

## High level design of the Progressive Home Ownership scheme

High level policy			
<b>Objective</b>	<p>To assist people into home ownership who otherwise would not be able to buy a home.</p> <p>The progressive home ownership policy will aim to address affordability issues by assisting priority groups (including Maori and Pacific people with children) who have an aspiration for home ownership in areas of New Zealand where affordability is an issue.</p>		
<b>Guiding principles of design</b>	<p>The following will inform the policy and approach:</p> <ul style="list-style-type: none"> <li>• Additionality – Government support will increase the number of households that would not otherwise become home owners and be complementary to existing schemes.</li> <li>• Graduation – that households will be able to successfully graduate from the scheme to move into full home ownership.</li> <li>• Administrative simplicity – the mechanism to support households is designed in a way that keeps the administration of the scheme as simple as possible for all parties.</li> <li>• Cost effectiveness – the Government provides the greatest benefit to households at minimum cost.</li> <li>• Place-based – PHO is focused on places where affordability is an issue and a PHO scheme can make a difference.</li> </ul>		
<b>Delivery features</b>	<ul style="list-style-type: none"> <li>• The progressive home ownership scheme product will be complementary to, and can be used alongside, other forms of support provided to home owners (e.g. First Home Loans) and use consistent terms (e.g. second chancers) with other government products (e.g. KiwiBuild).</li> <li>• The scheme will be a tenancy in common shared equity scheme.</li> <li>• There will be a preference for new build to ensure increased supply.</li> </ul>		
Design			
<b>Delivery channels</b>	<b>Work through providers</b>	<b>Partnership (Iwi/ Māori with Crown)</b>	<b>Government Direct Shared Equity Scheme for households</b>
<b>Who are we targeting</b>	<ul style="list-style-type: none"> <li>• Focusing on cohorts A and B</li> </ul>	<ul style="list-style-type: none"> <li>• Focusing on cohorts A and B</li> </ul>	<ul style="list-style-type: none"> <li>• Focusing on cohort B</li> </ul>
<b>How will the scheme work</b>	<ul style="list-style-type: none"> <li>• Contracts with providers for schemes offered by, for example, community housing providers, iwi and Māori organisations, financial providers.</li> <li>• Providers will find the households, the homes, and provide the progressive home ownership product, in the first instance.</li> <li>• Providers will be able to offer the full range of progressive home ownership products (including, for example, rent to buy).</li> </ul>	<ul style="list-style-type: none"> <li>• Working in partnership with iwi bodies and Māori organisations on a project and place basis.</li> <li>• Progressive home ownership will be used to match with a development, and to assist with home ownership.</li> <li>• In partnership, the Government and provider will find the house, the household and provide the government progressive home ownership product (tenancy in common).</li> </ul>	<ul style="list-style-type: none"> <li>• Providing funding to households directly, or through a third-party administrator, to households meeting certain criteria (e.g. good credit history, savings history).</li> <li>• The household applies, finds the home, and the Government provides the government progressive home ownership product (tenancy in common).</li> <li>• Additional support may be provided (e.g. introductory service, financial capability services or budget support).</li> </ul>
<b>Works alongside other schemes or supplements</b>	<ul style="list-style-type: none"> <li>• KiwiBuild / First Home Loans / First Home Grants / Accommodation Supplement</li> </ul>	<ul style="list-style-type: none"> <li>• KiwiBuild / First Home Loans / First Home Grants / Accommodation Supplement / access to finance loans / Papakainga grants (including infrastructure grants) / Land for Housing</li> </ul>	<ul style="list-style-type: none"> <li>• KiwiBuild / First Home Loans / First Home Grants / Accommodation Supplement</li> </ul>
<b>Demand or supply based</b>	<ul style="list-style-type: none"> <li>• Demand based.</li> </ul>	<ul style="list-style-type: none"> <li>• Supply based for developments, and demand based for home ownership assistance.</li> </ul>	<ul style="list-style-type: none"> <li>• Demand based.</li> </ul>
Implementation			
<b>Form (and relationship with the Government)</b>	<ul style="list-style-type: none"> <li>• Third party delivery (contracts with providers).</li> <li>• This may take place in phases stages: a pilot, consideration and learning from the pilot, second phase and increasing use of standard Government shared equity product over time.</li> </ul>	<ul style="list-style-type: none"> <li>• The Ministry will work in partnership with Māori service providers.</li> </ul>	<ul style="list-style-type: none"> <li>• Direct provision of funding to households (or through a special purpose vehicle) or contract the administrative function to a third party provider.</li> </ul>
<b>Potential start</b>	<ul style="list-style-type: none"> <li>• April 2020</li> </ul>	<ul style="list-style-type: none"> <li>• July 2020</li> </ul>	<ul style="list-style-type: none"> <li>• September 2020 (based on lessons from pilot activity) - Preferred option</li> <li>• July 2020 (limited opportunity to develop and test)</li> </ul>

Cohorts: A = households that are unlikely to buy a home without significant support from the Government; B = households that cannot get a large enough deposit and/or insufficient income to service a low deposit mortgage; C = households that are not home owners yet but who would be able to achieve home ownership without government assistance

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