TE AHO TĀHUHU

the Progressive Home Ownership Webinar Series

Progressive Home Ownership Products Explained

Dominic Foote, Housing Foundation

TE MATAPIHI

HE TIROHANGA MŌ TE IWI TRUST

Te Tūāpapa Kura Kāinga

Ministry of Housing and Urban Development

Housing Foundation: Principles of Shared Ownership

- Sustainable home ownership based on household's income:
  - ➢ Household buys a share in their home applying the principle that no more than 30% of their gross income is used to pay their mortgage repayments
- Value of the Household's ownership share of their home is determined by valuation.
- Household main income must come from employment
- Household must be able to obtain a bank mortgage
- Household must have a deposit (KiwiSaver is fine)
- Household must be able to purchase at least 60% of the value of the house.
- HF share (equity) is left in the house at no cost to the household for 15 years; Household does not pay rent or interest payment on the HF equity
- But household pays a $1200 annual management fee to cover shared ownership costs

Shared Ownership Agreement

- Shared Ownership Agreement (SOA) is based on the Tenants in Common (TIC) ownership structure
  - Household and HF are both registered on title as joint owners; which is a good thing
  - Provides Banks with realisable mortgage security and comfort as default is zero
- Housing Foundation SOA is tried and tested in the market
  - Been used in Aotearoa for > 14 years
  - Accepted by ASB, BNZ, Kiwibank, Westpac, SBS and TSB (ANZ in 2022?)
  - Used by iwi, Māori housing organisations, Te Tumu Paeroa
  - Kāinga Ora shared ownership agreement is heavily based on it
  - Reserve Bank approved: Agrees it doesn't deliberately avoid loan to value constraints

Shared Ownership: How it works

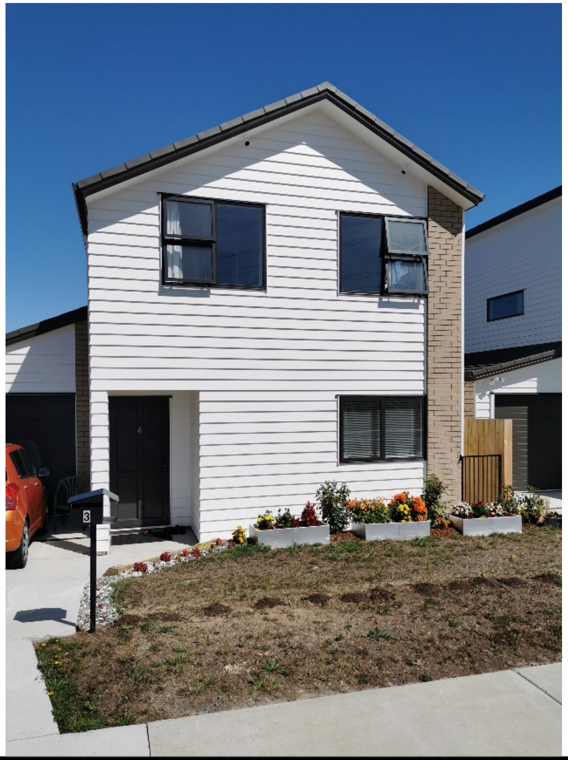
Household

Buys a share (60% to 85%) in the house.

Purchased with deposit & mortgage.

The size of the household's mortgage is based on what the household can afford calculated at 30% of gross household income

Household buys between 60% to 85% of the value of the house



Housing Foundation

Owns the balance of the share in the house;
Using PHO funds, cash reserves and retained development profit

Housing Foundation owns between 15% to 40% of the value of the house.

Shared Ownership: How it works

House valued at $700,000

Homeowner	Housing Foundation
Buys 65% = $455,000	Owns 35% = $245,000
Deposit = $25,000	
Mortgage = $430,000	
Gross income $85,000	

HOUSEHOLD

- Owns 65% of their home
- Household pays :
  - Council Rates
  - House Insurance
  - Maintains and repairs the house
  - Pays the Housing Foundation a yearly management fee of $1200
- Household can buy Housing Foundation shares at any time
- Increases in the house value is shared between household and HF based on ownership share

Comparison of cost of shared ownership or “buying out-right”

House price = $700,000 and gross household income = $85,000

100% Home Ownership

Households buys 100% with a:

20% Deposit = $140,000
Mortgage = $560,000
Total purchased = $700,000

Weekly mortgage = $624
38% of gross income

Shared ownership

Homeowner	Housing Foundation
Buys 65% = $455,000	Owns 35% ($245,000)
Deposit = $25,000	
Mortgage = $430,000	
Weekly mortgage = $490	
30% of gross income	

And who has a deposit of $140,000?

KEY TAKEAWAYS

1. Mortgage repayments are calculated on household income

2. Gives renters the chance to own their home

3. Shared ownership is tried and tested; in NZ and globally. It works

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