling more mature understanding that housing has become unaffordable for growing numbers of Australians.

Limited guarantee to lenders to allow eligible first home buyers to purchase or construct a dwelling sooner

Essentially, the Investment Mandate follows on from the productive development of the NHFIC and other measures announced in the Reducing Pressure on Housing Affordability 2017-18 Budget package.

The draft Investment Mandate amendment sets out how NHFIC is to issue the 10,000 guarantees per financial year related to first home buyer loans, the eligibility criteria and the principles for the Scheme.

The Investment Mandate allows for the issuance of a relatively small number of 10,000 guarantees, but allowing the structure for additional tranches of this type of guarantee to be rolled out for targeted groups of Australians for the purchase of a dwelling should be available in the future when needed. Flexibility in the Investment Mandate to undertake options for future guarantees to support additional first home buyers or other groups to boost rates should be a feature of the Investment Mandate.

Whilst PowerHousing Members have a broad range of financial partners, we have worked closely as a group with Community Sector Banking and the concept of encouraging competition here with opportunity for half of the guarantees to be issued by the smaller banks will support a community reinvestment focus. Our Members also see the importance of working within a financial eco-system that the big four banks are critical to, and the role of these scale institutions in this first home buyer scheme is important initially, but should be considered in any expanded or derivative scheme in the future.

Research into housing affordability, with a focus on supply and demand

Understanding supply and demand numbers that impact on housing affordability and on the broader economy is fundamental for the country and the development of a housing affordability research unit with a focus on supply and demand is a sound decision. The research unit as outlined in this Investment Mandate will seek to bolster the understanding of government on what housing is as a lever to the economy and will hopefully have an early focus on understanding the decline in housing delivery which is now well underway.

Building activity in Australia is declining rapidly with home approvals set to drop from 240,000 dwellings approved in 2016 to around 160-170,000 in 2021, with completions lower still unless the decline is halted. Recent forecasts suggest that annual housing starts will drop to 152,000 dwellings in around 18 months' time which would be catastrophic for jobs, supply and the overall economy.

Losing 60-80,000 homes out of the housing construction pipeline will create a massive ripple through the economy if not halted. Each new home that is constructed creates around 40 work engagements and the loss of this many homes will see 3 million carpenters, painters, plasterers, electricians, assorted trades and para-professionals not receive those small one day to months-long contracts of work.

Whether it is the retail shop, coffee stop on the way to work or simply fewer groceries purchased in small business, this has a knock-on effect for the retail sector that won't see the circulation of the income into the broader economy. Needless to say if homes are not built then there will also be a drop in the manufacturing sector.

Going back to simple housing supply and demand terms, housing starts threaten to fall back behind population growth and this would see an irrational upward pressure with potential spiking.

Whilst the supply of new homes has been dropping, there has been a steady increase in the social/affordable housing built by PowerHousing members and this contribution to supply as a relatively new input is also set to grow to underpin housing starts. The introduction of the NHFIC is supporting additional supply with CHPs supporting more homes delivered at lower cost. There is potential of course for affordable housing supply policy supported by CHPs that could be enabled further by any future research that is enabled by this Investment Mandate, which is a positive.

It needs to be noted that whilst organisations such as AHURI, AIHW, CoreLogic, the ABS and others provide strong housing data and research, there is still a need to see this work collated in a data repository with future policy outcomes that are respondent to this information.

Having an understanding of housing fundamentals as an output of a NHFIC research provides greater future connectivity of Government to housing affordability challenges, however it is vital that any research outputs have a fiscal policy response tool that is embedded around this Investment Mandate also.

In summary

Whilst the work achieved in the initial NHFIC development and the first bond issue, and now the broadening to target a first home buyer group is commendable, there is still much to do to bring housing affordability back to a place where affordable home ownership and rental is attainable for more Australians.

Providing targeted policy towards groups of Australians such as first home buyers is important and future targeted affordable housing policy responses should consider the mechanism built here through this Investment Mandate. Future policy responses for affordable housing should be derived from the research house that is being developed here and the Government would be best positioned to utilise the research output to enable future policy responses.

Kind regards

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About PowerHousing Australia

PowerHousing Australia is a unique forum for peer-to-peer exchange and collaboration amongst housing professionals who are dedicated to improving lives through the provision of social and affordable housing. The organisation was established in 2005 by a group of CEOs who recognised the scale of emerging housing affordability issues and the enhanced capacity of organisations to make a difference if they collaborated to share knowledge and resources. Today the organisation has 34 of the largest scale Community Housing Provider Members who collectively manage over $20 billion in housing, own or manage over 60,000 homes for over 100,000 people on low to moderate incomes.