TE AHO TĀHUHU

the Progressive Home Ownership Webinar Series

Managing Risk

Dominic Foote, Housing Foundation

TE MATAPIHI
HE TIROHANGA MŌ TE IWI TRUST

Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development

What is Risk?

At its most simple, risk is the possibility of **something bad happening**, something that will have a negative effect on a person, an organisation, our environment.

It involves uncertainty about the effects and or the implications of doing something that we value but can result in negative and or undesirable consequences.

My presentation looks at how Housing Foundation identifies and manages risks in managing its shared ownership (equity) programmes. There are many Risks!

For this presentation Risks are separated into just two categories:

- Pre-Settlement and post-Settlement

  (Settlement is when the whare is purchased by whānau)

Some key pre-Settlement Risks

- Organisational capability and capacity: A lack of clarity of organisational strengths and weakness in providing affordable housing
- Whānau demand: Not knowing whānau housing demand means it'll be difficult to know the scale of whānau demand for shared ownership and PHO housing
- Building or buying whare for shared ownership: Need clarity/ certainty where and how whare will be supplied for whanau
- Whānau eligibility: Need certainty your PHO funded equity and whānau equity pays for all the costs of supplying the whare
- Whānau mortgage eligibility: Failure to partner early with banks could result in whānau not being mortgage approved as they don't meet bank lending criteria
- Alignment with whānau on PHO purpose: A lack of alignment will cause problems
- Settlement: Lack of whānau awareness of their obligations to their bank

Some key post-Settlement Risks

- Whānau pastoral care: A lack of clarity of the type and level of resources required to support whānau on their pathway to full ownership, possibly over 15-years
- Loss of whānau income: Loss of income will affect whānau ability to meet their mortgage repayments, bank may want to sell their whare?
- Managing additional whānau debt: Life happens…
- Whānau have not purchased your equity after 15 years: What do you do?
- Payment of house insurance premiums, council rates, maintaining the whare
- Repayment of 15 year PHO fund: A lack of a repayment plan will result in a loan default at end of year 15

Mitigations: What Housing Foundation does

- Whānau are at the centre of our housing plans: Pastoral care is our focus, if we get it wrong, we've got it badly wrong for whānau, so:
- Understand whānau housing need and whānau affordability: Helps us understand which PHO product meets whānau housing need. Shared ownership may not be the solution
- Partner early with banks: All banks are different, but all banks must onboard the organisation that will be the shared owner on the property title
- Financial plans: Develop with whānau a plan that supports them into shared ownership and then into full ownership, be prepared for their plan to change!
- Know what we're building, who it's for, the housing tenure, fix house prices
- Know how we will repay the PHO loan after 15 years

KEY TAKEAWAYS

1. Understand Whānau housing needs and their affordability

2. Pastoral Care: be prepared to invest long-term in whānau. Some whānau need several years of support before they are ready for shared ownership or any PHO product

3. PHO is different to renting, you are the passive equity owner in whānau whare, your controls are different

Contact Details

Russell Ness (GM Strategy and Operations):

Russell.n@housingfoundation.co.nz

Dominic Foote:

dominic.f@housingfoundation.co.nz