



TRS21D0815

Hon Stephen Mullighan MP
Member for Lee
Unit 1, 62 Semaphore Road
SEMAPHORE SA 5019

Treasurer
Level 8
State Administration Centre
200 Victoria Square
Adelaide SA 5000
GPO Box 2264
Adelaide SA 5001
DX 56203 Victoria Square
Tel 08 8226 1866
treasurer.dtf@sa.gov.au

lee@parliament.sa.gov.au


Dear Mr Mullighan

APPLICATION UNDER THE *FREEDOM OF INFORMATION ACT 1991*

I refer to your application made under the *Freedom of Information Act 1991* (the Act), dated 9 April, 2021.

Your application seeks access to:

"All minutes, briefings and correspondence titled 'Modeling of Home Ownership Opportunities for Social Housing tenants' as described on the Objective document management system." From 26 October 2020 to 9 April 2021.

The purpose of this letter is to advise you of my determination. An extensive search was conducted within this office. A total of 2 documents were identified as answering the terms of your application.

I grant you access in part to 2 documents; copies of which are enclosed.

Documents Released in Part

Documents 1 and 2 are both released in part as it contains information of a personal nature which if released, would be an unreasonable disclosure of personal affairs. I have determined to exempt this information pursuant to clause 6(1).

Exemptions

Clause 6 – Documents affecting personal affairs

- (1) *A document is an exempt document if it contains matter the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person.*

Please note, in compliance with Premier and Cabinet Circular PC045 - *Disclosure Logs for Non-Personal Information Released through Freedom of Information* (PC045), the Department of Treasury and Finance is now required to publish a log of all non-personal information released under the Act.

In accordance with this Circular, any non-personal information determined for release as part of this application, may be published on the DTF website. A copy of PC045 can be found at the following address: <https://dpc.sa.gov.au/resources-and-publications/premier-and-cabinet-circulars>. Please visit the website for further information.

As I am determining this application as Principal Officer, section 29(6) of the Act does not provide for an internal review. If you are dissatisfied with my determination you are entitled to exercise your rights of external review with the Ombudsman.

Alternatively, you can apply to the South Australian Civil and Administrative Tribunal. If you wish to seek a review, section 39(3) of the Act states you must do so within 30 calendar days of receiving the determination.

If you require any further information, please contact Vicky Cathro on (08) 8226 9769.

Yours sincerely



Hon Rob Lucas MLC
Principal Officer

8 May 2021

Att.

Schedule of Documents

TRS21D0815 - Modeling of Home Ownership Opportunities for Social Housing Tenants

Doc. No.	Date	Description of Document	# of pages	Determination Recommendation	Exemption Clause	Reason
1	11/12/2020	Briefing to Treasurer from Chief Executive, HomeStart	1	Released in part	6(1) - Unreasonable disclosure of personal affairs	
2		Attachment to Document 1	25	Released in part	6(1) - Unreasonable disclosure of personal affairs	

RELEASE IN PART

11/12/2020
T20/083.
TRS2003935.



MINUTES forming ENCLOSURE to

Critical Deadline	
Routine	

TO: HON ROB LUCAS, TREASURER – HSM2012.1

RE: MODELLING OF HOME OWNERSHIP OPPORTUNITIES FOR SOCIAL HOUSING TENANTS

BACKGROUND

HomeStart's advice in response to recent questions from Ms Nat Cook MP¹ refers to modelling completed by HomeStart on home ownership opportunities for Social Housing tenants.

In 2019, South Australian Housing Authority (SAHA) provided a data extract to HomeStart containing various customer details of SA Housing tenants, Housing waitlist customers and Private Rental Assistance Program (PRAP) customers. SAHA requested analysis of how many of these customers could potentially transition to home ownership with HomeStart's assistance.

The modelling was completed and the findings were supplied to our Board, former Minister and to SAHA in January / February 2020. A copy of the report is attached.

ISSUES

The methodology applied indicated that of a total 83,497 SAHA customers across the three groups, approximately 18,000 may be able to purchase an affordably priced home with the assistance of HomeStart's current range of loan products. The majority of these were PRAP customers. Of the 32,214 current SA Housing tenants it was estimated that approximately 2,000 could potentially qualify.

HomeStart then applied a 'conversion rate' assumption, based on its experience, to reflect individual circumstances. The conversion rate reflects the difference between home ownership aspiration and the reality – the ability to pay up front costs, acceptable credit history, ability to service the loan repayment, and finding a suitable affordable property.

Using this conversion rate assumption, it was estimated an initiative focussed at achieving home ownership outcomes for current SA Housing tenants could yield approximately 100 successful outcomes (from the 2,000 identified above).

The following table summarises the results from the analysis and the numbers used in drafting the reply to Ms Nat Cook MP.

¹ QUESTION ON NOTICE Nos. 385 & 386, HOUSE OF ASSEMBLY. QUESTION WITHOUT NOTICE, ESTIMATES COMMITTEE B, PARL-EQ/54/2/170/20/B and PARL-EQ/54/2/171/20/B.



Summary of results

SAHA Customer group	Number of households	Modelled potentially could purchase	Estimated achievable outcomes
Current Housing SA Tenants	32,214	2,081	104
Housing SA Waiting List	20,408	4,382	219
Private Rental Assistance Program	30,875	11,897	595
Total	83,497*	18,360	918

* includes duplication for customers accessing multiple services, unique total = 75,942.

HomeStart has previously worked with SA Housing Trust on home ownership programs for tenants, most recently via the EquityStart Loan (2005 – 2019) which enabled 1,488 public housing tenants to purchase a home. Loan volumes peaked at 350 in the first full year of being offered, which coincided with a buoyant property market and large grants for first home owners. In later years, volumes declined to an average of 36 loans per annum.

RECOMMENDATION

The Treasurer notes the modelling completed and that the findings were provided to SAHA in January 2020.

John Oliver
CHIEF EXECUTIVE
HomeStart Finance

11/12/2020


NOTED/APPROVED/NOT APPROVED

HON ROB LUCAS, MLC
TREASURER

28/1/20

CONTACT	John Oliver	2 nd CONTACT	Andrew Mills	AUTHOR:	Michael [REDACTED]
POSITION	CEO	POSITION	CFO	POSITION	Strategy Specialist
DIVISION	HomeStart Finance	DIVISION	HomeStart Finance	DIVISION	HomeStart Finance
PHONE/MOBILE	8203-4700	PHONE/MOBILE	08 8203 4050	PHONE/MOBILE	[REDACTED]

ATTACHMENT – ‘Data Analysis: Potential home ownership opportunities for SAHA customers through HomeStart’



**Data Analysis:
Potential home ownership
opportunities for SAHA
customers through HomeStart**

**Michael [REDACTED]
Strategy Specialist**

January 2020

Data provided

	Current Housing SA Tenants	Housing SA Waiting List	Private Rental Assistance Program (PRAP)
Dataset	32,214 households	20,408 households	30,875 households

Customer accessing multiple services (i.e. duplicated)** 367 (1%) on PRAP 1,459 (4%) are tenants 373 (1%) are tenants
1,448 (3%) on Waitlist 7,310 (19%) on PRAP 7,709 (21%) on Waitlist

Total potential = 75,942 unique customers

** analysis conducted for each population on a standalone basis, duplication noted in results for each



Question

Based on the data provided, how many clients of Housing SA services have a reasonable prospect of being able to achieve home ownership with HomeStart's assistance?

Approach – calculations/assumptions

Step	Input	Used to	How?	Important assumptions
1.	<p>Provided:</p> <ul style="list-style-type: none"> Assessed Household Income Household type (single, joint, w/children) # people in household 	<p>Determine hypothetical serviceable HomeStart loan</p>	<p>HomeStart allowable debt commitment % table</p> <p>HomeStart multiplier</p>	<p>No other debt</p> <p>Income accurate</p> <p>Repayment serviceable when living expenses also factored in.</p>
2.	<p>Provided:</p> <ul style="list-style-type: none"> Suburb of tenancy / client 	<p>Determine hypothetical purchase price</p>	<p>Country: 25th percentile purchase price for the town</p> <p>Metro: Lower of 25th percentile price for suburb, or for metro region</p> <p>Affordable Housing Program price (\$407, 100) if not able to determine a purchase price from data</p>	<p>Customer remains in same suburb/ town or relocates within same metro region.</p> <p>Suitable housing stock available at assumed price (especially country)</p> <p>New, established same value.</p>

Approach – calculations/assumptions

Step	Input	Used to	How?	Important assumptions
3.	<p>Calculated:</p> <ul style="list-style-type: none"> Hypothetical serviceable loan Hypothetical purchase price <p>Provided:</p> <ul style="list-style-type: none"> Suburb of tenancy / client 	Calculate maximum loan amount	<p>Lower of:</p> <ul style="list-style-type: none"> Maximum acceptable LVR for location / purchase price Hypothetical serviceable debt 	<p>Customer takes maximum eligible Advantage loan</p> <p>Customer holds a Certificate III (eligible for Graduate loan)</p> <p>If established purchase, customer takes advantage of maximum Shared Equity Option.</p>
4.	<p>Calculated:</p> <ul style="list-style-type: none"> Hypothetical purchase price Maximum HS loan 	Calculate deposit and fees (total up-front cost)	<p>Purchase price minus loan amount</p> <p>HomeStart fee calculations</p>	<p>If construction, customer eligible for FHOG.</p> <p>If construction, customer receives a \$5,000 net builder contribution (structured arrangements).</p> <p>If eligible, customer takes \$10,000 Starter Loan.</p>

Approach – calculations/assumptions

Step	Input provided	Used to	How?	Important assumptions
5.	<p>Calculated: Total up-front cost</p> <p>Provided:</p> <ul style="list-style-type: none"> Assessed Household Income 	Calculate years to save deposit	Up front cost divided by 20% of annual income	Ability to save 20% of income
6.	<p>Calculated:</p> <ul style="list-style-type: none"> LVR (calculated) ABS Socio-Economic ranking for suburb <p>Provided:</p> <ul style="list-style-type: none"> Metro/country Family type Age 	Calculate a possible credit score (an indication of credit worthiness)	Regression analysis using these variables with HomeStart lending and loss history.	<p>Populations are sufficiently similar to imply correlation.</p> <p>Score is not actual credit history/score for an individual.</p>

Approach - Qualifying criteria applied

Criteria	Description and key assumptions
Age: < 60	<p>While lending to borrowers over 60 is possible, it is assumed to be unlikely due to the limited circumstances: for example, where they have a significant deposit, can finance over a short loan term, or can utilise their superannuation to reduce the loan to a balance serviceable on the aged pension.</p>
Creditworthiness	<p>While this is not a 'hard' knockout (every applicant is evaluated individually), this criteria is aimed at eliminating from the analysis those that would not qualify due to adverse credit.</p> <p>A regression analysis using HomeStart data has been performed to derive a credit 'score', over 900 is considered a 'good' risk.</p> <p>In addition, those that have accrued a debt >\$1,000 to SAHA are assumed not to be suitable for a home loan at present.</p>
Years to save	<p>Up-front costs are the major barrier to home ownership. For the purpose of the analysis, saving the required deposit at 20% of income within 5 years is considered achievable. In reality, applicants may already have funds available, or may not be able to save the assumed percentage.</p>

Approach - Qualifying criteria applied

Criteria	Description and key assumptions
Affordability compared to current	Hypothetical maximum loan repayment was compared to actual current rent payment. Where current payments increase by more than 20%, while it might be possible, for the analysis it was assumed unlikely.
Conversion rate	In 2018/19, HomeStart responded to ~ 10,200 inquiries to achieve ~540 loan settlements through its own direct channel (conversion rate 5.3%).
	The conversion rate reflects the difference between home ownership aspiration and the reality – the ability to pay up front cost, acceptable credit history, ability to service the loan repayment, and finding a suitable affordable property.
	While 5% is used in this analysis, it is likely to be an optimistic assumption because HomeStart inquiries begin with an interest in home ownership. The level of home ownership aspiration or perceived achievability in the SAHA customer base is unknown.



Approach: variations

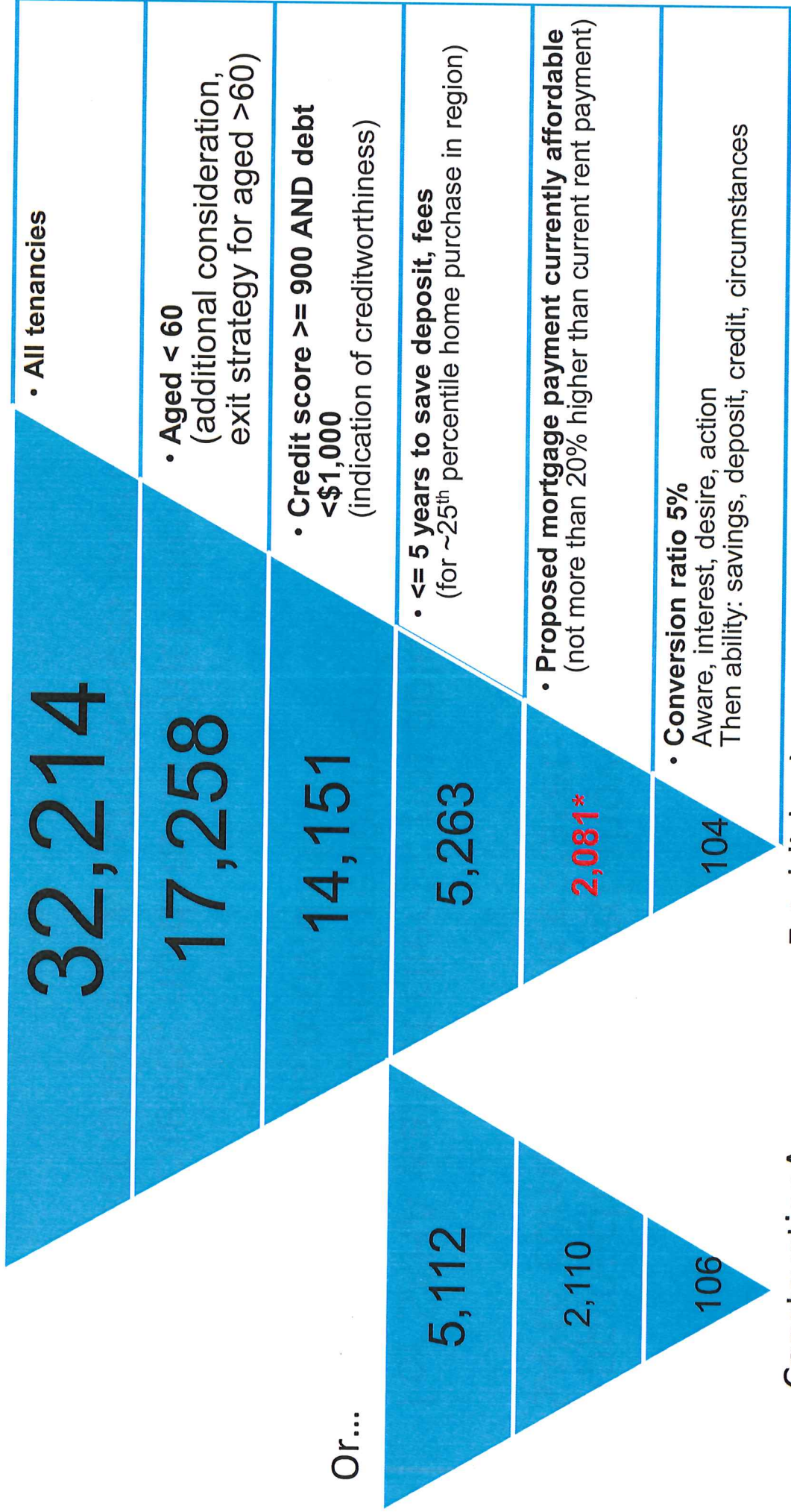
Approach documented above was the one applied to SAHA current tenant dataset.

For SAHA waitlist clients, not able to use the ‘affordability compared to current repayment’ qualifier as no current rent figure was provided.

For PRAP clients, no data on which clients have dependent children, which reduces borrowing capacity.

For both waitlist and PRAP, debt qualifier (rent arrears) was not used as this is not relevant for those datasets.

Results: SA Housing tenants



Or...

Construction^

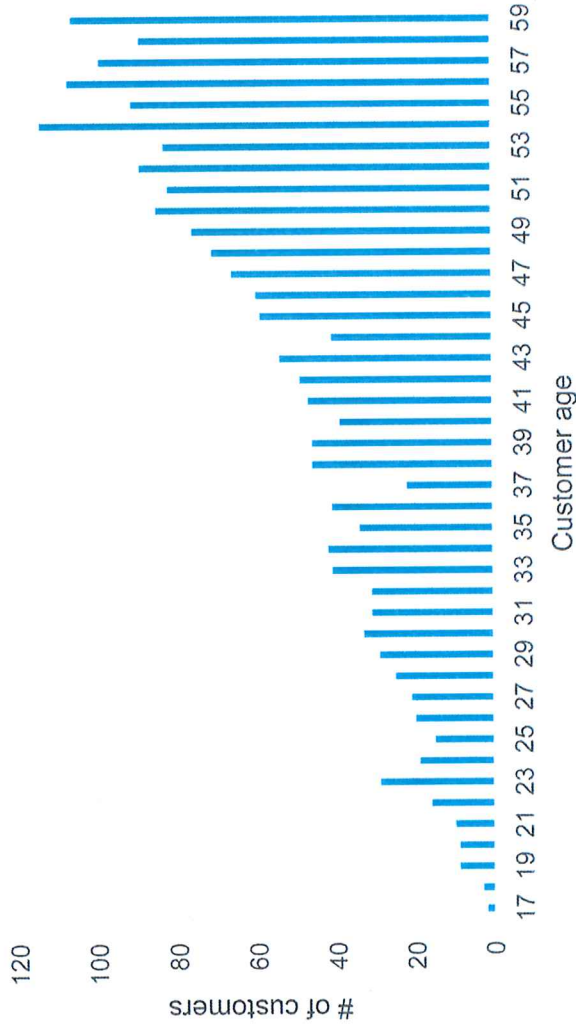
Established

^ Construction lowers up front fees and charges, but no shared equity means no borrowing power boost and potentially higher deposit required

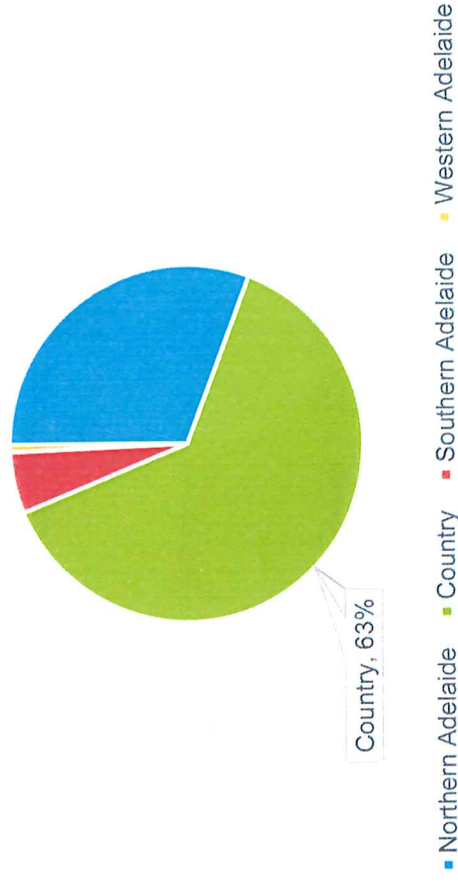
* Profiled following slides

Profile of the potential 2,081 SAHA tenants

Age profile



Location



Household composition



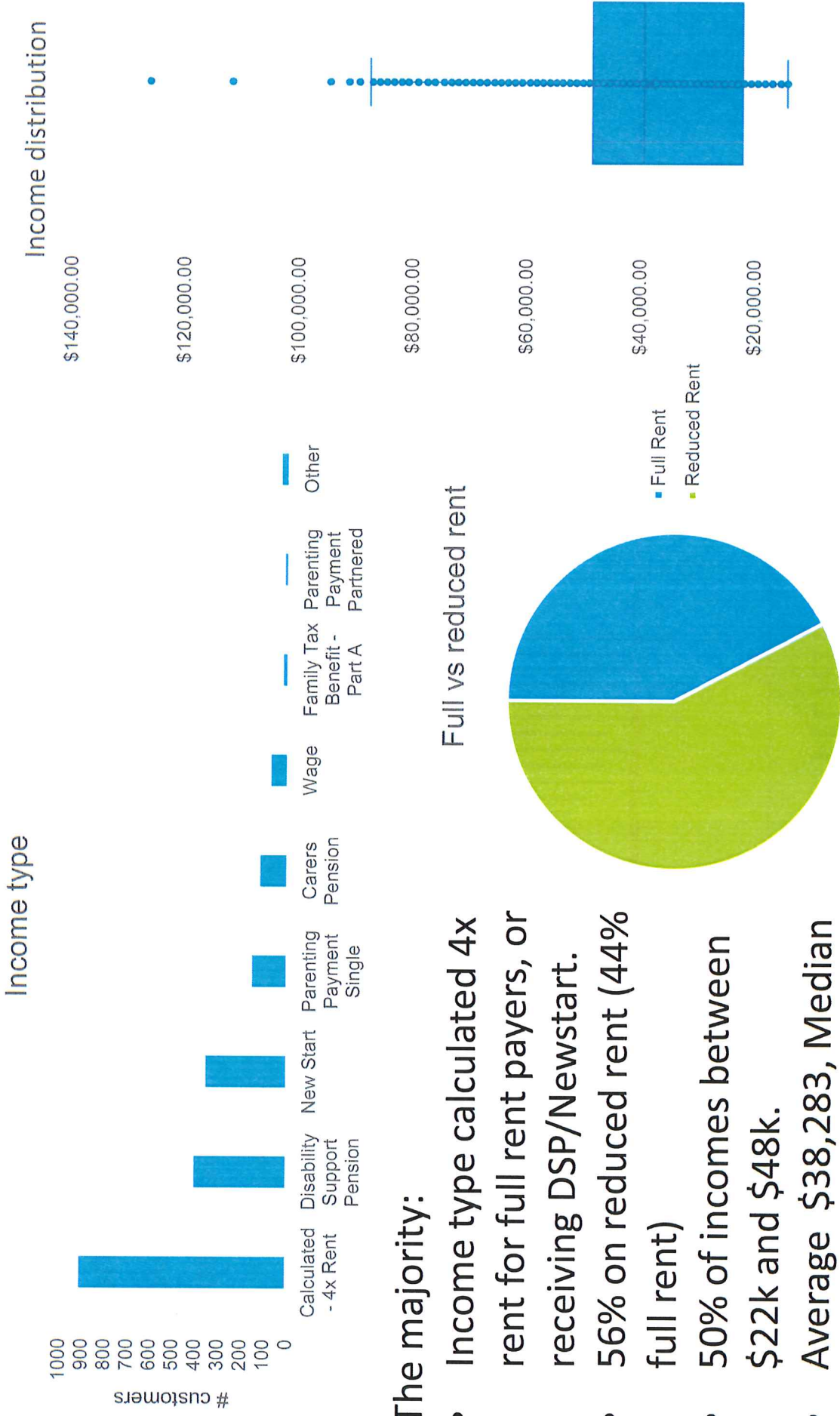
The majority:

- Aged 40-59 (72%); 50-59 (45%)
- Country location (63%)
- Single, single parent household (65%)

15/2081 (0.7%) PRAP customer

10/2081 (0.5%) on waitlist

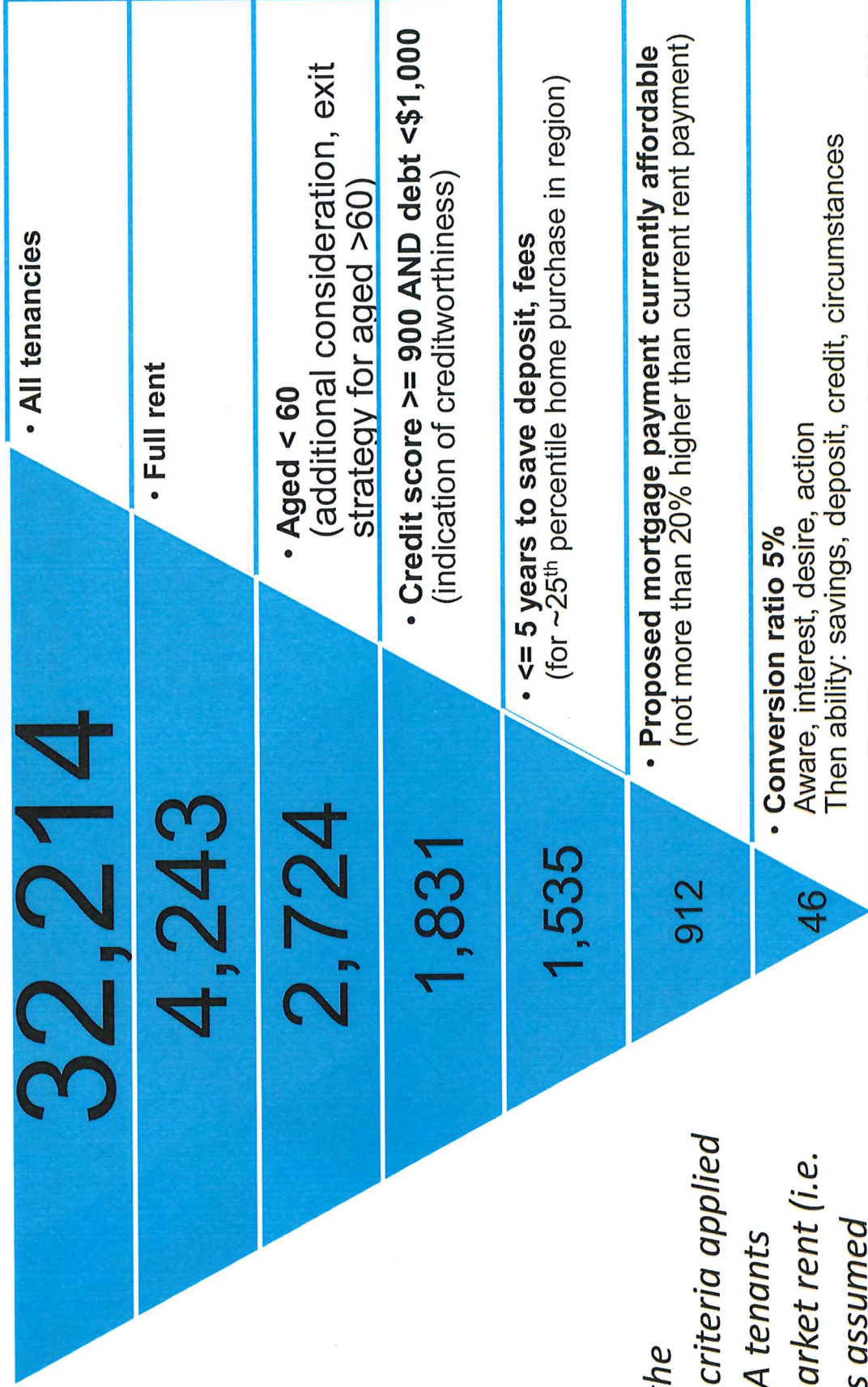
Profile of the potential 2,081 SAHA tenants



The majority:

- Income type calculated 4x rent for full rent payers, or receiving DSP/Newstart.
- 56% on reduced rent (44% full rent)
- 50% of incomes between \$22k and \$48k.
- Average \$38,283, Median \$39,198

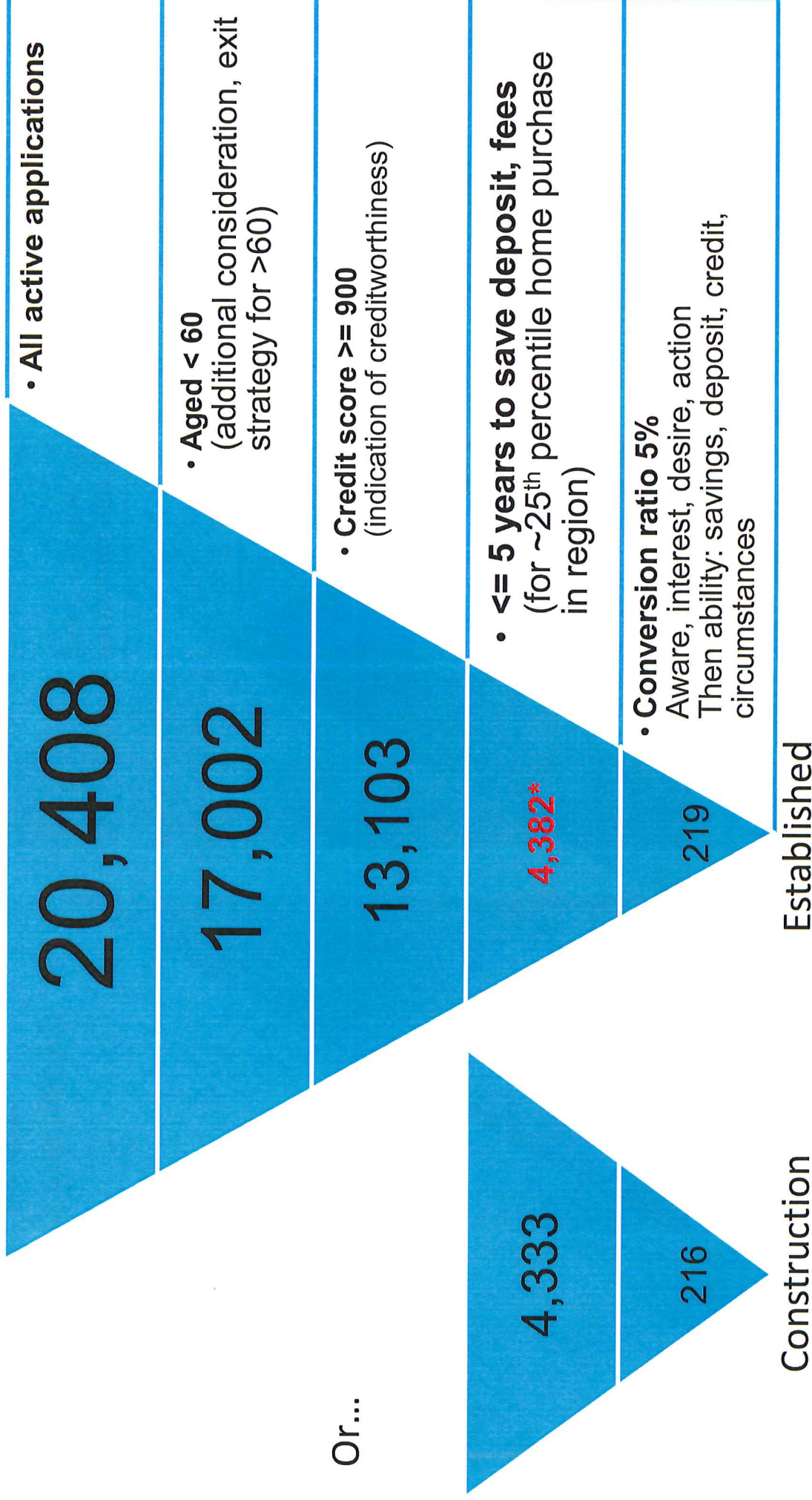
SA Housing tenants: paying full rent



To illustrate the qualification criteria applied to those SAHA tenants paying full market rent (i.e. those tenants assumed most likely to qualify)

Established

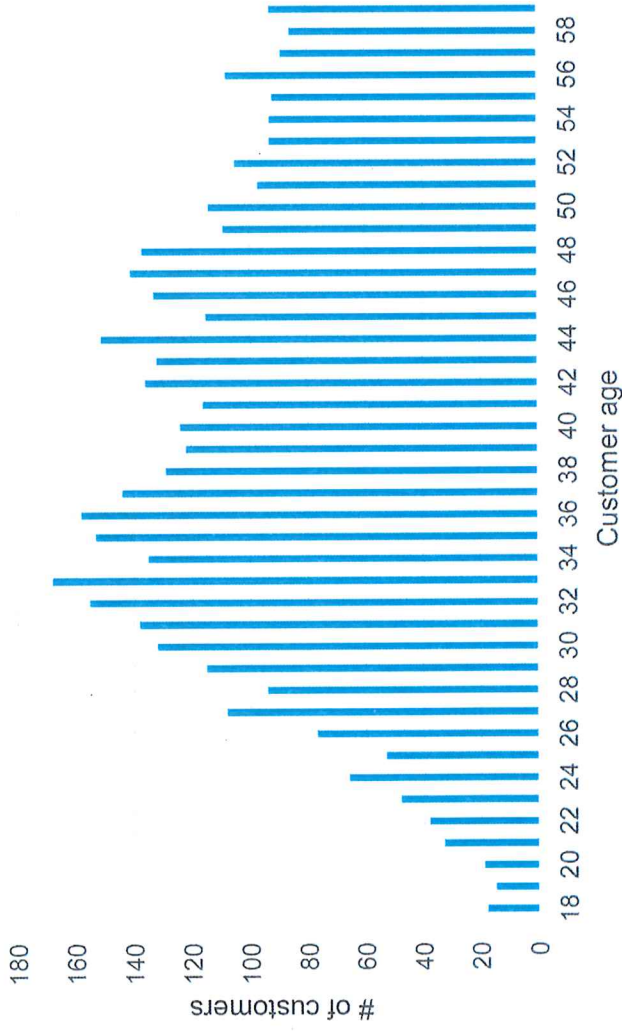
Results: SAHA waitlist



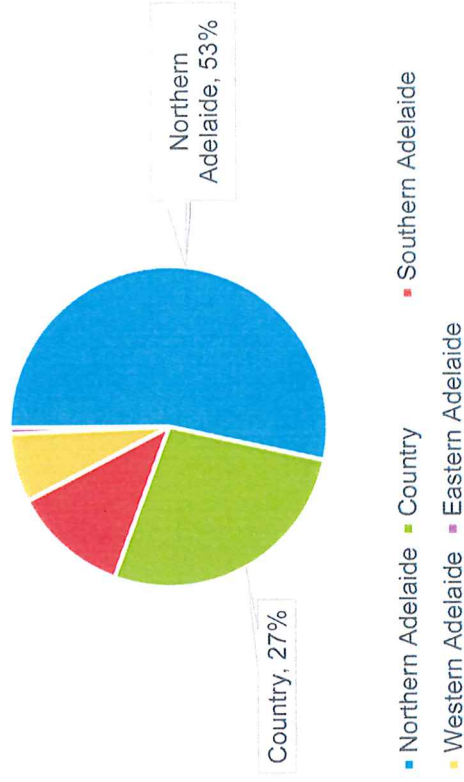
* Profiled following slides

Profile of the potential 4,382 SAHA waitlist

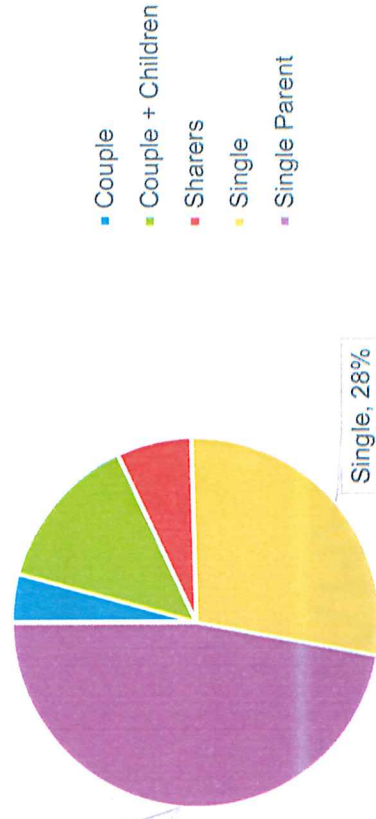
Age profile



Location



Household composition



The majority:

- Aged 30-39 (33%); 40-49 (30%)
- Northern Adelaide (53%), Country (27%)
- Single, single parent household (75%)

166/4382 (4%) in public housing

1923/4382 (44%) PRAP customer

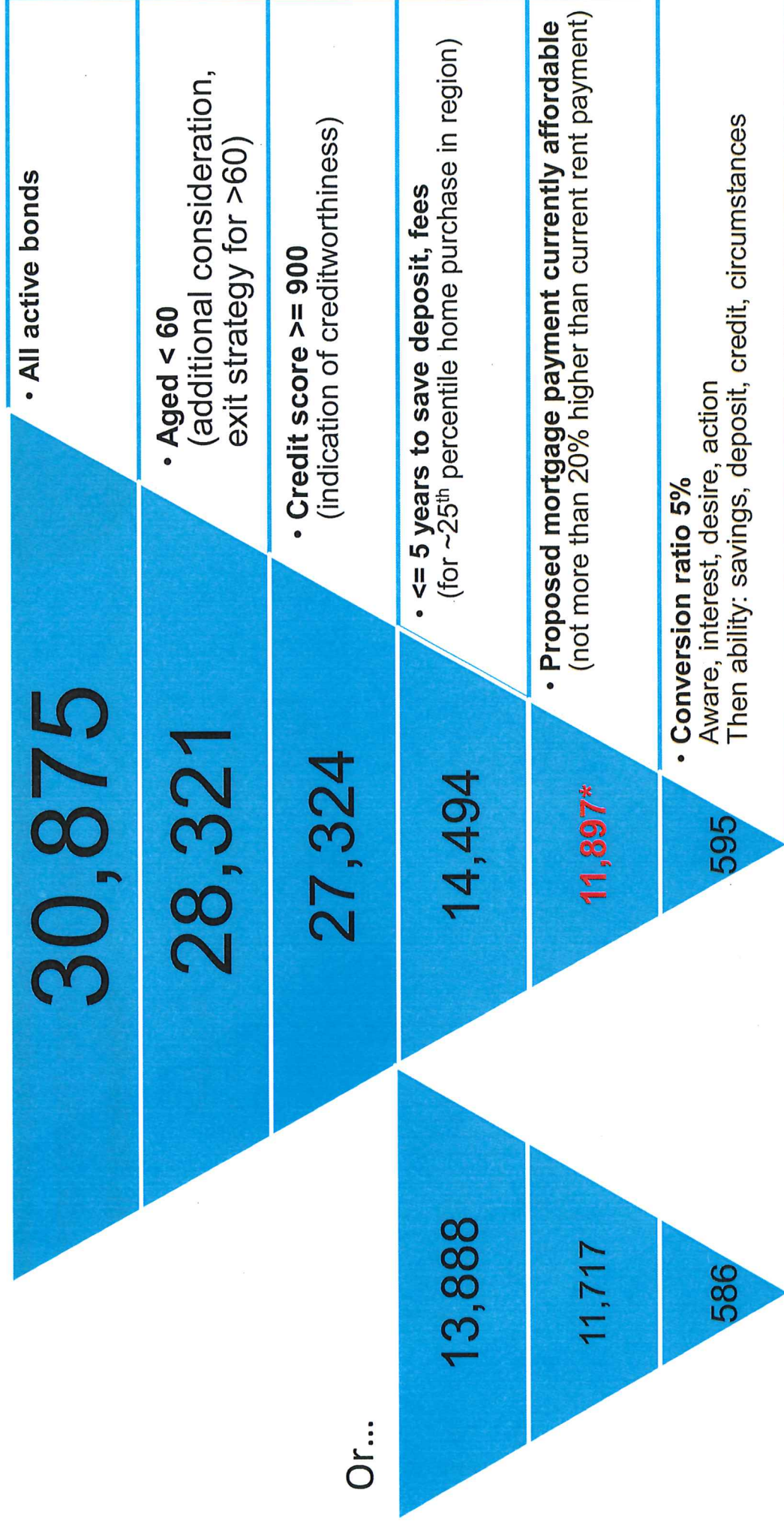
Profile of the potential 4,382 SAHA waitlist



The majority:

- Income types parenting payment single (26%), DSP (25%), Newstart (18%)
- 50% of incomes between \$28k and \$49k. Average \$40,724, Median \$38,083.76

Results: PRAP clients



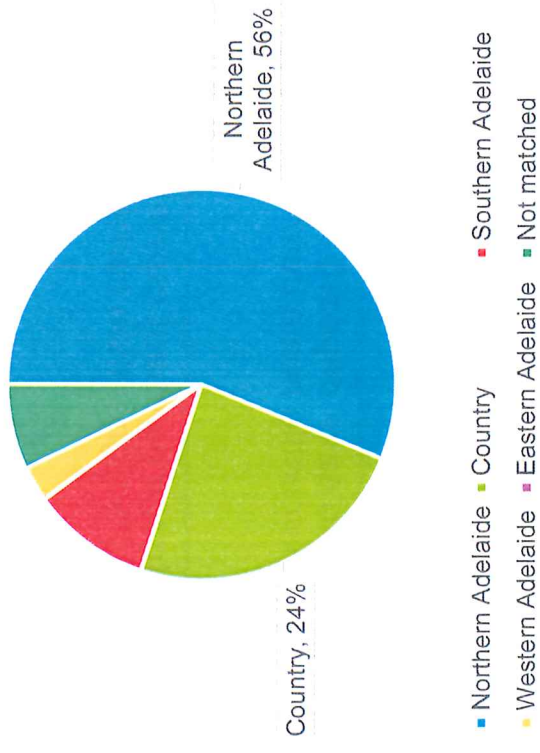
Established

Construction

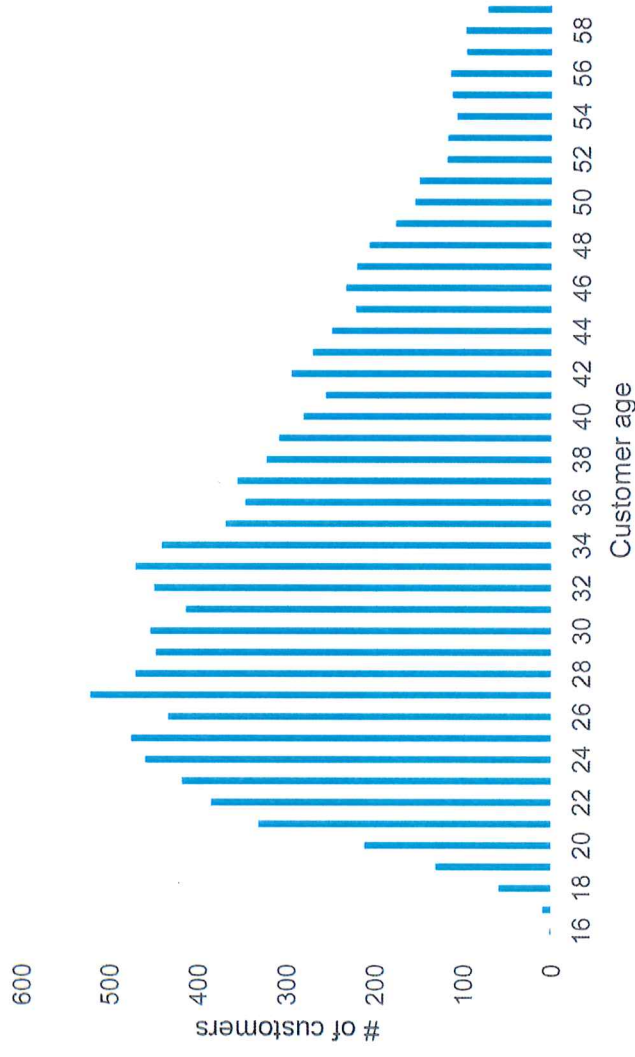
* Profiled following slides

Profile of the potential 11,897 PRAP

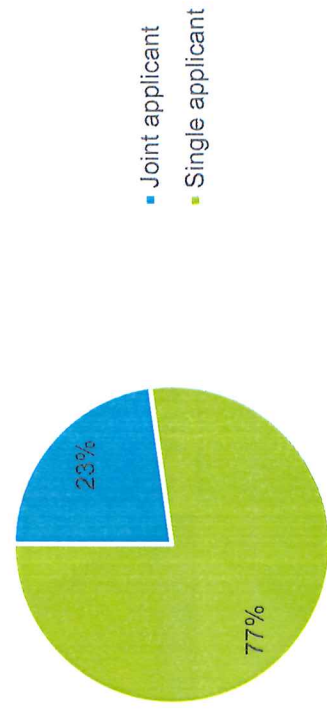
Location



Age profile



Single vs Joint

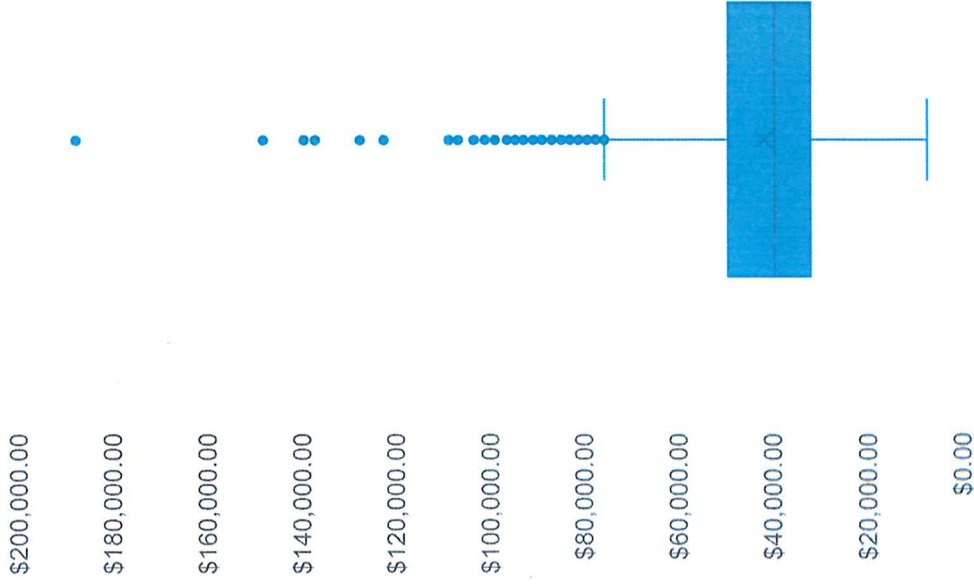


- The majority:
- Aged 20-29 (35%); 30-39 (33%)
 - Northern Adelaide (56%), Country (24%)
 - 77% single applicants (no data re: dependent children)

95/11897 (0.8%) in public housing
 2317/11897 (19%) on waitlist

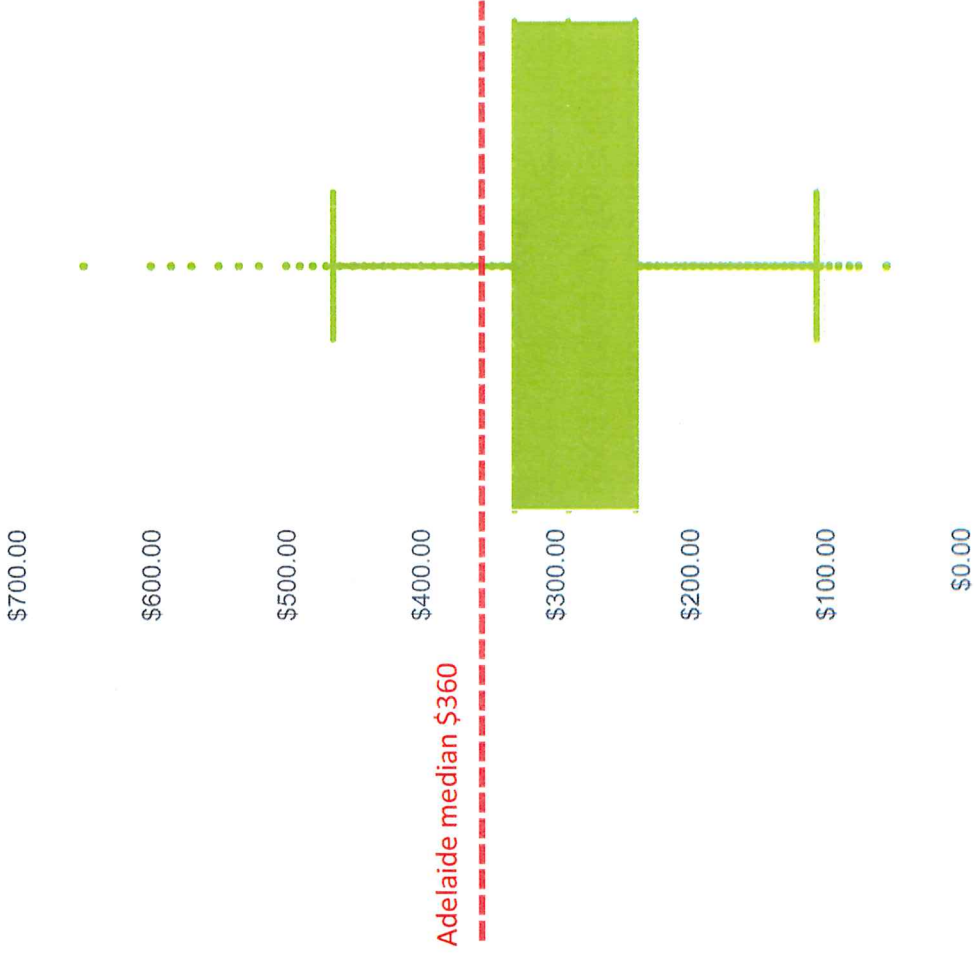
Profile of the potential 11,897 PRAP

Income distribution



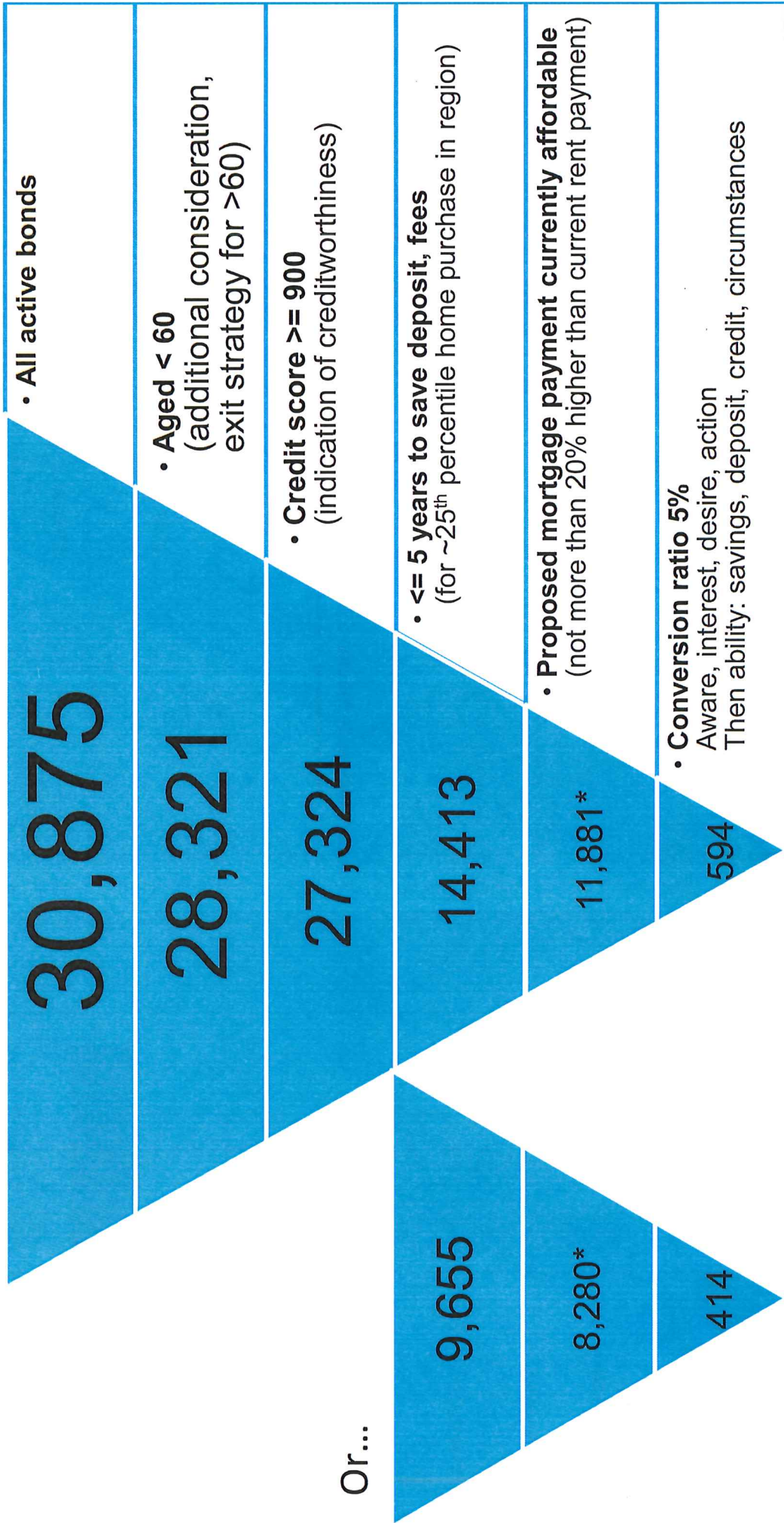
- Income source not in dataset
- 50% between \$32k and \$49k.
- Average \$41,794, Median \$39,566.28

Weekly rent distribution



- 50% of PRAP clients are paying between \$240 and \$330 rent per week
- \$240-per-week is the repayment on a \$182,400 HomeStart loan

Results: PRAP clients (HS product impact)



Or...

Established

Established: no

HS assistance

* 43% greater opportunity with HS assistance

Conclusions

Based on the data provided, how many clients of Housing SA services have a reasonable prospect of being able to achieve home ownership with HomeStart's assistance?

A: SAHA tenants

It appears for SAHA tenants, approximately 100 home ownership outcomes could be achievable in a reasonable timeframe from a targeted and appropriately resourced initiative.

However, there are some important considerations for this target group.

- Assuming HomeStart's standard 5% conversion rate is likely to be quite optimistic, given the likely difference in desire for home ownership between those who make an inquiry with HomeStart and current tenants in secure social housing.
- The high proportions in country location is likely to be problematic in terms of reach and service delivery, availability of suitable housing stock, and credit risk.
- High proportion of age over 50 presents an additional barrier due to requirement to consider loan exit strategy.
- Additional considerations for clients with disability include family involvement, suitable accommodation, possible modifications.
- High level of single and single parent households. While HomeStart's loans are of great benefit for singles, they have less financial resources than couples to sustain living expenses and save up-front costs.

Conclusions

Based on the data provided, how many clients of Housing SA services have a reasonable prospect of being able to achieve home ownership with HomeStart's assistance?

A: SAHA waitlist clients

For SAHA waitlist clients, the opportunity to transition to home ownership appears larger at approximately 220 outcomes from a targeted and appropriately resourced initiative. However, this would likely be reduced to an extent if the 'affordability of repayment compared to current' could be applied (data did not include rent currently paid).

The conclusion for this group differs from the tenant group:

- While HomeStart's standard 5% conversion rate may still be optimistic, waitlist clients are likely to have a stronger desire for the security of home ownership.
- Less concentration in country locations and higher in northern Adelaide, close to the standard geographic profile of HomeStart's lending.
- Younger age profile (less need to consider loan exit strategy).

The same considerations apply for clients with disability and single households.

Conclusions

Based on the data provided, how many clients of Housing SA services have a reasonable prospect of being able to achieve home ownership with HomeStart's assistance?

A: PRAP clients

The PRAP client dataset presents the largest opportunity to transition to home ownership, with approximately 600 outcomes seeming achievable from a targeted and appropriately resourced initiative. This is consistent with the intuitive assumption aligned with the housing continuum, and presents the most logical opportunity to line up State Government assistance programs (private rental assistance -> home ownership assistance).

Key findings from the analysis of this group:

- HomeStart's standard 5% conversion rate may still be optimistic, but likely to be higher again than waitlist clients given households are sustaining private rental already.
 - Similar to waitlist group, lesser concentration in country locations and higher in northern Adelaide, close to the standard geographic profile of HomeStart's lending.
 - Age profile is younger again than the waitlist group, with a distribution similar to HomeStart's usual lending.
 - Notably higher income levels in income distribution analysis.
 - The same consideration applies with regard to the high proportion of single households.
-

Example home ownership opportunities

Example scenario 1

Example household: Couple, 2 children, main tenant aged 58, tenants of 13 years.

Living in: Elizabeth East

Earning income: \$58,833p.a.

Paying rent of: \$230p.w.

Could purchase a property worth: \$168,750

By getting a loan of: \$163,688
(repayment = \$215p.w.)

And saving: \$7,335
(fees and deposit, less Starter Loan)

Caution: Age=58,
exit strategy needed



\$160,000 ☆
36 Hornet Crescent Elizabeth East
4 1 2 759 m² House

Example scenario 2

Example household: Single parent, 1 child. Aged 38, tenant of 16 years.

Living in: Hackham West

Earning income: \$64,749 p.a.

Paying rent of: \$264p.w.

Could purchase a property worth: \$222,500

By getting a loan of: \$215,825

And saving: \$21,671.25
(fees and deposit, not eligible for Starter Loan)



\$212,000 ☆
6 Arnhem Crescent Hackham West
3 1 1 750 m² House

Practical steps to pursue opportunity

Any initiative to assist these clients would require appropriate planning and resourcing:

- Process steps are: Marketing/communication, nurturing interest, handling initial inquiries, loan interview and application.
- Consideration of individual circumstances is required for accurate financial viability assessment.
 - Because a SAHA client is not qualified using this method, doesn't mean it's not possible (e.g. more modest housing aspirations, or could save for longer or have existing savings)
 - Similarly, qualified by this method does not mean home ownership is desirable vs. current circumstances or possible due to factors such as savings, income, expenses, debts.
- A high level of attention must be paid to developing an appropriate communications plan that avoids 'raising' then 'crushing' hopes for potential applicants.
- While HomeStart has expertise for this activity, it does not have the resources to handle large volumes of enquiries that have a very low conversion rate. HomeStart would require any initiative to fit with current approaches (product and process).
- Because these are SAHA clients, all communications, pre-qualification and inquiry handling would need to be handled by SAHA.
- There would need to be close co-operation between HomeStart and SAHA to ensure a positive customer experience, potentially embedding personnel from one organisation in the other for the duration or at least the establishment of an initiative.

The additional 'front end' education and filtering for this customer base would create a special project cost of \$300k to establish, and an estimated \$300k per annum. *[very high level estimate: 800 outcomes over 5 years, 160 outcomes per year, 80 outcomes per year per lender = 2x FTE @ \$100k each total cost. \$100k / year marketing. \$300k establishment cost, including systems.]*
