

TE AHO TĀHUHU

the Progressive Home Ownership Webinar Series

Managing Risk

Nigel Hewitson, Te Tūāpapa Kura Kāinga

1. Delivering PHO Outcomes - Managing Risk

- Provider – considering the PHO opportunity
 - how does it impact our financial position?
 - How will we repay the loan?
 - What additional risks would it add to our business model?
 - How can those risks be mitigated?
 - Creating an asset – but comes with liabilities
- Te Tūāpapa Kura Kāinga – considering the funding proposal
 - What is the Crown's risk on making the loan?
 - What's the risk of the loan not being repaid?
 - How can we mitigate the Crown's risk in the event of a default?
 - Is the security offered adequate/sufficient?

2. Systems and Processes – potential risk areas

- Mission, vision and PHO strategy
- Governance, leadership and decision making
- Internal operations and management
- Whanau selection
- Financials
- Managing the Loan monies
- Previous experience with PHO products

3. The Product

- **Risk: Not a workable product for the banks?**

- Banking risk: Is documentation industry accepted, or a one off agreement?
- Documented, clear, unambiguous, ready to be used with whānau?
- Does it meet credit agreement requirements? Is it oppressive?
- Has a bank give support to work with this product?

- **Risk: Is it a workable Product for your whānau?**

- Is there a risk the product is not suitable for Cohort A – unachievable outcomes?
- Have these risks been tested with modelling ? In multiple scenarios?
- Support for households – walking beside whānau – does it have the focus it needs?
- For shared Equity & RTO: the loan repayment relies on the households succeeding
- Mitigating the risk here is essential

4. The Delivery Plan - for new Eligible Homes

- What risks haven't been identified?
- Are risk mitigation plans adequate?
- Times 'Are-a-changing'
- From buying new completed homes; to Turnkey; to
- Land acquisition, development, subdivision and construction. Level of Risk?
- For the seasoned developer? Medium to High depending on size
- For the inexperienced? Recognise the capability gap; and
- Employ or contract the best Development/Project Manager available
- Stay 100% engaged, track the identified risks and action mitigation strategies early

KEY TAKEAWAYS

- 1. Leverage off the experience and assistance of others**
- 2. Don't reinvent the wheel - use the tried and tested**
- 3. Recognise the risks that could lead to default**
- 4. Demonstrate how those risks are mitigated or eliminated**

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