



HUD2024-004969

s 9(2)(a)

Tēnā koe s 9(2)(a)

Thank you for your email of 10 July 2024, transferred to Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development (HUD), by Kāinga Ora – Homes and Communities, requesting the following information under the Official Information Act 1982 (the Act):

I am interested in Kainga Ora advice on the cancellation of the first home buyer grant and any decisions and policy changes that have occurred following the end of the scheme with regard to in-progress and accepted applications and applicants with existing pre-approval.

As such I request the following:

- 1. Any written advice (including reports, papers, internal policies/procedures, aide memoires/memos and emails) prepared by Kainga Ora since 1 Jan 2024 relating to the cancellation of the First Home Grant.*
- 2. In response to the government decision to cancel the First Home Grant scheme - Any written advice (including reports, papers, internal policies/procedures, aide memoires/memos and emails) relating to changes in Kainga Ora policies in respect of applications lodged prior to 22 May 2024.*
- 3. Any written advice (including reports, papers, aide memoires/memos, internal policies/procedures, and emails) prepared since 1 May 2024 that outlines any change in policy for any first home grant pre-approvals or full approvals. This should include any advice prepared on when Kainga Ora may not honour existing pre-approvals, (e.g. where an applicant receives pre-approval, the grant is approved and paid to the lawyers trust account but then the sale falls through and the grant is returned. Is the existing pre-approval invalidated as a result despite the 6-month period not lapsing. Has there been any policy changes on this since 1 May 2024).*

On the 16 July 2024, you refined your original request, and agreed that emails could be excluded from the scope of this request.

Fourteen documents have been identified as in scope of your request. Of these, 11 documents are refused under section 18(d) of the Act, that they are, or soon will be, publicly available.

The other document is released to you with some information withheld under the following sections:

Section of Act	Reason to withhold
9(2)(a)	To protect the privacy of natural persons.
9(2)(f)(iv)	To maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials.

The documents are detailed in the attached document schedule.

In terms of section 9(1) of the Act, I am satisfied that, in the circumstances, the decision to withhold information under section 9 of the Act is not outweighed by other considerations that render it desirable to make the information available in the public interest.

You have the right to seek an investigation and review of my response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website at: www.ombudsman.parliament.nz.

As part of our ongoing commitment to openness and transparency, the Ministry proactively releases information and documents that may be of interest to the public. As such, this response, with your personal details removed, may be published on our website.

Nāku noa, nā



Julia Pearce
Manager, Social Housing and Other Supports
Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development

Annex 1: Document schedule

Document released – HUD2024-004969			
	Date	Document	Section of the Act applied
1.	7 May 2024	HUD2024-004411: Further advice on the First Home Grant	9(2)(a) 9(2)(f)(iv)
2.	29 May 2024	HUD2024-004613: First Home Grant Exemptions	9(2)(a)
3.	05 June 2024	HUD2024-004699: First Home Grant Exemption – Including New Builds	9(2)(a)

Documents publicly available – HUD2024-004969			
	Date	Document	Section of the Act applied
4.	1 February 2024	HUD2024-003644: First home buyer support (available at www.hud.govt.nz/assets/Uploads/Documents/Proactive-Releases/01-HUD2024-003644-AM-First-Home-Buyer-Support-v2-REDACTED.pdf)	18(d)
5.	9 February 2024	HUD2024-003693: Information request: Effectiveness of the First Home Grant (available at www.hud.govt.nz/assets/Uploads/Documents/Proactive-Releases/02-HUD2024-003693-IREQ-Effectiveness-of-FHGs-9-Feb-2024.pdf)	18(d)

Documents soon to be publicly available – HUD2024-004969			
	Date	Document	Section of the Act applied
6.	30 November 2023	HUD2023-003322: Information on Vote Housing and Urban Development	18(d)
7.	18 January 2024	HUD2024-003521: Initial advice on letter from Minister of Finance	18(d)
8.	9 February 2024	HUD2024-003075: Confirmation of Budget Submission	18(d)
9.	23 February 2024	HUD2024-003804: Housing and Urban Development funds and programmes: value for money overview	18(d)
10.	23 February 2024	T2024/436: Aide Memoire: Assessment of Vote Housing and Urban Development funds and programmes	18(d)
11.	29 February 2024	HUD2024-003896: Budget 2024 baseline reduction target - Further changes	18(d)
12.	19 March 2024	HUD2024-004049: Aide Memoire: Budget bilateral	18(d)
13.	26 March 2024	HUD2024-004143: Budget 2024 options for social housing investment	18(d)
14.	7 June 2024	HUD2024-004051: Draft Cabinet Paper: resetting investment in housing	18(d)



Briefing

FURTHER ADVICE ON THE FIRST HOME GRANT			
To Minister	Hon Chris Bishop	Portfolio	Minister of Housing
CC Minister	Hon Nicola Willis	Portfolio	Minister of Finance
Date	7 May 2024	Priority	High
Tracking number	HUD2024 004411		

ACTION SOUGHT	
Action sought	Agree to the decisions required to wind down the First Home Grant scheme
Deadline	14 May 2024

CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Julia Pearce	Manager, Housing Access and Support	s 9(2)(a)	✓
Nick McNabb	Chief Advisor	s 9(2)(a)	

OTHER AGENCIES CONSULTED
None.



Purpose

1. On 29 April 2024, as part of Budget 2024 decisions, Cabinet agreed to discontinue the First Home Grant scheme (FHG). This briefing provides you with further advice on decisions needed to wind down the FHG.

RECOMMENDED ACTIONS		
It is recommended that you:		
2.	Agree to EITHER of these options:	
a.	Agree (recommended) to cease receiving new FHG applications effective on announcement day and allow for Kāinga Ora to process grant payments of approved applications up to their expiry	<i>Agree/Disagree</i>
OR		
b.	Agree to cease receiving new FHG applications effective one week after announcement day and allow for Kāinga Ora to process grant payments of approved applications up to their expiry	<i>Agree/Disagree</i>
3.	Agree to honour all applications received by the cutoff date that have been pre-approved or fully approved by Kāinga Ora as some of buyers are likely to have incurred reasonable costs on the understanding the FHG would be paid out	<i>Agree/Disagree</i>
4.	Agree to allow Kāinga Ora to assess all FHG applications received by the cutoff date that have not been assessed or not given a final outcome to prevent confusion and disappointment from first home buyers who have submitted an application	<i>Agree/Disagree</i>
5.	Note that there is an operational risk that the shut-down of the application page on Kāinga Ora's website cannot take place in time if they are not provided with advanced notice prior to announcement day to prepare their website system for the change	<i>Noted</i>



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|----|---|-----------------------|
| 6. | Note there will be operational and communication risks to Kāinga Ora if they are not given advance notice prior to announcement day: <ul style="list-style-type: none">a. FHG application may not be able to be shut down immediately after the announcement or within the same dayb. Kāinga Ora may not be sufficiently prepared to respond to an influx of enquiries and may cause further confusion to the publicc. Kāinga Ora may not be able to remove all FHG promotional materials or communicate to stakeholders about the changes within the same day of the announcement | <i>Noted</i> |
| 7. | Agree to inform Kāinga Ora of the FHG closure prior to announcement day to allow them sufficient time to prepare to wind down the scheme | <i>Agree/Disagree</i> |

Julia Pearce
**Manager, Housing Access
and Support**
07 / 05 / 2024

Hon Chris Bishop
Minister of Housing
..... / /



Background

8. The FHG is supports first home buyers to overcome the deposit barrier to home ownership by providing grant payments of between \$3,000 and \$10,000 to put towards the deposit.
9. Similar to how buyers can approach a lender for a pre-approved or a fully approved home loan, first home buyers can apply to Kāinga Ora – Homes and Communities (Kāinga Ora) for either a:
 - FHG pre-approval, when a buyer applies for the FHG before they have found a property. This is valid for six months.
 - FHG full approval, where a buyer has already found a property and signed a sale and purchase agreement.

Key Decisions Required

To prevent an influx of new applications being submitted after announcements are made, we recommend ceasing new applications effective on announcement day

10. FHG applications are submitted on Kāinga Ora's website. Closing the First Home Grant will require Kāinga Ora to shut down the online application page to stop new applications from coming in.
11. We have listed two options to consider around the timing to cease new applications in Table 1 below, with their benefits and downsides.

Table 1: Options around timing to cease new FHG applications

OPTIONS	BENEFITS	DOWNSIDES
Option A¹ (recommended): Cease accepting new applications effective on announcement day and allow for Kāinga Ora to process grant payments of approved applications up to their expiry	• Lower estimated operating cost compared to Option B (\$35m² in 2024/25 FY) to cover wind down • Prevents an influx of new applications due to short gap between	• Assuming Kāinga Ora is notified on announcement day, there is a risk that the application page cannot be shut down within the same day. This risk can be significantly mitigated

¹ If Option A in Table 1 is agreed, there is an estimated Operating Balance before Gains & Losses (OBEGAL) impact of \$35m in 2024/25 FY. We estimate approximately 950 FHG applications would be paid out each month at an average of \$6,000 grant payment per application.

² Current forecasts have allowed for \$35m of expenditure in 2024/25 FY for First Home Grants. Any expenditure greater than this will deteriorate the OBEGAL position.



	announcement and end date • Lower financial risk of exceeding forecasts due to more manageable levels of new applications than Option B	the earlier we notify Kāinga Ora • Lack of notice and short gap between announcement and end date will disappoint some people who are in the process of completing the application or about to start
Option B: Cease accepting new applications effective one week after announcement day and allow for Kāinga Ora to process grant payments of approved applications up to their expiry	• Assuming Kāinga Ora is notified on announcement day, this option provides reasonable timeframe for the website system to shut application page³ • Mitigates disappointment from first home buyers for those in the process of submitting an application	• Higher estimated operating cost than Option A (\$40m⁴ in 2024/25 FY) to cover wind down • The gap between announcement date and end date may cause an influx of new applications. This creates a higher financial risk of exceeding forecasts for the wind down than Option A.

12. On balance, we recommend Option A on the expectation that this option would produce the most certain level of savings from the FHG closure by reducing the risk of an influx of applications. If Option A is agreed, we expect the estimated savings is in line with the savings package agreed in Budget 2024. We expect that the application page is closed as soon as practical on announcement day. The biggest risk if this option is agreed, the application page on Kāinga Ora's website may not be able to shut down within the same day of the announcement. However, this risk can be significantly mitigated if Kāinga Ora is provided with advanced notice of the closure as early as possible.

³ This assumption is based on an initial indication from Kāinga Ora without consulting with the appropriate teams involved in the digital process to confirm exact details.

⁴ This includes factoring in the potential surge of applications from buyers rushing in before applications are closed once announcements are made.



13. The First Home Grants Appropriation is a Benefit or Related Expense (BORE), and therefore there is no risk of a breach in appropriation from either option. However, Option B will likely result in a higher operating cost estimated at an additional \$5.7m⁵ in 2024/25 FY relative to submitted forecasts and would reduce the estimated savings that were agreed in the Budget 2024 savings package. Option B has a much higher degree of uncertainty due to the challenge to predict the potential wave of new applicants that could come in.
14. Our understanding for applicants with a pre-approval is that they do not have the option to extend the validity period of six months before it expires (even if it is approaching the expiry date). s 9(2)(f)(iv)

We recommend allowing Kāinga Ora to honour grant payments for all applications received by the cutoff date that have been pre-approved or fully approved

15. We recommend allowing Kāinga Ora to honour full approvals and pre approvals (that convert to sale and purchase agreements) on all applications received by the cutoff date to minimise reputational risks to the Government. To the best of our understanding, there is no legal obligation for Kāinga Ora to follow through with grant payments for full approvals. However, it could be considered that there is an implied obligation as first home buyers have sought to purchase a home on the assumption that they will be able to access this funding.
16. If full approvals are not honoured, the Government will need to consider how to respond to applicants who have incurred reasonable costs on the understanding that the grant would be paid. It is difficult to determine what stage a first home buyer with a pre approval is at in their home buying journey and it is possible they have also incurred some costs on the understanding that the grant would be paid.
17. At the time of writing, it is unclear how many valid pre-approvals there are currently but their validity period will be staggered across the next six months. Kāinga Ora indicated in March 2024 that there were around 11,000 pre-approved FHGs. We have assumed there is the same number of pre-approvals waiting to convert into sale and purchase agreements by the time the scheme closes.
18. We do not have an estimate of conversion rates of pre-approvals that result in a sale and purchase agreement and a grant payment. However, we have modelled the costs for grant payments on the assumption that 950 applications are paid per month at an average grant of \$6,000.

⁵ Costs modelled on 950 applications paid per month at an average grant of \$6,000.



We recommend allowing Kāinga Ora to assess all FHG applications received by the cutoff date that have not been assessed or not given a final outcome

19. Kāinga Ora states on their website that they aim to assess FHG applications within four weeks after receiving it. If more information is needed from the applicant, Kāinga Ora will contact them to request it. We assume this includes instances where Kāinga Ora may need to request further information from applicants that they have not asked for upfront in the application form (and not due to an error made by the applicant).
20. By announcement day, there will be applications that Kāinga Ora have started assessing and may have been in contact with applicants as part of the process. To minimise confusion and disappointment from applicants who have already submitted an application but have not received a final outcome, we recommend allowing Kāinga Ora to assess all applications received by the cutoff date. This includes applications that Kāinga Ora have not started assessing.
21. Applications that have been assessed and where the final outcome is not an approval (i.e., declined due to failing to meet the eligibility criteria or applicant withdrew) will not be considered further nor be given an exception for an opportunity to re-apply after the cutoff date.

Risks

22. The FHG scheme is a public-facing scheme that interacts with thousands of first home buyers across New Zealand each year. Assuming that the closure of the FHG will only be known to Kāinga Ora on announcement day when it is announced, there are a number of risks as we have discussed. These include:
 - an operational risk that the application page may not be able to shut down within the same day (if this is agreed). Kāinga Ora will also likely need time to upload communication material on their website to explain the application shut down, change their public facing materials and notify partners⁶ of the changes.
 - Kāinga Ora may not be sufficiently prepared to effectively communicate the wind down of the FHG to the public. We expect an influx of enquiries, including emails and phone calls from first home buyers following the announcement to Kāinga Ora.
23. The risks outlined in this section can be significantly mitigated if Kāinga Ora is provided with advance notice prior to announcement day to put them in a good position to implement the necessary changes and be able to quickly and effectively respond to enquiries. A minimum of two working days' notice, or more if possible, would be beneficial to ensure a smooth, coordinated wind-down of the FHG.
24. As we have not consulted with Kāinga Ora on the process to wind down the FHG, there is a risk that there may be further Ministerial decisions not covered in this briefing required to wind down the scheme.

⁶ Partners include mortgage advisors, lenders, Citizens Advice Bureau, etc. who promote the scheme to the public.



Consultation

25. Due to the Budget 2024 sensitivities of decisions around winding down the FHG, we have not consulted with Kāinga Ora on this briefing. We have utilised some earlier targeted information on administrative and operational aspects involved to close down the scheme which we have drawn from in preparing this advice.

Next steps

26. We will prepare communication materials to support Ministerial announcements on announcement day.
27. We will work with Kāinga Ora as soon as they are notified of the FHG closure (either on the day of announcement or prior to) to coordinate a cross-agency communication plan and other steps required to ensure a smooth, coordinated closure of the FHG.



Briefing

FIRST HOME GRANT EXEMPTIONS			
To Minister	Hon Chris Bishop	Portfolio	Minister of Housing
To Minister	Hon Nicola Willis	Portfolio	Minister of Finance
Date	29/05/2024	Priority	High
Tracking number	HUD2024-004613		

ACTION SOUGHT	
Action sought	Agree to decisions on eligibility for the First Home Grant exemption.
Deadline	04/06/2024

CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Julia Pearce	Manager, Housing Access and Support	s 9(2)(a)	✓
Nick McNabb	Chief Advisor	s 9(2)(a)	

OTHER AGENCIES CONSULTED
Kāinga Ora – Homes and Communities



RECOMMENDED ACTIONS		
It is recommended that you:		
1.	Agree (recommended) that the First Home Grant exemption applies to buyers who: a. Had a First Home Grant pre-approval expire within the 90 days prior to the announcement of the scheme's closure <i>and</i> b. Had signed a sale and purchase agreement on or before 22 May 2024.	<i>Agree/Disagree</i>
2.	Agree if you would like to narrow the criteria further, to add a criterion that the customer cannot purchase the home without the First Home Grant, and would suffer an additional financial penalty if they did not proceed with the purchase.	<i>Agree/Disagree</i>
3.	Indicate if you would like the 90-day period in recommendation 1A to be different.	<i>Yes/No</i>
4.	Indicate if you would like Kāinga Ora – Homes and Communities to have discretion to approve exemptions where an application was closed due to an administrative process, <i>and</i> they meet other criteria.	<i>Yes/No</i>
5.	Note that a buyer would only be eligible for exemption if the First Home Grant were used for their current sale and purchase agreement, as outlined in recommendation 1b, and that eligibility cannot be transferred to the purchase of another property.	<i>Noted</i>



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| 6. | Note that there is a low risk that the number of people who may qualify for the exemption based on the recommended criteria may be higher than expected, and that HUD will monitor the uptake and appropriation monthly to mitigate risk of exceeding the \$35m forecast spend. | <i>Noted</i> |
|----|--|--------------|

Julia Pearce
**Manager, Housing Access
and Support**
29 / 05 / 2024

Hon Chris Bishop
Minister of Housing
..... / /

Hon Nicola Willis
Minister of Finance
..... / /



Purpose

1. This briefing provides advice on an exemption that can be put in place to mitigate unintended consequences of ending the First Home Grant (FHG) on 22 May 2024. This has been developed in response to a number of specific situations that have been raised to our attention.

Background

2. On 29 April 2024, Cabinet agreed to discontinue the FHG as part of Budget 2024 (CAB-24-MIN-0148.40 refers). This decision was announced on 22 May 2024. The FHG application portal was shut down 30 minutes before the announcement was made.
3. Since the announcement, there has been a considerable amount of media coverage on the discontinuation on the FHG. This has included coverage on the circumstances of individuals who have missed out on the grant, for example some situations where the hard cut-off for applications has created potentially unfair situations.
4. The Minister of Housing has asked for advice on an exemption from the FHG application closure to avoid unfair situations for first home buyers.
5. It should be noted that it has previously been announced that pre-approvals and full approvals would be honoured, and that any applications received before the closure would be assessed (HUD2024-004411 refers). Therefore, the exemption would only need to cover situations that fall outside of these existing parameters.
6. Although an explicit recommendation to wind down the FHG was agreed to on 29 April, due to an administrative error, there was no recommendation agreed to which delegated authority to the Minister of Housing to make administrative decisions necessary in order to wind down the FHG.
7. In the absence of this recommendation, Treasury has advised that any exemption will need to be agreed by both the Minister of Finance and the Minister of Housing

Exemption criteria

8. We have looked at the information provided in the media about individual cases, where this is available and have discussed options for an exemption with Kāinga Ora – Homes and Communities (Kāinga Ora). Information is attached in **Annex A** on specific situations and how the criteria would apply.
9. In developing criteria, we have tried to ensure that people are being treated fairly where they have entered into an agreement with the reasonable expectation of receiving the FHG, while also balancing the need to meet the savings package agreed through Budget 2024. Any criteria used also need to provide Kāinga Ora with enough certainty to operationalise the exemption consistently and transparently, to ensure all applicants are being provided the same opportunity.



10. In considering the above, we have developed two key criteria detailed below. Buyers would have to meet both criteria in order to be eligible for an exemption. To then access the FHG, applicants would have to show that they continue to meet the eligibility criteria, such as income and house price caps. The proposed exemption would apply only for the current property for which a SPA has been signed and would not be able to be transferred to another property.

We recommend that the exemption applies to those whose pre-approval expired no more than 90 days prior to the announcement of the FHG closure

11. We recommend allowing only those who have expired pre-approvals within 90 days of the announcement of the FHG closure as this demonstrates a clear, stated intent to use the FHG for their purchase. They have also previously been able to demonstrate that they were eligible for the FHG. This will help to limit the number of people who could be eligible for the exemption. This criterion would exclude people who never applied for pre-approval, and whose eligibility was therefore not assessed.
12. We expect that most people who could be eligible for an exemption would fall within this 90-day period, though there could be people who fall outside it. HUD recommends including the 90-day period to provide as much clarity as possible around who falls within criteria, and who does not.
13. If you wanted to narrow the criteria further, we could add a requirement for FHG pre-approval to have expired within a shorter period than 90 days prior to the announcement of the scheme's closure¹. A period such as 60 days could be considered.
14. There may be some cases where an administrative process by Kāinga Ora has resulted in approval not being provided before the scheme's closure, when it otherwise could have been. For example, where an applicant was advised over 90 days ago that there was no need to immediately renew their pre-approval because it was assumed that the FHG would continue to operate. We seek your direction on whether Kāinga Ora could be given limited discretion to approve exemptions for people in this type of situation. We do not know how many people are in this group, though it is likely small.

In addition to the criteria above, we recommend that the exemption applies to those who signed a SPA on or before 22 May 2024 and would apply only for this specific property

15. This would include both conditional and unconditional agreements, as both groups of buyers would have made the decision to enter into an agreement with the reasonable expectation that they would be able to access the FHG, and have likely incurred costs as a result of reaching the SPA stage.
16. The exemption would only apply to the property that buyers have a SPA for currently. If the purchase of this property falls through, the exemption cannot be extended for the buyers to find a new property.

¹ The 90-day period would be 22 February 2024 to 22 May 2024.



17. We note that eligibility would also extend to households who are buying through Progressive Home Ownership (PHO) providers where those households have already entered a sale and purchase agreement.

To narrow the criteria further, we could add a criterion that the exemption would only apply if the customer would be subject to a financial penalty if the grant is not provided

18. This criterion would tighten the exemption to only those for whom getting the FHG is absolutely necessary to purchase a home, for example if they were unable to access finance without it, or would face financial penalty, such as forfeiting their deposit or being subject to a fee, if they pulled out of the sale.
19. This would be evidenced by a statutory declaration that states the buyer would face consequences as outlined in paragraph 18.

Due to a lack of data, it is unclear how many people could fall under this exemption

20. We have designed these criteria to only apply to what we think are a very limited number of cases. However, we do not have good data on people with expired pre-approvals, and the assumptions made in development of this exemption may prove incorrect.
21. Data on people with expired pre-approvals is limited as this group is not required to provide details on a specific property when they apply for pre-approval. Further, people may apply for pre-approval multiple times over a couple of years before settling on a property. Property details are only required when full approval is sought by a buyer.
22. Approximately 3,000 people have had their FHG pre-approval expire within the 90 days prior to the announcement of the grant being discontinued. Kāinga Ora was provided property information by around two percent of these people, suggesting that most people were likely to be in the early stages of their search for a property.
23. While we cannot provide an exact estimate of how many people the exemption would apply to based on the parameters above, it is likely to be significantly fewer than 3,000 people. For example, many customers with conditional agreements may have either proceeded without the FHG or pulled out of the agreement, as communications material has said that Kāinga Ora are unable to accept or process new FHG applications.
24. If 10 percent of the 3,000 expired applications were to seek the exemption and result in a payout, we estimate the total additional cost to be \$1.800m (based on average grant of \$6k)
25. On the day of closure the scheme, applications were at different stages in the process as shown in the table below. Other than those that have been approved with a sale and purchase agreement in train, we have applied the assumed the historical conversion rate for the remaining applications (39.6 percent). As a result, we estimate a forecast cost of less than \$20m compared with a \$35m forecast. It should also be



noted that some of these outstanding applications may be paid in the current financial year and will not count towards the FY24/25 \$35m forecast.

Process

26. Customers who are eligible for the exemption would re-apply following the standard FHG application approval process. Approval would be granted only for the specific property on the signed SPA and cannot be transferred to another property if the original SPA does not proceed.
27. Kāinga Ora no longer have a web application to manage applications. People re-applying for the FHG under the exemption would need to email Kāinga Ora with the name they originally applied with. Kāinga Ora will then contact them about the information needed, for example updated income information.
28. Applicants will have one week from announcement of the exemption to contact Kāinga Ora to request an approval under the exemption.

Risks

29. Due to the limited information on the specific situations people are facing in relation to the wind down of the FHG, there is a risk that a large group of people could be in situations that do not fit within the criteria that we have developed but which could be considered worthy of an exemption. We can report back to Ministers on options should this risk eventuate.
30. We understand that people with pre-approvals, including those that have expired, may not seek full approval until very close to settlement, which could mean that the number of people eligible for the exemption is higher than we anticipate.
31. As we do not have good data about the number of people who could be captured by the exemption criteria, we cannot verify the likely fiscal impact of the exemption other than the assumptions outlined earlier in this briefing. Depending on the size of the group that falls under the exemption, we may be at risk of exceeding the \$35m forecast and having an adverse impact on OBEGAL. We consider this risk to be unlikely to eventuate, given the small anticipated number of people captured by the exemption.
32. To mitigate the risk of exceeding the appropriation, we will require Kāinga Ora to report back to us on how many people have applied for the exemption, and how many of these people they plan to approve.
33. We can also monitor the FHGs paid out monthly against the appropriation, and will report back to Ministers if it is at risk of being breached.
34. As Kāinga Ora have been telling people with expired pre-approvals that they are unable to accept or process new FHG applications, customers with conditional SPAs may have pulled out of their agreements. People in this situation may feel like they



have ‘missed out’ again, and there may be a negative reaction from, and/or media stories about this group.

Consultation

35. Kāinga Ora – Homes and Communities have been consulted in the development of this paper.

Next steps

36. HUD and Kāinga Ora will work together to create communications material to support an announcement of the exemption.

Annexes

Annex A: Table of example scenarios where an applicant may or may not be given an exemption



Annex A: Table of example scenarios where an applicant may or may not be given an exemption

	NO PURCHASE AGREEMENT SIGNED	CONDITIONAL PURCHASE AGREEMENT SIGNED ON OR BEFORE 22 MAY 2024. NO DEPOSIT LOSS IF CONTRACT BREAKS	UNCONDITIONAL PURCHASE AGREEMENT SIGNED ON OR BEFORE 22 MAY 2024. MAY LOSE DEPOSIT OR OTHER SIGNIFICANT FINANCIAL PENALTY INCURRED	PURCHASE AGREEMENT SIGNED 23 MAY 2024 ONWARDS
Never applied for pre-approval	Does not qualify for exemption	Does not qualify for exemption	Does not qualify for exemption	Does not qualify for exemption
Application for pre-approval was closed by Kāinga Ora due to insufficient information from the applicant.	Does not qualify for exemption	Potential exemption with discretion from Kāinga Ora if the closure of the application was due to Kāinga Ora's administrative process	Potential exemption with discretion from Kāinga Ora if the closure of the application was due to Kāinga Ora's administrative process	Does not qualify for exemption
Pre-approval current and not lapsed	Remains eligible through expiry. Does not qualify for exemption.	Remains eligible through expiry. Does not qualify for exemption.	Remains eligible through expiry. Does not qualify for exemption.	Remains eligible through expiry. Does not qualify for exemption.
Pre-approval expired	Does not qualify for exemption	Potential exemption	Potential exemption	Does not qualify for exemption



Further examples of scenarios where an exemption may or may not be given

1. **Pre-approval still valid but settlement date is after pre-approval expires** – no exemption needed as the settlement date is not impacted by the pre-approval's expiry. It is only material that the sale and purchase agreement is submitted to Kāinga Ora before the pre-approval expires.
2. **Pre-approval expired within 90 days of scheme closure and sale and purchase agreement signed on or before 22 May 2024** – Potential exemption given, provided they still meet the FHG eligibility requirements, not just the exemption criteria.
3. **Pre-approval expired more than 90 days from the scheme's closure** – no exemption given.
4. **Settlement date is in the next financial year or beyond** – no exemption needed as the settlement date is not impacted by the pre-approval's expiry. It is only material that the sale and purchase agreement is submitted to Kāinga Ora before the pre-approval expires.



Briefing

FIRST HOME GRANT EXEMPTION ADJUSTMENT – INCLUDING NEW BUILDS			
To Minister	Hon Chris Bishop	Portfolio	Minister of Housing
To Minister	Hon Nicola Willis	Portfolio	Minister of Finance
Date	05/06/2024	Priority	High
Tracking number	HUD2024-004699		

ACTION SOUGHT	
Action sought	Agree to decisions on eligibility for the First Home Grant exemption.
Deadline	06/06/2024

CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Julia Pearce	Manager, Housing Access and Support	s 9(2)(a)	✓

OTHER AGENCIES CONSULTED
Kāinga Ora – Homes and Communities



RECOMMENDED ACTIONS

It is recommended that you:

1. **Agree** to EITHER of these options:
 - a. **Agree (recommended)** to remove the requirement for First Home Grant pre-approvals to have expired within 90-days prior to the announcement of the First Home Grant's closure for *all* properties. *Agree/Disagree*
 - OR
 - b. **Agree** to remove the requirement for First Home Grant pre-approvals to have expired within 90-days prior to the announcement of the First Home Grant's closure for *new build* properties only. *Agree/Disagree*
2. **Note** that initial advice on a First Home Grant exemption was provided on 29 May 2024 and that this advice would adjust the exemption criteria agreed previously. *Noted*

Julia Pearce
**Manager, Housing Access
and Support**
05 / 06 / 2024

Hon Chris Bishop
Minister of Housing
..... / /

Hon Nicola Willis
Minister of Finance
..... / /



Purpose

1. This briefing provides advice on adjusting the current exemption for the First Home Grant (FHG) so that those purchasing new builds with long settlement periods are captured under the exemption from the FHG closure on 22 May 2024. This has been developed in response to a number of specific situations that have been raised to our attention since we last provided advice on 29 May 2024.

Background

2. On 29 April 2024, Cabinet agreed to discontinue the FHG as part of Budget 2024 (CAB-24-MIN-0148.40 refers). This decision was announced on 22 May 2024. The FHG application portal was shut down 30 minutes before the announcement was made.
3. Since the announcement, there has been a considerable amount of media coverage on the discontinuation on the FHG. This has included coverage on the circumstances of individuals who have missed out on the grant, for example where the hard cut-off for applications has created potentially unfair situations.
4. On 29 May 2024, HUD provided you with advice on an exemption from the FHG closure to avoid unfair situations for first home buyers (HUD2024-004613 refers).
5. Since this advice was provided, we have been made aware of correspondence received by the Minister of Housing that suggests there are a number of people potentially affected who are purchasing new build homes. Due to the timeframes involved in building a home, these people may not be captured under the current eligibility criteria for the exemption.

Exemption criteria

To be eligible for the exemption, buyers must meet two key criteria

6. In developing criteria, we have tried to ensure that people are being treated fairly where they have entered into an agreement with the reasonable expectation of receiving the FHG, while also balancing the need to meet the savings package agreed through Budget 2024.
7. In our advice on 29 May, we recommended the exemption applies to:
 - a. those who have expired pre-approvals within 90 days prior to the announcement of the FHG closure¹
 - and*
 - b. those who signed a Sale and Purchase Agreement (SPA) on or before 22 May 2024

¹ The 90-day period is 22 February 2024 – 22 May 2024



The requirement for an expired pre-approval within 90 days may not capture those who are purchasing a new build property

8. Buyers purchasing a new build with a pre-approval may not have applied for full approval after signing a SPA, as it is common for their settlement date to be quite far in the future (for example, in 12 or 18 months). These buyers have signed SPAs, and have since had their pre-approval expire and not renewed it under the assumption that they could apply for FHG full approval closer to settlement.
9. In some cases, this could mean that pre-approvals have expired more than 90 days before the announcement on 22 May 2024. Buyers in this situation would currently miss out on the FHG. We are unsure of how many people are in this situation, but a number of people in this, or a similar situation, have emailed Ministers after the FHG closure.

We recommend removing the 90-day requirement to capture buyers in this situation

10. The requirement for pre-approvals to have expired within 90 days prior to the announcement was originally included in the criteria as we considered that it would provide certainty for Kāinga Ora – Homes and Communities (Kāinga Ora) to operationalise the exemption. We also considered that most potentially affected buyers would be captured within the 90 days.
11. We recommend removing the 90-day requirement for all properties to capture all buyers potentially facing unfair consequences as a result of having long settlement periods. Information is attached in **Annex A** on specific situations and how the criteria would apply.
12. Removal of the 90-day requirement is likely to capture buyers who have been offered a home through a Progressive Home Ownership (PHO) provider and signed a SPA. People who are currently on a waiting list or going through a budgeting service with a PHO provider will not be eligible under the exemption.
13. It is possible that removing the 90-day requirement will also capture people who have long settlement periods on an existing home. We do not think that there will be many people in this situation.
14. If you wanted to limit the number of people who could access the exemption, we could remove the 90-day requirement only for those purchasing a new build home.
15. If the 90-day requirement is removed, the criteria for exemption will be:
 - a. those whose pre-approvals expired prior to the announcement of the FHG closure
 - and*
 - b. those who signed a SPA on or before 22 May 2024
16. Buyers will still need to meet both criteria to be eligible for the exemption.



Risks

17. Due to the limited information on the specific situations people are facing in relation to the wind down of the FHG, there is a risk that a large group of people could be in situations that do not fit within the criteria that we have developed, but which could be considered worthy of an exemption. We can report back to Ministers on options should this risk eventuate.
18. We understand that people with pre-approvals, including those that have expired, may not seek full approval until very close to settlement, which could mean that the number of people eligible for the exemption is higher than we anticipate.
19. As we do not have good data about the number of people who could be captured by the exemption criteria, we cannot verify the likely fiscal impact of the exemption. Depending on the size of the group that falls under the exemption, we may be at risk of exceeding the \$35m forecast for FY24/25 and having an adverse impact on OBEGAL. However, we consider this risk to be unlikely to eventuate, given the small anticipated number of people captured by the exemption.
20. To mitigate the risk of exceeding the appropriation, we will require Kāinga Ora to report back to us on how many people have applied for the exemption, and how many of these people they plan to approve. We can also monitor the FHGs paid out monthly against the appropriation, and will report back to Ministers if it is at risk of being breached.
21. As Kāinga Ora have been telling people with expired pre-approvals that they are unable to accept or process new FHG applications, customers with conditional SPAs may have pulled out of their agreements. People in this situation may feel like they have 'missed out' again, and there may be a negative reaction from, and/or media stories about this group.

Consultation

22. Kāinga Ora – Homes and Communities have been consulted.

Next steps

23. Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development (HUD) and Kāinga Ora are working on communications material for an announcement of this exemption. This will be provided to the Minister of Housing's office.
24. Kāinga Ora have informed us that they can go live with the exemption from midday Thursday 6 June 2024.

Annexes

Annex A: Table of example scenarios where an applicant may or may not be given an exemption

Annex A: Table of example scenarios where an applicant may or may not be given an exemption

	NO PURCHASE AGREEMENT SIGNED	CONDITIONAL PURCHASE AGREEMENT SIGNED ON OR BEFORE 22 MAY 2024. NO DEPOSIT LOSS IF CONTRACT BREAKS	UNCONDITIONAL PURCHASE AGREEMENT SIGNED ON OR BEFORE 22 MAY 2024. MAY LOSE DEPOSIT OR OTHER SIGNIFICANT FINANCIAL PENALTY INCURRED	PURCHASE AGREEMENT SIGNED 23 MAY 2024 ONWARDS
Never applied for pre-approval	Does not qualify for exemption	Does not qualify for exemption	Does not qualify for exemption	Does not qualify for exemption
Application for pre-approval was closed by Kāinga Ora due to insufficient information from the applicant.	Does not qualify for exemption	Does not qualify for exemption	Does not qualify for exemption	Does not qualify for exemption
Pre-approval current and not lapsed	Remains eligible through expiry. Does not qualify for exemption.	Remains eligible through expiry. Does not qualify for exemption.	Remains eligible through expiry. Does not qualify for exemption.	Remains eligible through expiry. Does not qualify for exemption.
Pre-approval expired	Does not qualify for exemption	Potential exemption	Potential exemption	Does not qualify for exemption



Further examples of scenarios where an exemption may or may not be given

1. **Pre-approval still valid but settlement date is after pre-approval expires** – will be honoured, with no exemption needed as the settlement date is not impacted by the pre-approval's expiry. It is only material that the sale and purchase agreement is submitted to Kāinga Ora before the pre-approval expires.
2. **Pre-approval expired before scheme closure and sale and purchase agreement signed on or before 22 May 2024** – potential exemption given, provided they still meet the FHG eligibility requirements, not just the exemption criteria. This would include buyers purchasing a new build, including those whose completion dates have been delayed or have long settlement periods.
3. **Settlement date is in the next financial year or beyond** – will be honoured, no exemption needed as the original announcement was clear that those with existing pre-approvals and full approvals would receive the FHG. It is only material that the sale and purchase agreement is submitted to Kāinga Ora before the pre-approval expires. It is likely that some of these new build homes will have settlement dates in future financial years this would require reforecasting part of the \$35m forecast into future financial years. We would still anticipate to spend less than the \$35m forecast but over a longer period of time.