

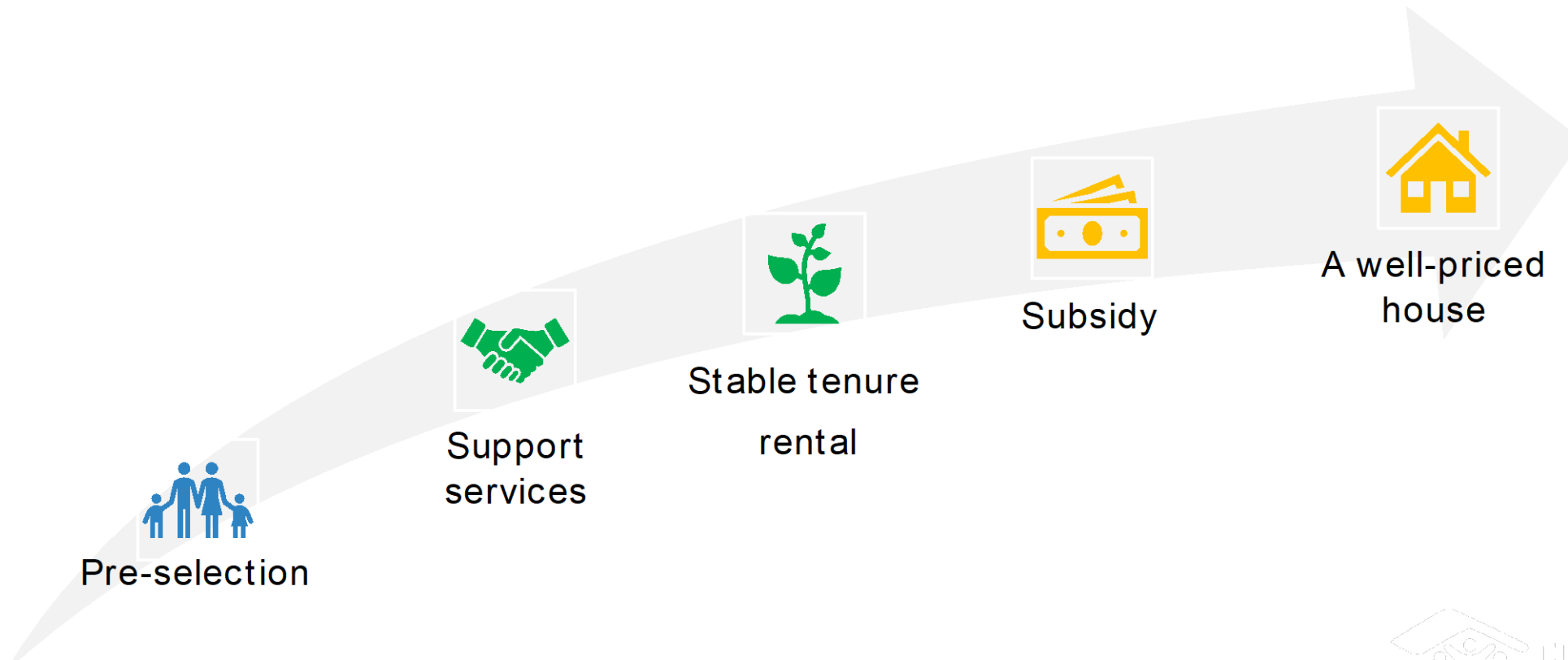
TE AHO TĀHUHU

the Progressive Home Ownership Webinar Series

Financial Modelling

Alan Thorp, Habitat for Humanity

Five components of Progressive Home Ownership

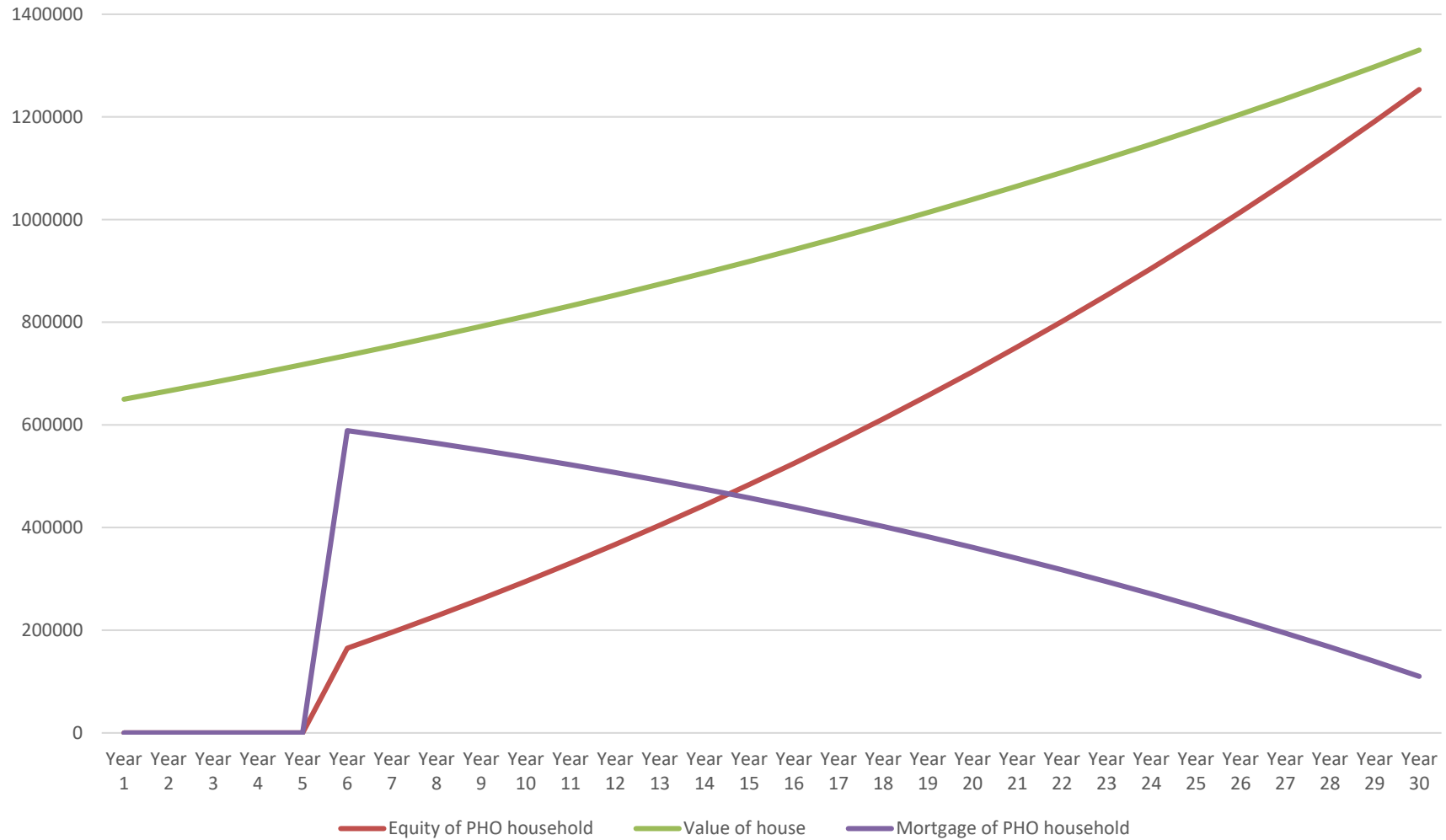


1. Preselection		2. Support Services		3. Stable Rental		4. Subsidy		5. Well Priced House	
Search cost		Search cost		Household income		Cost of capital		Kiwibuild house price	
Family Selection staff	\$ 75,000	Family Services Manager	\$ 75,000	Selection household income average % of median	100%	Mean capital value	\$ 650,000	Kiwibuild price lower bound	\$ 550,000
Search costs	\$ 45,000	Administration	\$ 30,000	Median household income (annual)	\$ 86,576	50% loan from PHO Fund interest free	\$ 325,000	Kiwibuild price upper bound	\$ 750,000
Administration	\$ 30,000	Staff to family ratio	2.5%	Median household income (p/w)	\$ 1,665	Amount for CHP to finance	\$ 325,000	Mean construction cost	
Staff to selection ratio	5.00%	FTEs	0.025	Selection mean household income (p/w)	\$ 1,664.92	Commercial Finance Rate	4.50%	Mean Kiwibuild house price	\$ 650,000
FTEs	0.0500	Support services cost per household (annual)	\$ 2,625	Selection mean household income (annual)	\$ 86,576	Cost of capital (p/w)	\$ 281	Total capital req (annual)	\$ 650,000
Search cost per selection	\$ 7,500	Support services cost (annual)	\$ 2,625	Estimated selection household income lower bound	\$ 43,288	Cost of capital (annual)	\$ 14,625		
Preselection cost (annual)	\$ 7,500			Estimated selection household income upper bound	\$ 129,864			Mortgage cost at year 15	
								Loan to value ratio	48%
				Rent		Rates and Maintenance		Mean loan amount	\$ 457,717
				Household income rent affordability rate (%)	30%	Mean rates expenditure	\$ 1,500	Loan term (years)	20
				Mean household income spent on rent (pw)	\$ 499	Mean insurance cost	\$ 500	Lowest available Welcome Home Loan	4.55%
				Mean rental income (annual)	\$ 25,973	Mean household maintenance	\$ 500	Minimum payment (annual)	\$35,340
						Mean property rates and maintenance c	\$ 2,500	Minimum payment (p/w)	\$680
						Deposit		Affordability	
						Mean net qualifying residual (annual)	\$ 11,347.80	Mortgage income affordability rate	30%
						Interest rate on qualifying residual	4.50%	Minimum mean income req	\$117,800
						Mean net qualifying residual (15 yrs)	\$336,966	Cumulative income growth req. over 15	36%
						Net qualifying residual (%)	44%	Estimated income growth (annual)	2.5%
						Mean deposit (%)	52%	Estimated mean household income (15	\$ 122,330
						Total subsidy from Govt Interest free (a	\$ 14,625		

Assumptions

1. House price is \$650,000
2. PHO Household income is 100% of median (\$86,576 p.a.)
3. PHO Household pays 30% of income in rent/mortgage payments
4. PHO Loan of 50% for 15 years at 0%
5. Finance cost to CHP is 4.5% pa
6. House increases in value by 2.5% per year
7. Household income increases by 2.5% per year

PHO Financial Model



Assumptions

1. House price is \$650,000
2. PHO Household income is 80% of median (\$88,816 p.a.)
3. PHO Household pays 30% of income in rent/mortgage payments
4. PHO Loan of 50% for 15 years at 0%
5. Finance cost to CHP is 4.5% pa
6. House increases in value by 2.5% per year
7. Household income increases by 2.5% per year
8. The household can refinance with a commercial loan at year 15

Projections at year 15

1. House value is \$941,394
2. PHO Household mortgage is \$457,717
3. PHO Household equity is \$483,677 or 51% of the house value
4. PHO household income at year 15 allows them to refinance with a 20 year loan

Financial Modelling

- Needs to work for both Community Housing Provider and the PHO Household
- Model an Income statement and Balance sheet for the CHP
- Model an Income statement and Balance sheet for the PHO household
- Keep it simple
- Have realistic assumptions

KEY TAKEAWAYS

- 1.** Your modelling will tell you what household income needs to be in order to succeed.
- 2.** Keep your modelling as simple as possible
- 3.** Always do a common sense check

CONTACT DETAILS

Alan Thorp

Group Chief Executive Officer

Habitat for Humanity New Zealand

alan.thorp@habitat.org.nz

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Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development