TE AHO TĀHUHU

the Progressive Home Ownership Webinar Series

Recording and Q&A Transcript

Episode 3
First Home Partner Pathway

There are two parts to this transcript:

1. **The recorded transcript that was captured at the live webinar**
2. **The question and answer transcript where the panel have provided typed answers which means these are not captured in the recorded transcript.**

Panel for Episode 3 – First Home Partner Pathway		
Kaiwhakahaere	Mark Ormsby	Te Tūāpapa Kura Kāinga, the Ministry for Housing and Development (HUD)
Kaikorero	Eli Salmons	Kāinga Ora
Kaikorero	Steven Naickar	Kāinga Ora
Kaikorero	Heiko Jonkers	Westpac
Kaikorero	Leisa Nathan	Habitat for Humanity

Recorded Transcript

This is the transcript for the recording of Te Aho Tāhuhu, Episode 3 First Home Partner.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Traditional incantation.

Tēnā koutou anō koutou e taringa whakarongo mai ana.
ko tēnei te whakaaturanga e kī nei ko te whakaaturanga tuatoru o Te Aho Tāhuhu.
Tēnei te mihi atu ki a koutou– nau mai, hara mai, piki mai anō, ki ta mātou whakaaturanga. Hēoi anō koutou mā anei te paepae kaikorero. Kei runga i te paepae - ngā kaikorero e whā, heoi anō, tuatahi me mihi atu ki a koutou, me mihi atu ki a rātou kua wehe atu ki te pō, nō reira rātou haere, haere atu rā. Hoki anō ki a tātou i tēnei wā.

Tēnā koutou, my name is Mark Ormsby, and I am here to facilitate the third episode of our webinar series with Te Aho Tāhuhu. Today we have got a line-up of speakers from Kāinga Ora, from Westpac and also from Leisa Nathan who is from our Sorted Kāinga Ora programme up in Auckland. Hēoi ano koutou mā. Hēoi ano tātou, we are going to head straight into our first speaker, Eli Salmons, who is from Kāinga Ora who is going to talk to us about the First Home Partner pathway. Now remember whānau if you've seen the first webinar series we talked about the other two pathways, we had Debbie Bean talking about Te Au Taketake, the Māori pathway and the provider pathway, and the PHO, i.e., the Progressive Home Ownership space. Well, this is the third pathway that we are going to talk about today and Eli Salmons is here to talk to us about that. Tēnā koe Eli, anei tō wā.

Eli Salmons (Kāinga Ora):

Kia ora Mark, ae. Ko Eli Salmons toku ingoa, nō reira tēnā koutou katoa. Yes, my name is Eli, based up here in Manukau, Tāmaki Makaurau, Auckland. I work, as Mark said, for Kāinga Ora Homes and Communities as the Senior Product Manager specifically dedicated to the direct-to-household pathway or should I say First Home Partner.

In my brief discussion I will provide an overview of First Home Partner, how it differs from the other pathways and discuss a referral process for First Homebuyers or whānau that may seek your guidance. I am also fortunate to have Steven Naickar here with me as a co-speaker who will enlighten us further on First Home Partner criteria, some of the processes for First Homebuyers to make a submission and then further on from that pastoral care.

Alright, so the purpose of the First Home Partner is to increase opportunities for eligible First Homebuyers to access home ownership, who have insufficient deposit or income to service the low deposit mortgage. First Home Partner is a shared ownership product and is structured so that part of the deposit or shortfall is provided by an equity partner, being Kāinga Ora, and will purchase the property along with the homeowner for a specific share in the property in which the balance of the funding will be provided by the homeowner's bank. Households must do their best to transition to full home ownership, although we do have a Goals Management Programme that supports them within this period.

Eli Salmons (Kāinga Ora):

In the event that households remain in the scheme beyond 15 years, there is an annual service fee, and the household must acquire the property within no later than 25 years of their anniversary date. It is specifically targeted towards brand new homes which received Code Compliance in the last 12 months, or off-the-plans

purchase, and these off-the-plans purchase must have a land and dwelling package. Five percent deposit is also required of the total purchase price. It is offered nationwide and available to First Homebuyers only once.

I thought it would be good to highlight some of the similarities to the pathways mentioned prior but also to discuss some of the differences that First Home Partner outlines. And I do want to highlight the similarities around the maximum annual income of $130,000 and then we also have a priority group with Māori, Pasifika and families with dependants.

Another one worth mentioning is the multi-generational income cap, is also similar to the other pathways. However, the difference is in First Home Partner look at Kāinga Ora being the only provider within direct-to-home ownership pathway. We only offer shared home ownership as I understand other pathways can look at other methods or structures. We also target a specific target audience of Cohort B which sits in that category of median to an above income threshold to achieve standard home loan but can't get the necessary deposit together. We do look at the credit history or the credit makeup of an applicant as a soft touch and take into account some of the debt that they also must provide during our application process. So, First Home Partner is a lighter touch sort of product. We are different in terms of there is no financial pastoral care pre-application. Once we do receive an applicant we do go through that process and send them away to the participating banks. Households and whānau also must identify houses themselves. So, once we give them an eligibility letter, we do ask that they have a look around their preferred locations and locate a house of interest to provide to us for assessment.

One of the three main functions I would like to touch on before we talk about the key takeaways is the equity contributions. The equity contributions are determined during the application process but confirmed during the approval of the application phase and that approval is in the form of a shared ownership agreement. Households are required to contribute at least 5% deposit as mentioned and with the equity contributions I do need to highlight that it is not a loan, it has no interest and we do determine that from the application process.

The maximum possible equity contribution also is the at the lower end of either 25% or $200,000, so whichever is the lesser value there. Shared ownership agreement is a legal document between Kāinga Ora and the household during that approval phase and it outlines some of the roles and responsibilities such as the considerations or changes of circumstances during the 15 years. So, within that partnership journey there may be some sort of changes that occur and that document outlines what we can and can't do. With the Goals Management Programme, it is that post-settlement service, that pastoral care that we provide for First Home Partner households or whānau. Once again it is more of a lighter touch, and we will work with whānau on an annual basis and check in with them as to what those circumstances are that perhaps may have arisen or any sort of key aspects that Kāinga Ora may need to know of. We assign a relationship manager who is the key contact and so they would work with the whānau just to check in around how they are going.

Okay, so quickly on to the key takeaways. So one, unfortunately the First Home Partner is not available for whenua Māori just yet. Obviously, there is a difficulty around securing lending on the home and so for Kāinga Ora we do suggest the Kāinga Whenua, another product that we do have, so whilst we

Eli Salmons (Kāinga Ora):

are working with Iwi and Māori providers, we do suggest that there are other avenues or home ownership products that may support that type of purchase. And with home ownership products that Kāinga Ora provide, this is a suggestion around some of the products that we have that may align also with First Home Partner. So, if an individual is a previous homeowner and could come to us around the Kiwisaver, we would look at the ability to use that function. Also, the likes of First Home grant. So, this type of support could assist you in your discussions with whānau or households that are looking to purchase as First Homebuyers and one of the key takeaways there is just to reach out to us, and we can have those conversations that help you support them.

And the last point there obviously, referrals to Kāinga Ora. So, anyone who meets that Cohort B category, has a particularly good credit history, low debt, then feel free to send them to Kāinga Ora and to the First Home Partner pathway.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Eli, thank you for that presentation. Before we pass it over to Steven who is also from Kāinga Ora, I do have a question for you. Tell me, just what are some of the main objectives of the Goals Management Programme?

Eli Salmons (Kāinga Ora):

The Goals Management Programme has three main objectives. The first is ultimately to guide whānau into full home ownership and to get that transition to full home ownership and completely buy Kāinga Ora shares out. The second is to ensure that the property is maintained throughout the journey of the partnership and until Kāinga Ora does purchase the shares. So, they are the main objectives for the First Home Partner or the relationship manager to interact with and touch base with the household during that partnership journey.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Eli. I am now going to pass it straight over to Steven Naickar from Kāinga Ora too because, as we all know, everything comes better in pairs. Tēnā koe Steven, anei tō wā.

Steven Naickar (Kāinga Ora):

Thank you once again Mark for the introduction. Kia ora everybody and thanks for the opportunity to discuss this First Home pathway.

So, what I am looking to pretty much cover in this little presentation of mine is what makes a successful application. For a lot of people may be trying to get into a pathway with it being very new and in terms of home ownership and trying to get onto that ladder for the first time, how can we make this a little bit easier for them. So, from my end we are looking at potentially four things to cover, which is submitting an application, the eligibility and pre-approval process, identifying a property and also securing that property with Kāinga Ora and getting that full approval going. So, a few things to cover off.

Steven Naickar (Kāinga Ora):

So, we have got our income criteria so how does one obtain all this information. So, it's pretty simple. Through the IRD website we can generate the income summary report. We require 12 months of income from the date you have applied, so 12 months prior from that. Now, if the person is obviously self-employed, we will look at getting their IR3. Now, if you are part-year, you can't get an IR3, we are more than willing to accept financial statements via your accountant so we can see whether you meet the income criteria. So, we have also got a residency status criterion as well. The best way to get that sorted is a passport. That will cover basically not only residency but your age and also a photo capture. Now if you are not able to provide that, a licence in conjunction with your birth certificate will do. Now all of these will be witnessed by a JP as well so that forms part of our statutory declaration form.

Another thing to answer would be whether you have owned a property in the past or not or if you have any current interests. The main things we are mentioning in these is some people may come into the application process and miss out their information so it can delay them in trying to find a property so that's one of the few things we like to cover. If they have an existing bank pre-approval that does help when you are entering our portal. If you don't that is absolutely fine with us, we enter $1.00 but people need to keep in mind that our estimates will be based off that $1.00 and we won't be able to give you a finite number in the eligibility letter as we progress through.

We also would like to get a bit of information when you are submitting an application as to the household composition and who is in the application and who will live there. Ideally, we do not want to have an overcrowded situation where there is health and safety issues occurring. We want to avoid anything of that sort. And also, we do not want to promote or try and get people into a house that may be a wee bit more expensive as we know more bedrooms tend to be higher priced in the market so if you are dealing with a couple, they look at maybe four to five bedrooms, something to consider in that aspect. Now, all of our applications are done online at present. The current time with Covid and such does not really allow any sort of manual processing at the moment. So, all of that can be found in Kāinga Ora's website and you can apply through there.

So, what does an eligibility pre-approval look like? So, once you have submitted all your information and supporting documents, we will provide an eligibility letter to the successful candidate highlighting indicative prices we can support. The main reason we highlight the indicative prices is because people's circumstances may change, they may have to go to the banks again to confirm lending, the conditional pre-approvals may actually expire within a timeframe before they get a property. Our eligibility letters are valid for six months so a lot of things can happen within that timeframe. So, that's one thing to consider as well.

And during our eligibility phase we do like to have a conversation with potential customers as well about certain documents that we have sent through and then they will sign a commitment agreement, a shared ownership structure, and also have a discussion about sales and purchase requirements and the type of properties that can be used via First Home Partner.

Now the sales and purchase requirements we talk about is how you do not go ahead and sign anything without consulting us mainly because Kāinga Ora will need to be placed in the sales and purchase agreement as tenants in common, as co-purchasers as well. Otherwise, that can be a wee difficult going back and forth with the developers and getting lawyers involved as well. The commitment agreement basically highlights how the structure works and basically customers can sign or seek legal advice on all documents, and we encourage that, and it is their prerogative to do so if they wish or not. The customers can take our letter to the banks and obtain pre-approval or to have a discussion

Steven Naickar (Kāinga Ora):

with them and everything gets updated on their application online as well. That way everything is moving along swimmingly, and we have all information to assess within a timely manner.

The next thing would be identifying a property. So, the householder identifies a suitable property based on conditions of eligibility. So, prior conversations we have had, discussions of the household composition that we have had as well, also based off bank lending and basically Kāinga Ora's contribution that we have highlighted as an estimate. Once they return a signed commitment agreement to us, we, Kāinga Ora, will also sign that and return back to the customer and say hey look we are in this journey together for a First Home Partner trying to get you onto that property ladder. They return to us that unsigned copy of that sales and purchase agreement with our clauses inserted. We also look at certain things as well that can be highlighted to the customers such as escalation clauses or sunset clauses, just to keep them more aware as well, just so that they have an understanding of their journey within that home ownership space as well and that, you know, potential clauses are made well aware of on their side. Now, once all that has been done, we sign it and return it back to the customers who will take it to the vendor and we will look to identify a timeframe as to when that settlement will occur.

So, we have moved on from that, identifying a property, on to now securing the property with Kāinga Ora and obtaining that full approval. So, that's when we confirm such things as this is your deposit, your bank lending has been confirmed, all documents have been reviewed, we decide everything has been confirmed. An approval letters sets out to the customer highlighting all the details of the purchase price, bank lending, Kāinga Ora's contribution as well. The settlement date is confirmed via 20 days from when the document has been signed, the sales and purchase agreement, and we Kāinga Ora notify our people and set that up and also we have a discussion once again with the customer ensuring they know what the process is and also kind of introducing the relationship management side of things as well and having a discussion with them. I think a few things to cover off as well is we have the discussion with customers as well around you are entering into a property now, a journey to home ownership, and to be well aware of certain things that come with owning a home. You have got the rates and insurance side of things, and that we are here to have those conversations within terms of the relationship management if you need any sort of guidance and we can happily pass them on to other departments that may be able to assist that we cannot get involved with. So, our journey is to try and help the customer as best as possible.

Now, a few key takeaways in regards to my presentation. Once again, the smoothest way to get through an eligibility and approval stage is to submit all documents and all supporting documents. We do not want customers to have that unpleasant journey going back and forth as well, they may lose interest in the product, or they lose hope. So, the key thing is once again reading the website and getting an understanding or even calling us and finding out what is required.

The second key takeaway, this is a shared ownership product, so the sales and purchase agreements need to be bespoke and include Kāinga Ora so please do not go ahead and sign anything without consulting us as well. We want to help you and we want to include ourselves in that journey so get in touch with us. And also, understanding your current financial position and the market as well. Things can change quite quickly so keep that in mind in your journey. So, once again you are entering into a new home, potential expenses that may occur as well so keep that in mind. So, those are the three key takeaways I would invite anyone who is applying for First Home Partner and is trying to get in contact with us, keep that in your mind as well. That's about me from my side in regard to First Home Partner and the application process. Once again, I just want to say thank you for allowing us the opportunity to talk about this.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Steven. Just before we move on, I do have one question. Can you tell me what are the key differences in the application process and in the shared ownership product that you have compared with regular mortgage processes?

Steven Naickar (Kāinga Ora):

So, in particular with our one, certain documents are bespoke, so there needs to be a little bit more discussion with customers and vendors, in particular that sales and purchase agreement with having Kāinga Ora involved as well and adding in our clauses. So, it is quite new the product in itself, hopefully it will build momentum and people get aware of it but it is pretty much please do not go ahead and sign any sales and purchase agreements without including Kāinga Ora. We would like to advise clients of that.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Steven, thank you for your presentation. That was Steven Naickar from Kāinga Ora talking about the application process for the First Home Partner pathway. Hēoi ano whānau, we are going to head straight over to Heiko Jonkers who is from Westpac to tell us about the banking side of things. Tēnā koe Heiko, anei tō wā.

Heiko Jonkers (Westpac):

Tēnā koutou katoa, ko Heiko Jonkers toku ingoa, kei roto ī te au Credit Strategy and Policy Westpac. Good morning, everybody, thank you for the opportunity to be part of this webinar series. We are very grateful and feel very privileged to be involved. My name is Heiko Jonkers, and I am part of the Credit Strategy and Policy

Heiko Jonkers (Westpac):

Team at Westpac and one of the things that I work on is trying to work out ways that we can help families, whānau, into homes and make that journey into First Homeownership much easier and one of the ways we do that is with the support for the PHO programme.

If we think about how families or how people traditionally buy a home, the borrower brings some equity to the table, and they combine their equity with their borrowing capacity and if they are fortunate enough then that is enough to buy a home outright. But unfortunately, as houses have increased in price quite significantly, we are increasingly seeing that borrower equity and borrowing capacity is insufficient. And that is where Westpac is working hard to close that gap with support for programmes such as progressive home ownership, to try and make that journey towards home ownership much easier.

So, some of the ways that Westpac is trying to make that journey easier is support for those PHO models. Shared equity is one of our main supports at the moment. We have worked very hard on that; we have worked very closely with the team at Kāinga Ora on their programme as well to make sure that obviously we can support that wholeheartedly. We are also very interested in leasehold

Heiko Jonkers (Westpac):

models and trying to work out ways that leasehold models can be developed. And for those who saw the previous webinar series we are working closely with the Queenstown Lakes Community Housing Trust on their product to make sure that we can support that when families want to borrow to be part of that programme. We also fund community housing programmes obviously and we work with a number of trusts around the country to help them with funding models to get them into homes. We have various family equity models that we can leverage if families are lucky enough to have intergenerational wealth that they can rely on. We have models that can be utilised to leverage that intergenerational wealth if it is available.

Some of the other ways that we try to help if we think about that equation for buying a house if family can't afford the house, one way is to try and make that house cheaper itself. We are the only bank in the market that has an active offsite manufacturing funding programme. In that programme we have funding available for whānau who wish to buy an offsite manufactured house and we are able to fund that house while it is being manufactured offsite. Most other banks will require that the house is paid for or that their loan will be drawn only when the house is delivered, which means that the building of that house needs to be paid for either by the builder themselves or the family which obviously in and of itself potentially creates an affordability issue. We also have a programme that we are quite excited about called Westpac Warmup Loans where we offer a $10,000 interest free loan for five years to families and that can be used to purchase heat pumps, insulation, or other ways to make the house a healthier place to live. That has been quite popular in the market as well.

If we think about progressive home ownership, we are focused on that in two keys ways. Number one, we focus very firmly on protecting the whānau. We want to make sure that any programme we support will not disadvantage the participants. We do see a wide variety of programmes come through and it is unfortunate some of the programmes that we see are almost predatory. We are very clear with the people promoting those programmes that we are simply not interested. Within our own products and services, we are very careful with our products to make sure that they are completely standard, that we don't have any additional hurdles and so forth that need to be met for people to take part. We have got a specially trained team of people who can help applicants through the process. They understand how the PHO products work and they can help applicants through that process and help them understand how it all works to make that journey as smooth as possible. Now, even though legally we don't take part in the programme itself, we are not a signatory to the shared ownership agreement, we do take a very, very keen interest in those shared ownership agreements and the rights and obligations that they contain.

Really what we are looking for is that the risks and benefits of home ownership flow equitably to all parties. That is really important. I mean, whānau are taking out a loan. It's really important that they receive benefit for that loan, the recognition of their equity, recognition of their ownership stake. We have had to work with certain providers from time to time just to balance those rights out and just make sure that providers don't contain any excessive or oppressive rights. The things that we really look for are a pastoral care programme, that is probably the most important thing. The purpose of that pastoral care programme is to guide whānau through help with budgeting, help with financial advice, help with potentially the stresses of owning a home, I mean it is a big commitment, and just guide whānau, the family, through that process.

We look to avoid fees and charges as much as possible and we do recognise that certain fees are required but the way that we try and approach it is that any fees that are baked into the scheme,

Heiko Jonkers (Westpac):

anything that is paid out that doesn't go towards equity or obviously slows down that process of repaying the equity by the family. We try and minimise any of those fees and charges and, like a bank, we really look for those fees and charges to be fully justified. We have seen agreements where there are plenty of rights for the agreement to be cancelled and what that means effectively is that the whānau could lose the home. So, we work very closely with that to make sure that those rights are minimised and only if there is a complete breakdown in the relationship. The equity repayment, I can say that yes there is a requirement to repay the equity. But we make sure that those rules are very clear, they are very transparent and the valuation processes that support that repayment are very clear. Those equity repayment rules also have to be very carefully structured so that the bank can meet its regulatory requirements as well. And also, we look for plain language in the contracts. And if we look at that list of points that we look for in the programme, they are all there solely for the purpose of protecting whānau on the programme and making sure that there is no harm really that can come or that all the risks are completely minimised.

So, if families or programme providers are thinking about taking part in a progressive home ownership programme, these are the points that I think are important to consider. First of all, please engage with us as early as you can. We have got plenty of expertise to help. We are very motivated to help programme providers. We don't charge to help, and we have existing programmes that we can just take off the shelf and provide to get programmes underway as quickly as possible and that can often save tens of thousands, if not hundreds of thousands of dollars in legal fees and consultancy fees. So, please do come in and take advantage of that and you would have seen the theme in the previous webinars don't reinvent the wheel. We have got those structures ready to go and in that sort of open-source ethos of the PHO ecosystem we provide those structures completely free of charge.

The pastoral care programme, I am going to reiterate it here, it is so, so important. Generally, we will not support a programme that does not have a pastoral care programme and that bullet point there is so critical. I mean whānau will read the agreement, but they will remember the quality and the warmth of the pastoral care programme. And what we do say to PHO providers is that the agreement may seem very legal in some of its structuring but where PHO providers and where Iwi can provide the flavour, if you will, of the programme is in that pastoral care programme. That is where you can really wrap your arms around the participants and guide them through that programme. That is where the quality of the programme really comes to bear.

And just some advice to whānau who are considering getting involved, really engage early. Engage early with your chosen provider's pastoral care programme, understand what the commitments are, what the eligibility requirements are, how the home buying process works, what the nature of the whole programme setup is, so that you have an awareness of what you are entering into. And the same really goes for the bank. Engage as early as you can. If you have not yet been accepted into a programme, we can give you an estimation of how much you can borrow. If you do have an eligibility letter, then we will give you a pre-approved loan and those pre-approvals are generally good for six months. It's really important in that early engagement to understand what your borrowing capacity is so that you can understand whether or not you have enough equity from the programme, your own equity and home mortgage capacity to purchase that house. I mean, there would be nothing worse than if a whānau has had an extended engagement with a programme and then has come to the bank and for some reason the amount that the bank can lend is insufficient to buy a house and all that time has been lost. I can't stress enough to engage early both with the bank and with the pastoral care programme of your chosen provider.

Heiko Jonkers (Westpac):

And the final piece is to obtain really good quality financial and legal advice. It is really important to understand the legal requirements, the shared home ownership agreement and the mortgage agreements that you enter into are long term agreements and it is so important to understand how they work, what they mean, and what the financial commitments are.

So, if we think about three key takeaways, the first one really is that Westpac is committed to working with equity providers and whānau to create better outcomes. If I think about our CEO, I have seen our CEO celebrate a shared equity deal much more loudly than a big corporate deal. Our new CEO, Catherine McGrath, gets very excited about shared home ownership, she loves seeing this sort of thing, so it is a field that Westpac is fully committed to.

The second point is just stressing that pastoral care programme, I mean a combination of a good pastoral care programme with a shared home ownership agreement is really the best platform for success within that programme. And then for the whānau again that early engagement with your chosen bank and it doesn't have to be Westpac. I mean we would love to work with you obviously, but BNZ is also involved and there are some smaller regional banks that are also participating in shared equity and wider PHO programmes, so work with your programme provider to understand what banks are available and choose the bank that is right for you. Again, it is a long-term relationship so choose the bank that works for you. Westpac obviously is here to help you.

And then finally on my last slide I have got some contact details for whānau. We have got a website link there for our shared equity programme and how we support that and that will link you through to one of our mortgage managers who can guide you through how that process works. And then for providers we have got our two key people which is Steve Atkinson and Fonteyn Moses-Te Kani who head the programme and then myself, I work in the background in the policy and strategy side, but providers are welcome to contact me as well if there are questions. So, thank you once again, it has been a great privilege to be involved and I would like to acknowledge the other speakers as well. So, kia ora, thank you so much.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Heiko, thanks for that presentation. Just a couple of questions before we pass it over. We have heard that banks do not lend on Māori land which means that there are Iwi with significant land assets but who are unable to I guess open up the land for development. Why are banks nervous about lending on Māori land?

Heiko Jonkers (Westpac):

That is a great question, Mark. I mean banks never want to be in a position where we have to enforce on culturally significant land, so we are working on programmes where we can create a partnership with the ahu whenua trust or the custodians of the land so that if the worst outcomes possibly come to bear we can work together with those custodians to try and create the outcome that we need to get our loan back, potentially have some help to relocate the whānau to a more suitable home and then get a new family in to the home that was there. So, it is an area that we are working really hard on. We haven't effected our solution as yet but I think we are pretty close and if there are Iwi out there who are thinking about papakāinga lending then please get in touch, we are keen to speak to you.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Heiko, does Westpac provide any special concessions or require any additional requirements from applicants?

Heiko Jonkers (Westpac):

Thank you, Mark. It is really important that we have tried to make our loan application process as standard as we can. Sometimes that word standard has some negative connotations, but the key thing is that there are no additional fees, there are no additional hurdles, we use our standard valuation criteria. We have tried to make that application process as normal as we can within our environment so that we set the relationship with the borrower up for the long term. Because it is going to be somewhat of a 30 year plus relationship. So, the key thing is that there is nothing additional to pay, there are no additional credit requirements, the assessment of the borrower is as if they are a regular borrower and not participating in a scheme, and I think that part is quite important. We certainly don't make it any harder to get a home loan if you are participating in a shared equity scheme than you ordinarily would. So, your experience with the bank is what it would normally be with us.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Heiko. That was Heiko Jonkers from Westpac. We are moving along, in Heiko's presentation towards the end he talked about pastoral care that Westpac offers but we are going to pass it over to one of the queens of pastoral care, a person who has been working in assorted Kāinga Ora programme for some time up in the Tāmaki Makaurau area and around there. We've saved the best for last, so Leisa Nathan, tēnā koe Leisa, a nei tō wā.

Leisa Nathan (Ochre Business Solutions):

Kia ora koutou, tēnei te mihi atu kia koutou katoa. Mō te huihui mai nei, i tēnei ata, tēnā koutou katoa. I te taha toku papa, nō te whaanga o Matauri me Putāruru. Ko Ngāpuhi me Ngāti Raukawa ona iwi. I te taha toku mama, no Mamaranui / Kaihu me Mangōnui ia, ko Ngāti Whatua me Ngāti Kahu ona iwi. Ko Leisa Nathan ahau and kia ora whānau.

Just a little bit about myself and my background and the reason why I am here today. I actually run an education provider in Tāmaki Makaurau, so I do have a background in education and part of what I will be presenting today is really talking about getting whānau home loan ready.

Now a little bit of background there, I do come from both a housing and a business advisory background but in terms of my housing background, my core focus over the last about 15-odd years is to really assist whānau into home ownership through education and mentoring support. Really about looking at what the type of pastoral care we do put in place for whānau to get them to that home loan readiness stage. So, I have been doing that for a while now and we have assisted over 200 whānau into their First Homethroughout that duration. It has become a lot harder, as you can understand, getting whānau into a home because of the affordability issue. I am also involved in other aspects of housing, as a researcher for Nga Wai a Te Tui, the Māori indigenous research center at Unitec. My role there was to actually look at researching funding options for housing solutions for marae who were looking at putting some type of housing on to their land and so that was a research area there. Also, a Chair or former Chair of a Māori CHP for a community housing provider in Tāmaki

Leisa Nathan (Ochre Business Solutions):

Makaurau, Kāhui Tū Kaha, and working particularly with the Kāinga Kore whānau, our homeless or those that are needing help that do have mental health disabilities. So, that's an area of housing there that we are also involved in. Papakāinga subcommittees, been an interesting experience being on board our hapū, our papakāinga and really looking at ways of putting whānau back into, well basically issuing license to occupy so whānau can actually build their homes on to the land that they have applied for. So, this PHO product is certainly an opportunity for some of our whānau to potentially look at that through the Matauri X up there in the North. Board member of Te Matapihi, I am on actually Te Matapihi, have been on board I think since about 2017, must be four or five years now. There I am a Treasurer but also on board the PHO in terms of the education and communications working group. So that is a little bit about the housing background there. But I am going to talk a little bit about assisting whānau into home ownership.

So Ochre Business Solutions, what do we do or who are we? We are an education provider, as I mentioned earlier, based in Auckland, been around since around about 2004 and we specialise in those four areas of education: business entrepreneurship, financial capability, particularly personal financial capability, home ownership and governance. And particularly with Māori organisations, land trusts and marae and hapū organisations is what we primarily work with. You can find a little bit about my organization by looking on our website. But what I would like to do is really talk about the opportunities for our whānau to become home loan ready.

Now, today's presentation is really looking at the direct pathway, one of the three pathways. And so what's really important is for whānau to understand what are the existing programmes that could be out there that will help whānau to get to a home loan readiness stage. And they might be already there, but they might not realise that they are there. And so obviously part of accessing this programme, the PHO programme, whānau would need to really look at how, not only becoming home loan ready, but being able to develop or demonstrate their financial capability in order to become home loan ready. So, what does that do? Obviously, that gives comfort to lenders that you have the ability to be able to service the debt, service the mortgage, but also if you decide to look at shared equity or if you look at the shared equity programme, it also gives the equity holder the comfort too that you have the ability to be able to repay that shared portion back over that duration as well.

So, one of the programmes I really wanted to highlight, there is a programme out there at the moment, it is called Sorted Kāinga Ora. Please do not get confused with the title. Sorted Kāinga Ora does not have anything to do with Kāinga Ora the entity. What Sorted Kāinga Ora is is a financial capability programme that was co-developed between the Commission for Financial Capability and Te Puni Kōkiri. What it is, is really looking at focusing on providing whānau with a housing solution, whether that's home ownership or even papakāinga or even just really looking at moving along the housing continuum as well. So, these are facilitated by approved providers. Te Puni Kōkiri are the ones who actually fund the delivery of the programme and have limited funding available to the community, but they contract in approved providers to facilitate those out in the rohe. And it covers those eight topics or eight modules there.

So going through each of them, Induction Pathway to Housing, well this is where we really start introducing you to the housing continuum and looking at the different types of home ownership products such as rent to buy and shared equity being two that we do look at. Papakāinga as well, we do look at that. Kiwibuild, or now it is going to be rebranded as Kiwibuy, which is really alliance with the PHO product, is also discussed there. And also, really looking at what do banks look for when they are actually giving lending to you. So, getting yourself ready before you get to the bank. Spending Beliefs, okay this is obviously where we start looking at yourself as a person, your own character when

Leisa Nathan (Ochre Business Solutions):

it comes to making decisions around money and how you go about making those decisions. And it is really looking at your good habits, your bad habits, your ugly habits and the moving those ugly and bad habits to good habits. It is really just looking at getting you focused around achieving your goals.

Which is where number three, Money Plans, comes into play and that really does focus on, not just goal setting, but also making sure that you can really afford this by updating and reviewing your own personal budget, or household budget, should I say. Motivations and Money Systems is where we get more into the specific goal setting of your home ownership goals and Money Systems really looking at how do we systematise our spending and the way we operate our bank accounts. Debt and Your Rights, this is the process we go through, we look at what the different types of consumer debt that is out there that you might already have and what is the best way of reducing debt. And also, your rights as a consumer, if you were to take out debt, what is your understanding of what your rights are, we also go through that as well. Save Smart, we introduce Kiwisaver here. This is where we also get you to understand how you can use your Kiwisaver to actually purchase your first home. So, we go through and cover that off. Plan for the Unexpected, is where we go through things such as planning for your death so looking at estate planning, looking at making sure you have got your Wills in place, Power of Attorney. And while trust structures are not part of the topic Ochre Business does normally include the topic of whānau trusts because we often get the questions about buying homes in a trust structure as well.

And then the last one looking ahead is being able to put together your home ownership plan, or what we call your financial plan, so that you actually look at (1) reducing your debt if that's the priority, (2) being able to make sure you've got enough deposit, and (3) increase your chances of getting a home loan.

There are other financial capability programmes out there as outlined there. The Certificate in Money Management from Te Wānanga O Aotearoa is a 20-week programme, it is a Level 3 NZQA approved programme. It is a fantastic programme; we are a facilitator of that programme in Tāmaki Makaurau. It goes quite in depth into more areas than what the Sorted Kāinga Ora programme does but bearing in mind that because it is NZQA there is quite a bit of expectations around assessment completion and attendance. Other programmes there, He Papa Pūtea, MWDI, I'm not too sure if they are still rolling that out but that is another great programme too.

Now, with our Pasifika whānau, we do have a mainstream education provider called Skills Update Limited who have recently won the tender to deliver the equivalent of Sorted Kāinga Ora to the Pasifika community. And that is for the Sorted Pacific Peoples Pathway. So again, for our Pasifika whānau that is an option but there are other Sorted programmes. There is the Sorted website, the CAP Money Course is a really good programme (that is Christians Against Poverty) and Open Polytech also has Financial Skills for Life and some banks do have their own programmes as well.

So, look that's just really talking about whānau and their ability to be able to access the Sorted Kāinga Ora programme. My encouragement if you wish to access that programme or know more about it, go to your local office at Te Puni Kōkiri and ask if they have a Sorted Kāinga Ora programme operating in their regions and so they can actually put you through to the right provider in those rohe. Now, when it comes to the other two pathways, Te Au Taketake and the provider pathway, one of the things that we are able to do is work with providers in not only potentially delivering financial capability and/or pastoral care support for whānau, but we could also work with providers to basically build your internal capability, your internal pastoral care, your internal financial capability and facilitation skills of your own kaimahi so they can go about in actually delivering this to your own whānau. So that is

Leisa Nathan (Ochre Business Solutions):

an area that we could work with. Bearing in mind that if you were to become an approved PHO provider the funding that is available for whānau if I can recall it is $7,000 per whānau pre-purchase to get whānau up or get whānau ready to actually take advantage of that purpose. And then there is an annual $1,800 maintenance fee or annual fee to assist providers with their ongoing checks or pastoral care.

So, part of that is being able to potentially implement an annual financial health check with whānau to determine if whānau are ready to purchase the additional share, if it is a shared equity programme. And in that way by being able to implement the annual reviews they can then decide whether they are in a position not only to be able to purchase the share but being able to really decide if the interest rates at that time or, what we would normally encourage, is to add another 1% on the current interest rate. Whether they can still afford it with an extra 1%, potentially 1.5% interest rate higher than what the current interest rates are at that time.

Also, assess readiness of whānau to become eligible and apply for the actual scheme itself. That is an area that we might be able to support providers with as well as strengthening their governance arrangements as well. Part of what we are able to also potentially consider, is looking at what type of PHO product may be best suitable for your organisation. And that is depending on what your strengths of your organisation is, your strengths and your weaknesses of your organisation determine which PHO products could potentially suit your organisation. Now, we had three providers last week talk about their respective PHO products that had been approved. And you could be looking at a combination of those products or even your own product that you might want to develop that will need to go through that approval process. So, again that could be another area of support there.

So just three takeaways there, obviously the first takeaway is that to be able to take advantage of the PHO scheme whānau needs to be home loan ready and that there are programmes that are available out there for whānau to be able to build their financial capability and get them home loan ready. And the third area there is really to be able to look at how approved providers, to be able to demonstrate internal capabilities to deliver PHO products. So as an approved provider you need to be able to show that. You need to be able to show that you not only have the financial capability but also the other internal infrastructure capabilities within the organisation to be able to deliver this product in an effective way.

So, this is my contact details You are more than welcome to contact me, that is not a problem whatsoever. Happy to chat about the financial capability programmes out there and yes so look I would just like to say thank you very much for your time and I'll pass that back to you. Thank you very much there, Mark. Kia ora, Mark.

Mark Ormsby (Te Tūāpapa Kura Kāinga)

Tēnā koe Leisa, thank you for that very informative presentation. Leisa, just before we move to the Q & A, you mentioned the good, the bad, the ugly. What could whānau do in the meantime to get themselves financially ready for a home loan so that they can take up the opportunities like First Home Partner or to work with a provider? Kia ora, Leisa.

Leisa Nathan (Ochre Business Solutions):

Well, one of the things you could do is to actually order your own credit report, to be quite honest. So, there is a number of different credit reporting agencies out there that you can actually go to to be able to order a free credit report on yourself, to be able to assess is there any surprises there that you might not even be aware of. Because often whānau are not aware until they get to a mortgage broker or to the bank who then get a credit report done on them, to then find out well actually there are some issues there that actually need to be resolved and sorted out before they can get to the approval stage. So, that is certainly one thing I would encourage to do is really look at getting a credit report done on themselves. There are different types of credit reporting agencies including Veda, Credit Simple, and so again, have a look to see what is there and that would be a good starting point. I also would encourage you just to really do a stock take on your current financial status, your current financial situation at the moment. And that is looking at your spending and being objective, reviewing the last three months of your bank statements and looking at what is coming in, what is going out and just being objective in terms of where your spending is going. Banks will ask for three to six months' worth of bank statements and they will assess your character by the way you are spending based on what is in your bank statements. I would encourage that too. Kia ora.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Leisa. I just want to thank all the presenters today that presented. We had our two from Kāinga Ora, Eli Salmons and Steven Naickar, Heiko Jonkers from Westpac and of course Leisa Nathan talking about her Sorted Kāinga Ora programme. We are moving to Q & A now and just before we do that, I will give the speakers a bit of a breath. We are going to look at some of the answered questions, so those of you that have not seen the answers I am just going to read out a couple of these if I can.

Our top vote one here. tēnā koe Irene, tēnā koe i te uri noa o Ngāti Whanaunga, her question was: Did you mention the equity contribution is not a loan and does it need to be paid back? Heiko replied by: Kia ora Irene, you are right that the equity contribution is not a loan, but the equity contribution does need to be paid back. The difference is that you can elect when you make repayments and how much you repay with certain minimums. Your PHO provider will help you understand how that process works.

Another question from Rondell Reihana: Can the 5% deposit be made up of Kiwisaver and/or First Home grant? And the answer from Heiko was: Yes, the Kiwisaver component and First Home grant can be put towards the 5% deposit.

And a question from an anonymous attendee: Will this process work fast enough for a family to be able to buy off-the-plans in a very competitive market, i.e., will the money for the down payment be available in time? Heiko replied to that: I would encourage applicants to work closely with their chosen programme's pastoral care programme to understand the risks of buying off-the-plans and whether that pathway is suitable. At a minimum whānau should look for a level of cost certainty on the part of the builder and a commitment to the timeframe to build the home.

Rondell also asks: You mentioned the maximum available in this product is $200,000. Eli replied by: That's correct, the lesser of 25% or $200,000. Maybe Eli if we could think about what you mean by the lesser of 25% and maybe where that applies, they do a little bit of a comparison between I guess Auckland and other regions. The share that Kāinga Ora will contribute is determined by serviceability and total purchase price of the property.

Mark Ormsby (Te Tūāpapa Kura Kāinga):

And finally, I will just answer one more question thank you, by Hemi Toia: Do we engage with Westpac at a local branch level or other? Heiko said: You can come into one of our branches who will put you in touch with one of our mobile mortgage managers. Our branch staff can also help you broadly understand the bank requirements.

I do have another; I think this is probably a question worth answering. This is from Lorene Neilson: When is the homeowner expected to fully own the home by? Heiko replied: The time frame is dependent on the whānau capacity to repay the equity. Most schemes expect equity to repaid within 15 years and there is a commitment to repay within 25 years. On average most whānau successfully repay the equity within about eight years. And that tends to be the case we have heard also from the other two pathways.

So those were some of the answered questions. We are going to move straight into for the panel some of the questions from everyone else.

So, from Te Miringa Mihaka: Will you work with whānau on benefits or is this just for working households? I'll throw that over to the panel.

Steven Naickar (Kāinga Ora):

In regard to First Home Partner, we have had applicants that have been receiving beneficiaries and we have assessed them, and they have met our criteria. They will have to be aware of certain circumstances around the area that they live in, house prices as well, and they will basically have to be considering of which bank that they will go to as well. So, they do have to be aware of a few things in that aspect as well. So basically, when we look at your income, we look at the earnings that you have had in the past 12 months, as long as it doesn't exceed that $130,000 then we are absolutely fine with that, it can derive from beneficiary income and can come from anything else as well. So, we are absolutely fine with that.

Mark Ormsby Mark Ormsby (Te Tūāpapa Kura Kāinga):

Thanks Steven. Another question from Brian Heihei: Does the Kāinga Ora lending criteria still need to meet the Kiwibank standards or criteria or is it an easier bar to meet for whānau that typically don't meet Kiwibank's lending criteria?

Steven Naickar (Kāinga Ora):

So once again our one is not necessarily a lending criterion, it is an eligibility criterion. We don't assess in terms of how banks usually do. We have our own set of eligibility criteria, do you meet the income cap, are you a New Zealand citizen, have you owned prior property as well, there's a deposit component as well, we look at that. So that's how it works for us, so it is assessing eligibility stage, provide you a letter saying hey look cool we want to support you in First Home Partner, go to the banks and obviously get that pre-approval, conditional approval as a mortgage, come back to us and then we assess you basically in terms of the property. So, I'm not really privy to anything in Kiwibank's lending criteria so I'm not able to confirm that but we are not a lender so we most likely don't have that similar criterion.

Eli Salmons (Kāinga Ora):

One thing to mention also on that is the participating banks for First Home Partner and so Westpac is obviously one of them along with BNZ.

Heiko Jonkers (Westpac):

I can probably add to that answer as well, is that participants in the schemes will need to meet the bank lending criteria, the bank loan is part and parcel of success in the scheme. So, if there is a reason that an applicant doesn't meet a certain bank's criteria the best thing to do is to discuss that with the bank, understand what the issue was that made it unable for a particular bank to lend and see whether we can work through that to still be able to provide you a loan. Or it might be a matter, as Leisa alluded, to working with your pastoral care programme to understand what the issue was, mitigate it over time and then maybe in six to 12 months then that issue becomes less of a concern for the bank, and we can then provide the loan.

Mark Ormsby Mark Ormsby (Te Tūāpapa Kura Kāinga):

Another question from an anonymous attendee: Do you have to be a Kāinga Ora tenant to access full home ownership? If you see an existing Kāinga Ora property that has been vacant, how can someone send a pānui to Kāinga Ora to purchase the whare?

Eli Salmons (Kāinga Ora):

So, you don't have to be a Kāinga Ora tenant in order to utilise the First Home Partner product. It is targeted towards mainstream so anyone can access that. In terms of Kāinga Ora property that are vacant, there is a process in terms of assets within Kāinga Ora that you can enquire as to which particular properties can be sold, if you are a tenant in that particular property.

Mark Ormsby Mark Ormsby (Te Tūāpapa Kura Kāinga):

Nothing else from you Steven?

Steven Naickar (Kāinga Ora):

No, so basically that process of the tenant home ownership process. So, if you are an existing tenant, you can enquire in regards to that from our website to see whether you can purchase the property that you are residing in. Again, one other thing just to note as well is we are not necessarily trying to sell our social housing stock, we are basically trying to keep that going and improve upon it so keep an eye on that. But once again, if you are an existing tenant from Kāinga Ora wanting to purchase that our tenant home ownership team can assist with that. If you have got anything that you want our website has the information there with enquiries mailboxes as well to find out information and you will be potentially directed to those people as well.

Mark Ormsby Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Steven. Here is a question from Malcolm Mora: If whānau are interested in building on tupuna whenua, aka Māori freehold titled land, what is Kāinga Ora's whakaaro?

Steven Naickar (Kāinga Ora):

Can you repeat that again Mark, sorry?

Mark Ormsby Mark Ormsby (Te Tūāpapa Kura Kāinga):

Sorry, think I might have broken up there. Question from Malcolm: If whānau are interested in building on tupuna whenua, that is Māori freehold titled land, what is Kāinga Ora's whakaaro? What do you guys think?

Steven Naickar (Kāinga Ora):

Once again, that's something we will probably have to discuss with and take to our management at the moment, but I think that has been substantially played out as a scenario at the moment. Currently it is just general freehold land and that type of discussion. Once again, we would also have to contact all the other relevant parties as well involved, the banks and such as well. Obviously, we've got other products such as Kainga Whenua and such so once again though unfortunately I can't really divulge a proper answer, but it can be passed on to the relevant people and see whether that can be looked at as something that we can utilise First Home Partner with or not. So, it's an unfortunate maybe answer, to be honest, but we can potentially look at that. It is something that we have highlighted to see can we use this or not.

Mark Ormsby Mark Ormsby (Te Tūāpapa Kura Kāinga):

Thanks Steven. Here is a question from Donette Kupenga: Can we get a rough timeline how long a process, I guess the First Home Partner process, will take from start to home ownership?

Steven Naickar (Kāinga Ora):

So, from application to getting eligibility we are looking at five days. Then the part that varies a lot of the time from this is finding a property so that can obviously change and make it short or long. So, if a person finds a property and has all the clauses that Kāinga Ora wants we can potentially look to get the process done within probably a month to be honest. But a lot of that depends on vendors accepting our clauses, customers not going ahead and signing a sales and purchase without Kāinga Ora's involvement and having us actually put in that sales and purchase as tenants-in-common and once again I think the bank side of things we would expect roughly, not too sure if Heiko can comment, a response time within a week or so. So potentially we could look at within a month from our side.

Heiko Jonkers (Westpac):

I can add to that, kia ora Mark. I mean our approval process typically takes between one and two weeks depending on how complete the information is. So, we can quite happily work in parallel with the process at Kāinga Ora's so if whānau have a house in mind and that house is available and the price is agreed then it can be incredibly quick.

Steven Naickar (Kāinga Ora):

Once again, as Heiko mentioned, it is have you identified a property as well and the information presented to both Westpac, us and any other providers, any other participating banks as well. So once again it's about having all the ducks lined up.

Mark Ormsby Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Steven and Heiko. Here's a question from Scarlet Mokaraka, there's probably three questions in this so I'll just go slow on this, and I think this might be for you Heiko, but anyone is open to answer this: Who provides/designs/supports Westpac's pastoral care (first question); can we see a model approach that you take for pastoral care (possibly the second question); and what considerations are included?

Heiko Jonkers (Westpac):

Well, that's a great question actually, in fact I upvoted that one myself because I really wanted to answer it live. So first, I guess to answer the first question is that it is not Westpac's pastoral care programme, the pastoral care programme is very much part of the programme provider's programme, and it is their opportunity to really tailor a programme that is suitable to their clients and demographics. It is entirely up to them how that programme is designed. Some of the key things that we look to, and Leisa touched on this really well in her presentation, financial support, budgeting support, financial planning, some advice on taking care of the home, dealing with the stresses, what to do when there's a bump in the road, potentially some support if you are having trouble dealing with the bank, how that would work, all of those sorts of key things. So really, just to reiterate it is up to the programme provider how that pastoral care programme is put together. The key thing that we look for is that the programme is there and available and that whānau are supported through their journey into shared equity.

Mark Ormsby Mark Ormsby (Te Tūāpapa Kura Kāinga):

Another question from Scarlett: Has there been legal consult/conveyances included in the design of these programmes to ensure efficiency in the legal process for sales or purchases through the PHO programmes?

Heiko Jonkers (Westpac):

I can probably jump on that one and Eli might want to come into it as well. So, there are probably two processes to think about. There's the initial purchase of the house which that process is really routine.

Any solicitor, any conveyancer, they know exactly what to do. In some cases, depending on what promotion Westpac is running sometimes there is even assistance with costs for conveyancing, it just depends on what our marketing team is doing. So that's the initial purchase of the house. And then there is the ongoing re-purchase of the equity and we have worked very closely with all the programme providers, especially New Zealand Housing Foundation and Kāinga Ora to make sure those processes for assessing the value of the house and working out how much equity or how much equity share is being purchased for the dollar amount that's being provided, is as smooth and efficient as possible. So, the short answer is yes it has been included in the design and we have been really focused on keeping any friction costs as low as we possibly can.

Eli Salmons (Kāinga Ora):

And just adding on to that with First Home Partner, there has been engagement with legal consultants in terms of designing the feature as well as ongoing process developments. So obviously it is a new product, and we are going through some of that onboarding of the purchases that are being acquired so we are engaging with legal teams both internal/external to try and make that process simple, for both ourselves and the applicants.

Mark Ormsby Mark Ormsby (Te Tūāpapa Kura Kāinga):

Kia ora Eli. Does Kāinga Ora have any programmes they have developed where service providers can be accredited, where you verify the quality of their services for whānau through these programmes and processes?

Eli Salmons (Kāinga Ora):

In short, I would say no we haven't developed or have any products that tend to look at service providers and how they offer services from their end. The support we provide is just that engagement around what they are providing in the community and being onboard as to what they are trying to achieve within their areas.

Mark Ormsby Mark Ormsby (Te Tūāpapa Kura Kāinga):

Thanks Eli. I think this is for you Heiko, but you mentioned Westpac has an offsite manufacturing homes. Is there information available on what these homes/plans are and how they can be considered by whānau please?

Heiko Jonkers (Westpac):

The product that we offer is financial support for building the home offsite. So, whānau are free to engage with the offsite manufacturer of their choice and as long as the house that is being built is a consented home and it is going to be eventually affixed to site, then really what we are looking at is the construction method and Westpac has figured out a way of securing that home while it is being built. That is really important because there are certain credit risks which I won't go into the detail here that we have mitigated to protect whānau. So, there are no designs that Westpac pushes, you are completely free to engage with whichever builder you wish and then we help both the whānau and the builder understand what contractual requirements are needed just to again mitigate certain credit risks and then the process basically runs as a normal construction loan after that.

Mark Ormsby Mark Ormsby (Te Tūāpapa Kura Kāinga):

Kia ora Heiko. Another question from Rondell: There was mention of paying back equity. Who is paid back to and how is this determined about what should be paid considering the varying valuations at the time of signing for a mortgage and the timeframe of when those equity repayments may actually commence, e.g., could be after five years perhaps?

Heiko Jonkers (Westpac):

That's a great question and it is really important that whānau understand that process. So basically, what happens is at the beginning of the agreement whānau will take out a mortgage with their chosen bank and then alongside that mortgage is the equity contribution from the equity provider and their own equity. So, the commitments to repay the mortgage start on day one and they are obviously contractual commitments that roll through until that mortgage is repaid. Now, the equity repayment is repaid to the equity provider, so it's not the bank, it's repaid to the equity provider, and the timing and the amount that is repaid is elected by the participants. So, you don't have to pay back 100% at one time. I think the minimum for Kāinga Ora is about 5% but programmes vary.

What happens is that whānau will contact their chosen provider, at the time of the repayment the house will be valued to make sure that the right value is repaid, and then whatever funds are available are paid to the equity provider and the equivalent share is then passed over to the whānau so they will own a larger proportion of the home. But generally, how it happens is over time the income of families increases, the value of the house increases which means the borrowing capacity increases, or there may have been a windfall that comes to the whānau that they can apply, or they have managed to save the funds that are required, and they are just incrementally paying that equity share off. So, it is a really important process to get into early and just that last comment around that the equity payments may commence five years after the home is purchased, so yes the home could be worth more but it is important to remember the proportion, so say for example in the purchase the whānau owned 65% of the home and Kāinga Ora owned 30% of the home, if the house doubles in value, and that does happen in Auckland, then whānau still own 65% of that higher value. So, there's been a lot of financial growth through that period. So, while the dollar amount that needs to be repaid to the equity provider has also increased, it is important to remember that the family own a share of a more valuable asset and that is the key part of it. So, they're growing financially through that process. Those are really great questions and if families or whānau are unsure about how that process works, that's where that pastoral care programme comes in, that's where that financial advice and support piece comes in and it is really important to understand how those mechanics work. Also, our mobile mortgage managers can help, they are qualified financial advisers, and they can help whānau understand how that process works.

Mark Ormsby Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Heiko. Question again from Scarlett: The multigenerational income cap, does this differ from the $130,000 cap?

Steven Naickar (Kāinga Ora):

Yes, that does. So, we look at each region and we calculate 140% median income of that region, and certain places, take Auckland for example, higher house prices and pretty much more demand in that area so we know that there is obviously more competition, trying to get more families into households, so there is multigenerational families and the income cap is higher than $130,000. So, off the top of my head, this may not be exact, it is roughly $155,000. Those ones will obviously get reviewed yearly because it's from Statistics New Zealand as well and though we do have an idea as well, there's multigenerational families in other regions that may not be as financially, the median income levels compared to Auckland, we will take discretion in regard to that and see whether the $130,000 applies or whether the multigenerational cap, so there is that ability there. What we're trying to do is get more families into households and give them that better opportunity as well.

Mark Ormsby Mark Ormsby (Te Tūāpapa Kura Kāinga):

Thanks Steven. What if you are below the income requirement threshold?

Steven Naickar (Kāinga Ora):

So, we don't necessarily have a level that's below, so our income criteria works on you can't have income more than $130,000 within that 12 month period. We do have conversations with customers who may have a lower-level income, so we do advise them that look, you are going to have to look at your borrowing capacity with the

Steven Naickar (Kāinga Ora):

banks and maybe trying out online calculators looking at your region. So, if you are looking at potentially, you know, I may try Auckland or Huntly or another different area, to have a look at those online and see what sort of prices they are and your household composition. So, if you are single person, we advise you to look at one-bedroom places within that region and your income. Also, to have that conversation with the banks as well. It doesn't hurt having that conversation and saying hey look I'm just enquiring about what are my chances of obtaining a loan and so we do like to try and prepare people as best we can via phone calls.

Heiko Jonkers (Westpac):

I can potentially add to that very briefly, Mark, if I may. The Westpac credit approval process will provide a loan that is within the affordability capacity of the borrower. So, it doesn't particularly matter if a particular whānau is below the maximum threshold requirement of a particular programme. We will right-size the loan within the borrower's affordability and that is our obligation and our responsibility really to the whānau. And then the difference becomes the equity amount that is required to balance the borrowing capacity and the equity that the whānau is already bringing in and provided that those amounts line up to purchase the house then that's how that equation will come together.

Mark Ormsby Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe, Heiko. Perhaps a non-related question but I am going to ask it anyway. It is from Te Miringa Mihaka. If anybody here knows please answer: Is the 70 square metre minimum size of transportables still a requisite for the kāinga whenua product or is it possible to use a smaller whare, e.g., 50 square?

Steven Naickar (Kāinga Ora):

So, kāinga whenua, there is recent work being done in regard to kāinga whenua at the moment with the policy so there may be some changes coming about form that, so it is currently being worked with our product managers and Kiwibank. So, nothing has been put in concrete at the moment so I would advise just to hold off at the moment and probably enquire with Kiwibank sometime next week and hopefully that can be done fairly soon.

Mark Ormsby Mark Ormsby (Te Tūāpapa Kura Kāinga):

Does Kāinga Ora have any ambitions to support whānau through papakāinga occupation in partnership with Te Ture Whenua?

Steven Naickar (Kāinga Ora):

So, in relation to further helping with papakāinga, Kāinga Ora is potentially looking at some of these things. We haven't really gone into active discussions from what I'm aware of. There may be different departments within Kāinga Ora that are looking at it as well so we have other areas which may have ongoing discussions with that but I'm not really privy to that, so I won't necessarily be able to give you a concrete answer to that. But look all this questions in there, I have seen a few of them and asking whether we are partnering in papakāinga as such, we can potentially look into those as well. I may have to reach out to different departments and stakeholder engages and figure out whether we are doing that. But currently from what I know there is no actual product or anything that is actively currently being delivered but that may not necessarily mean there is engagement going on to see how that can actually be facilitated.

Mark Ormsby Mark Ormsby (Te Tūāpapa Kura Kāinga):

Kia ora Steven. I am going to take just two more questions. Our time is near coming to an end. Question from an anonymous attendee: Is Westpac the only bank who accommodates PHO products or are there are other banks willing to work with our whānau as well?

Eli Salmons (Kāinga Ora):

In terms of First Home Partner, we are working alongside the likes of Westpac and BNZ. We are also in discussion of onboarding other major and smaller bank lenders as well and hopefully they will be on board this side of Christmas and they are SBS and Kiwibank.

Heiko Jonkers (Westpac):

I can add to that briefly. I believe that the New Zealand Housing Foundation also has a relationship with ASB just from memory. So, it may be a question of just working closely with your chosen PHO provider to understand whether they have struck their own relationships with particular banks. Certainly, just reiterated what Eli's comment was, Westpac and BNZ are strong supporters of PHO programmes and I know that some of the other banks are just waiting for the PHO scene to develop a little bit to help them understand how their regulatory commitments fit in and I expect that they will join as well. So, it should give whānau a wide choice of banking providers.

Mark Ormsby Mark Ormsby (Te Tūāpapa Kura Kāinga):

Kia ora Heiko. And because Leisa hasn't said anything I am going to go right to the last question that is specifically for Leisa because we always save the best for last. This is a question for you, once again it's not strictly related to First Home Partner in this series, but it says: Under the Unitary Plan Māori freehold land zoned as Mixed Rural are only given the option of building a small size home and a small amount of homes. Is there a way to get around this?

Leisa Nathan (Ochre Business Solutions):

I think I did answer that in the box there. Look that's a regulatory question and one of the things is it is very difficult to be able to contract out of law or any bylaw as the case but my only recommendation is to be able to advocate with your local MP, particularly a Māori MP, to be able to look and address that particular issue because there will be other land owners that will also have similar issues too so the question is why is there that restriction in place and I'm not able to answer that specifically. So, look I wish I could give you the answer but really it is about going back to your local Māori MP, being able to lobby and advocate for change there and being able to understand what the policy rationale behind it is and whether there is change that could be made as a result. So, I wish I could answer that a bit better than that but aroha mai.

Mark Ormsby Mark Ormsby (Te Tūāpapa Kura Kāinga):

Tēnā koe Leisa, thank you anyway, and thank you all for contributing and whānau out there for asking those questions. Finally, again I just want to mihi out to our kaikōrero today, our paikōrero, tua tahi, kia kōrua, kia Eli Salmons and Steven Naickar from Kāinga Ora, from Westpac, Heiko Jonkers and from the Ochre Business, Tēnā koe Leisa. Hēoi ano koutou mā, huri noa huri noa, tēnā koutou, tēnā koutou katoa. Tēnei te mihi atu koutou. Hēoi ano whānau tēnā koutou tēnā koutou, kia ora mai tātou katoa, ka huri.

Speakers together

Thank you very much, kia ora.

Questions & Answers

Episode 3
First Home Partner Pathway

These are the questions that were answered by the Panel in written format and therefore not included in the recorded transcription above.

Questions	Answers
Did you mention the equity contribution is not a loan - and does not need to be paid back?	You are right that the equity contribution is not a loan, but the equity contribution does need to be paid back. The difference is that you can elect when you make repayments and how much you repay (within certain minimums). Your PHO provider will help you understand how that process works.
Can the 5% deposit be made up of Kiwisaver and/or First Home Grant?	Yes, The Kiwisaver component and First Home Grant can be put towards the 5% deposit.
You mentioned maximum available in this is product is 200k?	That’s correct, the lesser of 25% or 200k. The Share that Kāinga Ora will contribute is determined by serviceability and total purchase price of the property.
By when is the homeowner expected to fully own the home by?	The timeframe is dependent on the whānau capacity to repay the equity. Most schemes expect the equity to be repaid within 15yrs and there is a commitment to repay within 25yrs. On average most whānau successfully repay the equity within about 8 years.
Will this process work fast enough for a family to be able to "buy of the plans" in a very competitive market - i.e., will the money for the down payment be available in time?	I would encourage applicants to work closely with their chosen program's pastoral care program to understand the risks of buying off the plans and whether that pathway is suitable. At a minimum whānau should look for a level of cost certainty on the part of the builder and a commitment to the timeframe to build the home.
Do we engage with Westpac at a local branch level or other?	You can come into one of our branches who will help put you in touch with one of our Mobile Mortgage Managers. Our branch staff can also help you broadly understand the bank requirements.

Are Westpac's staff currently ready to go all around the country?	Yes, our staff have been trained to discuss Shared Equity. Our mobile mortgage managers are ready to help.