

Senate Standing Committee on Economics
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio

Inquiry into the Help to Buy Bill 2023 and the Help to Buy (Consequential Provisions) Bill 2023
2023 - 2024

Department: Department of the Treasury
Topic: Scheme details
Reference: Written
Senator: Andrew Bragg

Question:

1. What is the forward estimates and medium term funding profile of the measure? Please provide a breakdown on PDI, departmental expenses and defaults.
2. What is the capital contribution profile of the measure?
3. What is the assumed return on equity over the medium term of the measure? Please provide breakdown on returns by election of homeowner and returns through no longer being eligible for the program.
4. Which lenders have signed up to support the scheme?
5. Will homeowners participating in the Help to Buy scheme have the option to refinance their home loans while enrolled in the program. Can refinancing occur in states if those states 'withdraw' from the scheme?
6. What are the current income thresholds for this measure? (are they the same thresholds announced in May 2022)?
7. In instances where homeowners will be forced to sell, can you outline that process?
8. Will owners be forced to sell in negative equity?
9. Are the property price caps the same price caps from the policy announcement in May 2022? How were these property price caps decided, please outline the consultation.
10. How do the property price caps in each state and territory compare to current median property prices?
11. Outline why states are required to pass enabling legislation before Commonwealth's Help to Buy scheme can operate in each respective states.
12. What consultation has Treasury undertaken with state counterparts on the design of the scheme?
13. From modelling undertaken by Treasury what is Treasury's estimates on the rate of defaults likely in the Commonwealth's scheme?
14. Has the Commonwealth sought assurances from States with shared equity schemes that they will continue with their schemes should the Commonwealth's scheme pass through Federal parliament?
15. What is the definition of a 'new home' - off the plan? Newly constructed? Never been lived in?

Answer:

- 1-3. The scheme is estimated to invest a total of \$5.5 billion to support 40,000 places. Actual investment will depend on a number of factors including property prices, interest rates, and other economic conditions.

Rates of default have been assumed to be in line with the Home Guarantee Scheme.

4. Housing Australia will be responsible for establishing the panel of participating lenders for Help to Buy. It is expected that Housing Australia will consider key criteria for the approval of lenders onto the panel, including, but not limited to, the competitiveness of the lender's mortgage products, the lender's standard of customer care (including hardship arrangements), and the extent to which all lenders approved, considered together, can undertake credit activities across Australia. This is a similar approach to the existing Home Guarantee Scheme which has 33 participating lenders across major and non-major lenders.
5. Help to Buy participants will be able to refinance their home loan with another participating lender while enrolled in the scheme. It is not expected this would be impacted by a state withdrawing from the scheme.
6. Subject to consultation, the current income thresholds are \$90,000 for single applicants, and \$120,000 for joint applicants. The income thresholds will be indexed to the Wage Price Index.
7. The Program Directions will set out the processes that Housing Australia must follow when determining whether a participant must make a repayment of the Commonwealth contribution. In the case where a participant's income has exceeded the relevant income thresholds, Housing Australia will work closely with the participating lender to determine whether the participant has the financial capacity to make a repayment, taking into account the participant's individual circumstances.

The Commonwealth's equity contribution will be secured by a second-ranking mortgage. Housing Australia will not unilaterally be able to force sale of a home and must work closely with the participating lender, taking into account a participant's circumstances, to manage these situations should they arise.

8. Please refer to the response to Question 7.
9. Subject to consultation, the property price caps will be:

Price cap for an area		
Item	Area	Price cap
1	New South Wales—capital city and regional centre	\$950,000
2	New South Wales—other	\$750,000
3	Victoria—capital city and regional centre	\$850,000
4	Victoria—other	\$650,000
5	Queensland—capital city and regional centre	\$700,000
6	Queensland—other	\$550,000
7	Western Australia—capital city	\$600,000
8	Western Australia—other	\$450,000

9	South Australia—capital city	\$600,000
10	South Australia—other	\$450,000
11	Tasmania—capital city	\$600,000
12	Tasmania—other	\$450,000
13	Australian Capital Territory	\$750,000
14	Northern Territory	\$600,000
15	Jervis Bay Territory and Norfolk Island	\$550,000
16	Christmas Island and Cocos (Keeling) Islands	\$400,000

10. Information on median house prices is publicly available from a range of sources including CoreLogic and PropTrack.
11. To ensure Help to Buy has the most solid constitutional footing, it will be established in reliance on referrals of power from the states. States must pass legislation to refer power to the Commonwealth. The scheme can only operate in states that have referred power to the Commonwealth.
12. Treasury has engaged with all states and territories on the Help to Buy legislation, as well as on the operation and design of state and territory schemes.
13. Rates of default have been assumed to be in line with the Home Guarantee Scheme.
14. It is intended that Help to Buy will operate alongside state and territory shared equity schemes, complementing state and territory efforts to improve housing outcomes for Australians. Treasury has engaged in discussions with states and territories to ensure Help to Buy can operate effectively alongside those schemes.
15. Subject to consultation, new homes will include house and land packages, land and separate contract to build homes, off the plan dwellings, and homes that have never been lived in.