



# Impact Analysis

## Help to Buy Shared Equity Scheme



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# Executive Summary

This Impact Analysis has been prepared by the Department of the Treasury (**Treasury**) to support the Government's decision to implement the Help to Buy scheme (**the scheme**) 2022 election commitment. The proposed scheme will support eligible Australians who would otherwise not be able to enter the housing market, including low- and middle-income earners, key workers, single parents, mature aged women, and long-term renters, to purchase a home of their own.

While an impact analysis is not required by the *Help to Buy Act 2024*, a preliminary draft of this Impact Analysis was provided to the Government to inform initial consideration of the scheme. Extensive targeted and public consultation has been undertaken as part of the policy design process. Information from these consultation processes has been incorporated into this Impact Analysis.

## Policy problem and Scheme design

Australia has seen a decades long fall in home ownership, falling from 71.4 per cent in 1994 to 66.3 per cent in 2021.<sup>1</sup> This has resulted in more households renting for longer, increasing pressure on the rental market and preventing many Australians from achieving the benefits offered by home ownership. The average age of first homebuyers has increased significantly, between 1991 and 2021 the number of Australians aged between 40 and 44 who owned their own home fell from 75.1 per cent to 64.9 per cent.<sup>2</sup>

To assist more Australians, and particularly low- and middle-income households, into home ownership, the Government committed to establishing the Help to Buy shared equity scheme as part of its 2022 election platform. The Help to Buy scheme will assist 10,000 Australian households each year for 4 years to purchase a home by providing an equity contribution from the Government. This equity contribution will be capped at 30 per cent for existing homes and 40 per cent for new homes, with a minimum deposit requirement of 2 per cent. No interest will be charged on the Commonwealth's equity contribution, while the financial risk and benefit will be shared between the participant and the Commonwealth proportionate to their interests.

The scheme will be available to eligible Australians who earn up to \$100,000 for single and \$160,000 for joint applicants to purchase properties at or below the relevant price cap in each area. The financial capacity of applicants will also be assessed by lenders and Housing Australia to ensure the scheme is targeted to Australians who would not otherwise be able to purchase a home. As much as possible, participants in the scheme will be treated as owners, particularly in relation to the right to make modifications and renovate their property. Additionally, participants will be able

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<sup>1</sup> Australian Bureau of Statistics, Survey of Income and Housing, <https://www.abs.gov.au/statistics/people/housing/housing-census/latest-release>.

<sup>2</sup> Australian Bureau of Statistics, 2021 Census, <https://www.abs.gov.au/statistics/people/housing/housing-census/latest-release>.

to repurchase the Government share over time, increasing their share of the home and proportionally reducing the Government's.

The purpose of the scheme is to make home ownership achievable for more Australians. By significantly lowering both the deposit and ongoing mortgage repayments required to purchase a home, the scheme will directly assist 40,000 Australian households to achieve home ownership compared to the status quo.

The scheme will be managed by Housing Australia, alongside a number of other Government housing programs, in particular the Home Guarantee Scheme (HGS) and the Housing Australia Future Fund. Housing Australia will leverage the experience of establishing HGS to minimise additional implementation costs where possible. Housing Australia will also be responsible for selecting the panel of participating lenders who will play a key role in facilitating prospective applicants to enter the scheme.

The scheme is a key part of the Government's Homes for Australia agenda and will provide significant direct support to aspiring homebuyers.

The Impact Analysis has found that implementing the scheme will provide material benefit in assisting Australians into home ownership compared to maintaining the status quo. As the scheme is a Government election commitment, this Impact Analysis only compares the policy against the status quo, in accordance with Office of Impact Analysis guidance.

#### Background to the Impact Analysis

This final version of the Impact Analysis has been prepared for the Government in June 2025, and will inform the Minister's decision to approve the Help to Buy Program Directions that will allow Housing Australia to commence delivery of the scheme.

Key milestones in the development of the Help to Buy scheme, informed by the draft and final analyses provided in this Impact Analysis, include:

- announcement of the Help to Buy scheme as an election commitment in May 2022
- initial announcement of the Help to Buy scheme as part of the October 2022-23 Budget
- agreement by states and territories at National Cabinet to implement the Help to Buy scheme nationally in August 2023
- passage of the Help to Buy Bill 2023 and the Help to Buy (Consequential Provisions) Bill 2023 through the House of Representatives on 28 February 2024, following introduction on 30 November 2023
- release of exposure draft of the Help to Buy Program Directions and explanatory materials for public consultation between 23 April 2024 and 21 May 2024
- passage through the Queensland Parliament on 11 June 2024 of the Queensland Help to Buy (Commonwealth Powers) Bill with Royal Assent on 19 June 2024, following introduction on 2 May 2024
- introduction of the Help to Buy Bill 2023 and the Help to Buy (Consequential Provisions) Bill 2023 into the Senate on 29 February 2024 with passage on 26 November 2024. Passage

through both houses following House agreement to Senate amendments on 27 November 2024 with Royal Assent on 10 December 2024

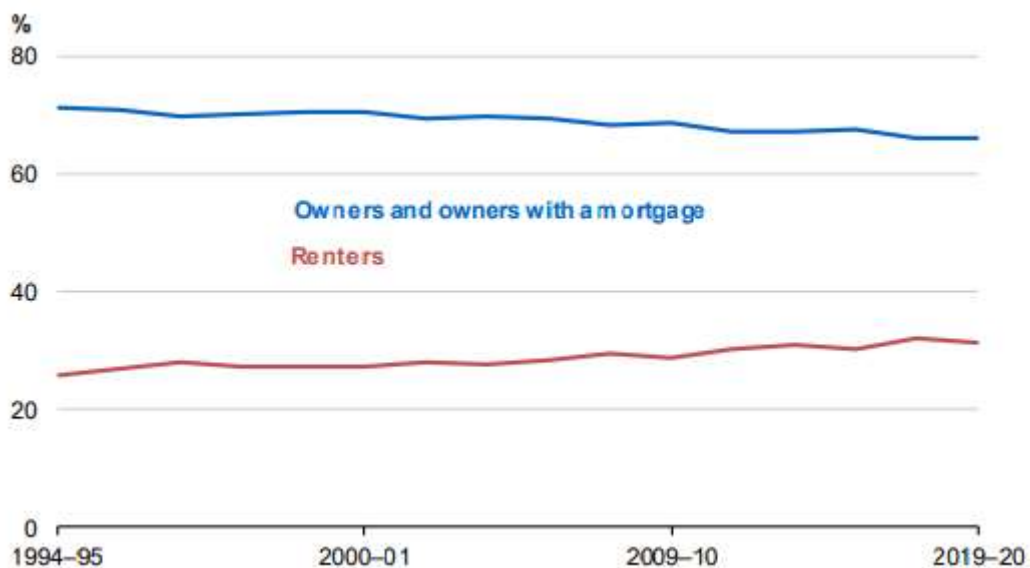
- final state and territory agreement to the Help to Buy Program Directions on 22 April 2025 following the completion of the statutory consultation period as required under the Help to Buy Act 2024.

# 1. What is the policy problem Help to Buy is trying to solve?

## 1.1 Rates of home ownership in Australia are declining

Home ownership rates have been falling in Australia over recent decades. While a variety of factors, including changing societal attitudes and norms, have impacted home ownership rates, the relative affordability of housing has fallen substantially over the past 4 decades. Strong and sustained increases in housing prices, particularly compared to growth in incomes, have made both saving for a deposit and servicing a mortgage significantly more challenging, particularly for low-income households. Between 1994 and 2021 rates of home ownership declined from 71.4 per cent to 66.3 per cent.<sup>3</sup>

Figure 1.1: Rates of Home ownership 1994-2020



Source: 2024-25 Budget, Budget Paper 1, p.137

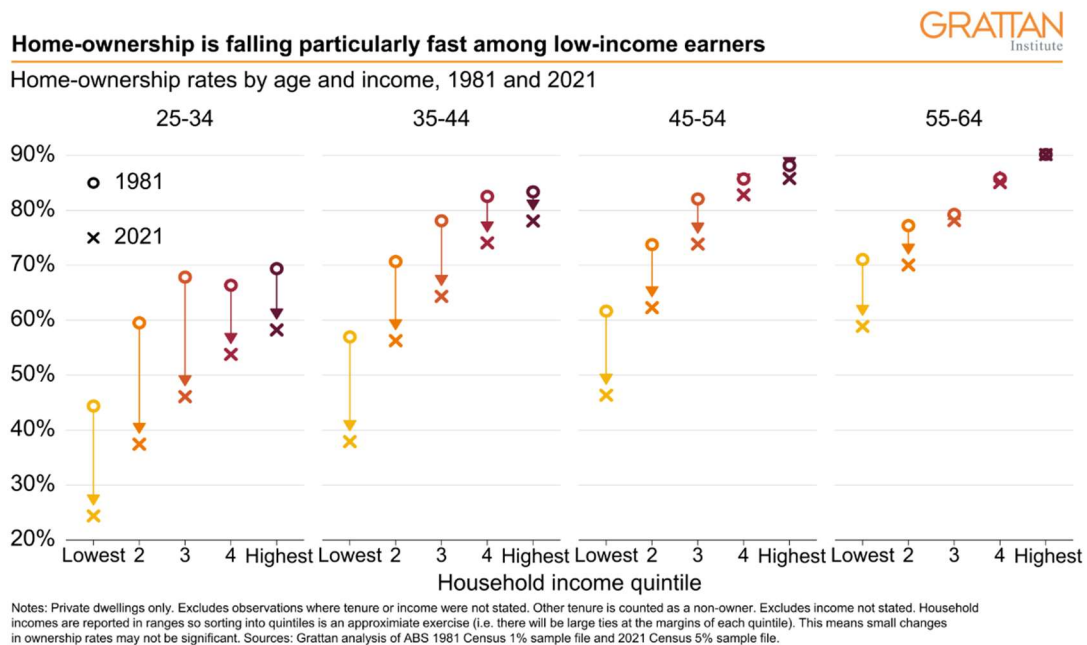
There have been considerable falls in home ownership rates across most working-age groups. Between 1981 and 2021, home ownership rates for households aged 25-34 fell from 52 per cent to 32 per cent among the lowest two income quintiles, compared to 10 percentage points for households in the top income quintile. Although the decrease in home ownership rates is smaller for older age groups, the size of the drop across groups remains much larger for households in the bottom income quintiles compared to households in the top. For example, for 45-54 year old

<sup>3</sup> Australian Bureau of Statistics, Survey of Income and Housing, <https://www.abs.gov.au/statistics/people/housing/housing-census/latest-release>.

households, home ownership rates dropped by 18 percentage points in the lowest two quintiles, whilst remaining largely unchanged for those in the top quintile.<sup>4</sup>

While home ownership rates have fallen across age groups, the substantial reductions in rates for all income quintiles amongst younger cohorts demonstrates that achieving homeownership is no longer a challenge solely for lower income quintiles, but extends to most young Australians.

**Figure 1.2: Home ownership rates by age and income, 1981 and 2021**



Source: Grattan Institute<sup>5</sup>

Overall, however, home ownership rates are lower for low-income households. Australian Bureau of Statistics (ABS) data show that 60.7 per cent of households in the lowest income quintile own their home, compared to 74.1 per cent of households in the highest income quintile.<sup>6</sup>

## 1.2 Saving a deposit and servicing a mortgage have become more difficult

A combination of factors over the past three decades have contributed to home ownership in Australia becoming increasingly out of reach for low- and middle-income households in particular.

<sup>4</sup> Grattan Institute (2022), The Great Australian Nightmare report, <https://grattan.edu.au/news/the-great-australian-nightmare/>.

<sup>5</sup> Grattan Institute (2022), The Great Australian Nightmare report, <https://grattan.edu.au/news/the-great-australian-nightmare/>.

<sup>6</sup> Australian Bureau of Statistics, Survey of Income and Housing, <https://www.abs.gov.au/statistics/people/housing/housing-census/latest-release>.



The factors contributing to strong and sustained increases in housing prices are well documented and include, declining nominal interest rates, financial liberalisation, higher rates of population growth and rising incomes.<sup>7</sup> Housing price growth has, on average, significantly exceeded income growth.<sup>8</sup> As a result, the ratio of both housing prices and household debt to household disposable incomes has increased substantially in Australia over recent decades (Figure 1.3).

**Figure 1.3: Housing prices and household debt to income**



### Deposit hurdle

As a result of rising housing price to income ratios, the 'deposit hurdle' – the challenge of accumulating a sufficiently-sized deposit to purchase a home (and to support a home loan application) – has grown significantly (Figure 1.4). The average time needed for a median household to save a 20 per cent deposit remains at elevated levels, with the national figure

<sup>7</sup> See page 4, Reserve Bank of Australia (2021), Submission to the Inquiry into Housing Affordability and Supply in Australia,

[https://www.aph.gov.au/Parliamentary\\_Business/Committees/House/Former\\_Committees/Tax\\_and\\_Revenue/Housingaffordability/Submissions](https://www.aph.gov.au/Parliamentary_Business/Committees/House/Former_Committees/Tax_and_Revenue/Housingaffordability/Submissions);

Also, See Kohler and van der Merwe (2015), Long-run Trends in Housing Price Growth, <https://www.rba.gov.au/publications/bulletin/2015/sep/pdf/bu-0915-3.pdf>.

<sup>8</sup> See graph A1 in Reserve Bank of Australia (2021), Submission to the Inquiry into Housing Affordability and Supply in Australia,

[https://www.aph.gov.au/Parliamentary\\_Business/Committees/House/Former\\_Committees/Tax\\_and\\_Revenue/Housingaffordability/Submissions](https://www.aph.gov.au/Parliamentary_Business/Committees/House/Former_Committees/Tax_and_Revenue/Housingaffordability/Submissions).

currently at 10.6 years as of September 2024. This has fallen from peak levels of 11.4 years in the March quarter 2022 but remains well above the average of the past two decades (9.0 years).<sup>9</sup>

**Figure 1.4: Years required to save a 20 per cent deposit**



Source: CoreLogic, ANU

Large and increasing deposit hurdles over recent years have made the challenge of attaining home ownership more difficult, and while this challenge is faced across the income spectrum, observed home ownership outcomes indicate that the challenges have been particularly acute for low- to middle-income households.<sup>10</sup>

### Serviceability hurdle

Another challenge facing homebuyers is the 'serviceability hurdle', which measures the ratio of income to mortgage repayments. Rapidly increasing house prices have seen this ratio increase substantially, for prospective homebuyers, the portion of income required to service a loan has

<sup>9</sup> ANZ – CoreLogic (2024), [https://www.anz.com.au/content/dam/anzcomau/bluenotes/documents/ANZ\\_CoreLogic\\_%20Housing\\_Affordability%20Report\\_November-2024.pdf](https://www.anz.com.au/content/dam/anzcomau/bluenotes/documents/ANZ_CoreLogic_%20Housing_Affordability%20Report_November-2024.pdf).

<sup>10</sup> Other factors, beyond a large deposit hurdle, that have contributed to declining home ownership rates, include social and demographic factors (RBA, 2015; Burke, Nygaard & Ralston, 2020), rising intergenerational income inequality (Yates, 2011), and financial innovation (RBA, 2015; Yates, 2011).

increased to over 50 per cent in 2024,<sup>11</sup> significantly above the long-run average of 36.6 per cent (figure 5.1).<sup>12</sup>

**Figure 1.5: Share of income to service new loan**



Source: CoreLogic, ANU

PropTrack also tracks this hurdle through its PropTrack Affordability Index, which summarises the capacity for households of different incomes to afford homes across Australia, based on a household spending 25 per cent of their pre-tax income on mortgage repayments. A measure of 1.00 means all households can afford homes in proportion to their income.

The index had previously been at historically high levels, likely due to sustained low interest rates, particularly over the pandemic, which have put downward pressure on serviceability challenges. However, since 2021 the index has fallen precipitously and is now at its lowest level since records began in 1994-95 (Figure 1.6), with a median-income household able to afford just 14 per cent of homes sold across Australia in 2024.<sup>13</sup>

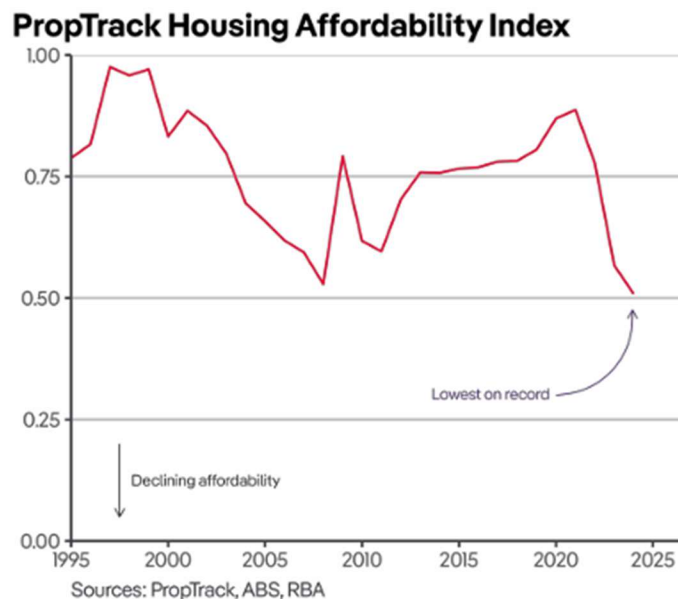
<sup>11</sup> ANZ – CoreLogic (2024), [https://www.anz.com.au/content/dam/anzcomau/bluenotes/documents/ANZ\\_CoreLogic\\_%20Housing\\_Affordability%20Report\\_November-2024.pdf](https://www.anz.com.au/content/dam/anzcomau/bluenotes/documents/ANZ_CoreLogic_%20Housing_Affordability%20Report_November-2024.pdf).

<sup>12</sup> 2024-25 Budget Paper No. 1, Statement 4: Meeting Australia's Housing Challenge, p. 136, [https://archive.budget.gov.au/2024-25/bp1/download/bp1\\_bs-4.pdf](https://archive.budget.gov.au/2024-25/bp1/download/bp1_bs-4.pdf).

Note: Income refers to median gross disposable household income. Data is for national dwellings, reported quarterly.

<sup>13</sup> PropTrack Housing Affordability Report 2024, <https://cdn.rea-group.com/wp-content/uploads/2024/09/21004733/PropTrack-Housing-Affordability-Report-August-2024.pdf>.

Figure 1.6: PropTrack Affordability Index



Source: PropTrack, ABS, RBA

Alongside this decrease in affordability, the official cash rate has increased from 0.1 to 3.85 per cent as of May 2025, reducing the borrowing power of prospective home buyers.<sup>14</sup> While the increased difficulty of servicing a mortgage will affect all home owners, the impact will be particularly acute for low- to middle- income households who may be priced out of home ownership altogether. This is reflected in the results from the four major banks and the number of loans being issued at various income levels.

As an illustrative example, according to Commonwealth Bank disclosures, in the six months to 30 June 2024, there were 2.4 times as many owner-occupied mortgages written to households with incomes over \$200,000 than to households with incomes below \$100,000, despite the fact that median household income is approximately \$115,000.<sup>15</sup>

### 1.3 Existing Government support predominantly targets the deposit hurdle

The significant challenges faced by many prospective homebuyers can be alleviated by targeted Government support. The existing support provided by HGS provides an example of Government support that directly assists Australians in purchasing a home.

Under HGS, a home buyer's loan is guaranteed by Housing Australia up to a maximum of 15 per cent of the value of the property (with the Family Home Guarantee, which is specifically targeted at single parent households, allowing for a maximum guarantee of 18 per cent). This allows

<sup>14</sup> Reserve Bank of Australia (2025), <https://www.rba.gov.au/statistics/cash-rate/>.

<sup>15</sup> Mr Johnathan Mott, Founding Partner, Barrenjoey, *Proof Committee Hansard*, 16 October 2024, p. 25.

Australians to purchase a home with as little as a 5 per cent deposit (or 2 per cent for the Family Home Guarantee) without the need to obtain Lenders Mortgage Insurance.

As of March 2025, HGS has provided support to over 150,000 Australians since May 2022, including around 1 in 3 first home buyers in 2023-24.<sup>16</sup> Participants in HGS were generally low to middle income, with the typical recipient of the First Home Buyers Guarantee (the largest single guarantee scheme) having an income of \$83,000 for singles and \$132,000 for joint borrowers. The average purchase price was similarly modest at \$482,000 for single and \$624,000 for joint borrowers. Additionally, HGS has been particularly important for key workers including teachers, nurses and social workers, with over a quarter of guarantees issued under the First Home Buyers Guarantee Scheme going to workers in these professions.<sup>17</sup>

The effect of HGS is also significant, with Housing Australia estimating that the First Home Loan Deposit Scheme, a predecessor of HGS, brought forward the average home purchase by an average of four years.<sup>18</sup> Given the rapid growth in house prices in Australia, and the difference between house price and income growth, for many participants this could be critical in allowing them to achieve home ownership.

The success of HGS demonstrates the role targeted Government support can play in helping Australians into home ownership. However, it should be noted that HGS only provides support to overcome the deposit hurdle, this means individuals may still be constrained by their ability to service a loan.

## 1.4 Help to Buy is part of a broader housing reform agenda

Help to Buy is part of the Government's Homes for Australia plan, a broad suite of policies designed to address pressures across all parts of the housing system, working together in a complementary manner. While each housing measure is designed to target a very specific problem in the housing system, some of the major policies can be broadly grouped into four categories.

### Measures to support first home ownership

- The Home Guarantee Scheme has helped more than 150,000 people into home ownership. The scheme has now been expanded significantly - changes will see friends, siblings, and other family members eligible for joint applications under the First Home Guarantee and the

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<sup>16</sup> Housing Australia, Home Guarantee Scheme Trends and Insights Report 2023-24, <https://www.housingaustralia.gov.au/research-data-analytics/hgs-trends-and-insights-report-2023-24>

<sup>17</sup> Housing Australia, Home Guarantee Scheme Trends and Insights Report 2023-24, <https://www.housingaustralia.gov.au/research-data-analytics/hgs-trends-and-insights-report-2023-24>.

<sup>18</sup> National Housing Finance and Investment Corporation, First Home Loan Deposit Scheme and New Home Guarantee Trends and Insights Report 2020-21, <https://www.housingaustralia.gov.au/research-data-analytics/fhlds-trends-and-insights-report-2021-22>.

Regional First Home Buyer Guarantee, as well as extend the Regional First Home Buyer Guarantee and Family Home Guarantee to 30 June 2029.

### Measures to support new supply

- On 16 August 2023, National Cabinet agreed to a new national target to build 1.2 million homes over five years from 1 July 2024. This is an additional 200,000 new homes above the National Housing Accord agreed by states and territories in 2022. As part of the National Cabinet meeting, the Government announced:
  - \$3 billion for a New Homes Bonus, for states and territories that achieve more than their share of the one million well-located homes target under the National Housing Accord
  - \$500 million for a Housing Support Program, a program for local and state and territory governments to kick-start housing supply in well located areas
  - a National Planning Reform Blueprint with planning, zoning, land release and other measures to improve housing supply and affordability.
- Tax incentives have been provided to encourage more build-to-rent developments to boost new supply in the private rental market.

### Measures to support low-income and vulnerable households

- The Housing Australia Future Fund (HAFF) and Accord will support the delivery of 40,000 new social and affordable homes and fund a range of acute housing needs over its first five years.
- The \$2 billion Social Housing Accelerator is a direct payment to the states and territories to help deliver thousands of new social homes across Australia.
- Commonwealth Rent Assistance has been increased, with a 15 per cent increase in the maximum rates in the 2023-24 Budget from 20 September 2023, followed by a further 10 per cent increase to maximum rates in the 2024-25 Budget.

### Measures to support homelessness and other acute housing needs, including crisis and transitional housing

- National Cabinet has agreed a new, 5-year \$9.3 billion National Agreement on Social Housing and Homelessness (NASHH) for states and territories to combat homelessness, provide crisis support and build and repair social housing.

## 2. Why is Government action needed?

### 2.1 Home ownership benefits individuals and society

Access to affordable and quality housing provides significant benefits both to individuals and society more broadly. While many of these benefits can also be provided by affordable and high-quality rental accommodation, home ownership can increase the extent of these benefits.<sup>19</sup>

In particular, home ownership provides greater security of tenure, providing significant benefits to owners as well as minimising disruptions to established social networks. Additionally, giving owner occupiers more control over the property can help promote health outcomes and physical wellbeing, reduce the incidence of socially disruptive behaviour, support better access to aged care and disability services, and generally provides stronger incentives for civic involvement.<sup>20</sup>

Home ownership is also important for Australians' retirement outcomes. Treasury's retirement income review found that "the home is the most important component of voluntary savings and is an important factor influencing retirement outcomes and how people feel about retirement".<sup>21</sup> Homeowners generally have lower housing costs in retirement and an asset that can be drawn on as necessary. This generally translates into lower dependence on Government support as well as better outcomes for retired Australians.<sup>22</sup>

### 2.2 Low- and middle-income households are not achieving home ownership without support

The private housing market in Australia has become increasingly unaffordable for many low- and middle-income Australians. As discussed in Section 1, rapid growth in house prices, particularly compared with income growth, has made it significantly more difficult both to save a deposit and to afford repayments, particularly given the significant increases in interest rates since April 2022. Micro level analysis conducted for the Australian Housing and Urban Research Institute (AHURI) estimated that, in 2023, only 11 per cent of aspiring homebuyers would be able to become

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<sup>19</sup> Productivity Commission (2004), First Home Ownership - Productivity Commission Inquiry Report, <https://www.pc.gov.au/inquiries/completed/first-home-ownership/report/housing.pdf>.

<sup>20</sup> Productivity Commission (2004), First Home Ownership - Productivity Commission Inquiry Report, <https://www.pc.gov.au/inquiries/completed/first-home-ownership/report/housing.pdf>.

<sup>21</sup> Treasury (2020), Retirement Income Review, <https://treasury.gov.au/sites/default/files/2021-02/p2020-100554-udcomplete-report.pdf>.

<sup>22</sup> Treasury (2021), Intergenerational Report, <https://treasury.gov.au/publication/2021-intergenerational-report>.

homeowners without assistance from Government or other sources.<sup>23</sup> This demonstrates that the existing private housing market is failing to support home ownership for many low- and middle-income Australians.

Aspiring homebuyers in Australia face two principal constraints, the deposit hurdle and the serviceability hurdle. As discussed in Section 1, the deposit hurdle represents the difficulty many Australians face in saving a 20 per cent deposit. The serviceability hurdle represents the difficulty in affording the regular repayments on a standard mortgage. Households who are unable to satisfy one or both hurdles will be unable to purchase a home.

While these constraints may often both be applicable, AHURI analysis indicates that while 84 per cent of aspiring homebuyers are constrained by the deposit hurdle, 71 per cent are constrained by the serviceability hurdle.<sup>24</sup> The private market has provided a solution to the deposit hurdle in the form of lenders mortgage insurance (LMI). LMI covers a lender against the risk of a property being sold for less than the outstanding balance of a loan. By providing lenders with insurance against risks of depreciation and default it allows households with a deposit of less than 20 per cent to purchase a home, providing a market solution to the deposit hurdle.

However, as homebuyers must generally pay the premiums associated with LMI it does not provide a general solution to the deposit hurdle. For a first home buyer purchasing a \$700,000 property with a 5 per cent (\$35,000) deposit, the typical upfront LMI premium would be almost \$28,000.<sup>25</sup> While LMI provides a private market solution to the deposit hurdle for some homebuyers, it may not be appropriate for many low- and middle-income Australians and will generally increase the number of households who are constrained by the serviceability hurdle, as well as substantially increasing the costs associated with home ownership.

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<sup>23</sup> Ong ViforJ, R., Graham, J., Cigdem-Bayram, M., Phelps, C. and Whelan, S. (2023) *Financing first home ownership: modelling policy impacts at market and individual levels*, AHURI Final Report No. 398, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/sites/default/files/documents/2023-05/AHURI-Final-Report-398-Financing-first%20home-ownership-modelling-policy-impacts-at-market-and-individual-levels.pdf>.

<sup>24</sup> Ong ViforJ, R., Graham, J., Cigdem-Bayram, M., Phelps, C. and Whelan, S. (2023) *Financing first home ownership: modelling policy impacts at market and individual levels*, AHURI Final Report No. 398, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/sites/default/files/documents/2023-05/AHURI-Final-Report-398-Financing-first%20home-ownership-modelling-policy-impacts-at-market-and-individual-levels.pdf>.

<sup>25</sup> Based on a 30-year mortgage term for an owner occupier, excluding stamp duty (<https://helia.com.au/the-hub/calculators-estimators/lmi-fee-estimator>).



## 2.3 Existing Commonwealth programs do not provide assistance to households in overcoming the serviceability hurdle

To address the barrier to home ownership posed by the deposit hurdle, the Government has expanded support available under HGS. HGS provides up to 50,000 loan guarantees to eligible households to assist those buyers overcome the deposit hurdle which, as noted above, constrains approximately 84 per cent of aspiring homebuyers.

As discussed in Section 1, HGS has provided significant support to Australians in overcoming the deposit hurdle and achieving home ownership. HGS is targeted at home buyers on higher incomes than Help to Buy with current income caps of \$125,000 for single and \$200,000 for joint applicants. Modelling conducted for AHURI suggests that around 16 per cent of aspiring homeowners are eligible for HGS and it would assist approximately 22 per cent of these by removing all relevant constraints and allowing them to achieve home ownership.<sup>26</sup>

While HGS assists home buyers on moderate to higher incomes overcome the deposit hurdle – having successfully supported more than 200,000 Australian as of March 2025 – it does not address the serviceability hurdle. Mortgage guarantees generally support households that can afford the cost of servicing the debt required to purchase a home – applicants still need to have sufficient means to service a high loan-to-valuation ratio loan. For those on lower incomes, the barriers to home ownership are both on the deposit and serviceability side, making mortgage guarantees less useful for lower income households who do not have the financial means to service a mortgage, particularly one at a high loan-to-valuation ratio. As noted above, the serviceability hurdle constrains 71 per cent of aspiring homebuyers.<sup>27</sup>

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<sup>26</sup> Ong Vitorj, R., Graham, J., Cigdem-Bayram, M., Phelps, C. and Whelan, S. (2023) *Financing first home ownership: modelling policy impacts at market and individual levels*, AHURI Final Report No. 398, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/sites/default/files/documents/2023-05/AHURI-Final-Report-398-Financing-first%20home-ownership-modelling-policy-impacts-at-market-and-individual-levels.pdf>.

Note: These estimates do not account for the 50,000 place cap currently legislated for HGS.

<sup>27</sup> Ong Vitorj, R., Graham, J., Cigdem-Bayram, M., Phelps, C. and Whelan, S. (2023) *Financing first home ownership: modelling policy impacts at market and individual levels*, AHURI Final Report No. 398, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/sites/default/files/documents/2023-05/AHURI-Final-Report-398-Financing-first%20home-ownership-modelling-policy-impacts-at-market-and-individual-levels.pdf>.

## 2.4 What is the objective and how will success be measured

The primary policy objective that Government is seeking to address is to provide targeted assistance that will allow low- and middle- income Australian households to achieve home ownership in cases where this would not otherwise be possible.

## 3. Policy options: Status quo versus Help to Buy

Implementing the Help to Buy scheme is a Government election commitment. As such, the two options considered are maintaining the status quo (option 1) or implementing the Help to Buy scheme (option 2).

### 3.1 Status quo

The status quo would be for the Government to not provide a shared equity scheme to support first homebuyers. The Government will continue to provide support to eligible homebuyers through the First Home Guarantee, Family Home Guarantee and the Regional First Home Buyer Guarantee.

These schemes will collectively provide up to 50,000 guarantees each year until 20 June 2029, and 35,000 thereafter, to eligible buyers to buy a home with a deposit as low as 5 per cent (or 2 per cent for the Family Home Guarantee) without needing to pay LMI.

While these schemes assist homebuyers on moderate incomes (income caps of \$125,000 for singles and \$200,000 for joint applicants apply) to overcome the deposit hurdle, they do not address the serviceability hurdle. As noted above, this would leave a gap in support and constrain low- and middle-income Australians from achieving home ownership.

As the Help to Buy scheme provides direct assistance to 40,000 aspiring homebuyers, the Government not providing support through Help to Buy would result in those 40,000 Australians being less likely to achieve home ownership.

### 3.2 Implementing the Help to Buy Scheme

The Help to Buy scheme will address both the deposit and serviceability hurdles to home ownership. Under the proposed scheme, the Government would help to meet the upfront capital cost of purchasing a home, thus reducing the size of the mortgage required by an eligible home buyer.

Help to Buy has lower income caps (\$100,000 for single applicants and \$160,000 for joint applicants) than HGS. These lower caps are intended to target low- and middle-income earners who lack the borrowing power required to service a typical mortgage for a modest home.

Help to Buy will be open to 10,000 Australian households each year (over four years). Eligible homebuyers will need a minimum deposit of 2 per cent, and the Government will provide an equity contribution of up to 40 per cent of the purchase price of a new home and up to 30 per cent of the purchase price of an existing home.

Price caps for eligible properties under Help to Buy has been set at the median of all house prices in relevant areas, with the exception of the capital city and regional centre area of New South Wales, which has been set with reference to the purchasing capacity of two joint applicants under the scheme. Caps have been set with reference to median prices consistent with the Government's policy direction to make the scheme available to low- and medium-income earners. Lower property caps may have the effect of excluding these participants from significant portions of the housing market, undermining the central purpose of the scheme. It is intended that the price caps will continue to be reviewed and updated as appropriate, based on market conditions. Current price caps for the scheme are:

Region <sup>28</sup>	Price cap
New South Wales – capital city and regional centre	\$1,300,000
New South Wales – other	\$800,000
Victoria – capital city and regional centre	\$950,000
Victoria – other	\$650,000
Queensland – capital city and regional centre	\$1,000,000
Queensland – other	\$700,000
Western Australia – capital city	\$850,000
Western Australia – other	\$600,000
South Australia – capital city	\$900,000
South Australia – other	\$500,000
Tasmania – capital city	\$700,000
Tasmania – other	\$550,000
Australian Capital Territory	\$1,000,000
Northern Territory	\$600,000
Jervis Bay Territory and Norfolk Island	\$550,000

<sup>28</sup> Regional Centres are defined in the *Help to Buy Program Directions* s7(2).

Christmas Island and Cocos (Keeling) Islands	\$400,000
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### Interaction with participants

While the precise nature of the roles and responsibilities of Housing Australia, lenders and participants will be finalised during implementation, the Program Directions provide detail on how these interactions will be managed.

#### *Income caps, refinancing and exit from the scheme*

Under the Program Directions, when participants exceed the income caps, they will be expected to work with their bank to determine how much, if any, of the Commonwealth's share they can repay. The Commonwealth will empower Housing Australia to consider whether the participant should be required to repay all or part of the Commonwealth contribution based on: their financial capacity at that time, as assessed by a lender, and; the participant's personal circumstances. This legislated requirement will ensure participants repay the Commonwealth share, as appropriate for their financial circumstances, alongside their regular mortgage repayments. Participants will also be able to make voluntary repayments of the Commonwealth's contribution at any time to increase their stake in the property, including by refinancing.

#### *Sale of the property*

Participants will be the sole owner of their property and as such will be able to decide to sell at any time. In such circumstances, sale will proceed as with any other sale of residential property. The capital gains and losses received by the Commonwealth will be calculated with reference to the size of its equity share in the property. Regardless of circumstances, the Commonwealth will not be able to unilaterally force sale.

#### *Renovations and revaluations*

The Program Directions provide for participants to benefit from renovations they undertake to their property. For participants to claim the full value uplift of the renovation, the Program Directions require the property be valued both before and after the renovation is undertaken. The Commonwealth's share of the property will then be adjusted to reflect the change in value due to the renovation.

#### *Inheritance*

Where a scheme participant passes away and their beneficiary would be eligible under the Program Directions, the beneficiary will be able to participate in Help to Buy. Alternatively, beneficiaries (or their executors) may opt to instead repay the Commonwealth's equity contribution.

## Delivery through Housing Australia and lenders

The Help to Buy scheme will be implemented by Housing Australia working closely with selected lenders. Housing Australia is the primary delivery agency for Commonwealth Government housing programs and has considerable experience with the delivery of schemes such as HGS. In contrast to HGS, however, the Help to Buy scheme will require direct interaction between Housing Australia and participants. While details of these processes will be determined by Housing Australia during the implementation process, it is expected that Housing Australia will provide dedicated IT systems for the scheme, ensuring that all necessary interaction is as simple as possible for participants and lenders.

Lenders will also play an important role in the implementation of Help to Buy. As with HGS, it is expected Housing Australia will engage in a formal procurement process to select a panel of participating lenders who will assist in the delivery of Help to Buy. While the ongoing eligibility requirements in the Help to Buy Program Directions will necessitate some additional information gathering and verification procedures by lenders, it is expected that Housing Australia will engage closely with lenders to limit any disruptions and ensure any additional costs are minimised for all parties.

The Help to Buy scheme is intended to operate as a national scheme. As such, places will be allocated to participating States and Territories according to population. Additionally, Housing Australia will report on the share of places allocated to regional areas.

## Governance model

The Help to Buy scheme will be implemented by Housing Australia subject to Directions given by the responsible Minister to the Housing Australia Board. These Ministerial directions are the Help to Buy Program Directions and include the detailed parameters and criteria for the scheme, while ensuring Housing Australia retains the flexibility to manage implementation or operational challenges.

Housing Australia will also be required to act in accordance with the requirements of subsections 10(3), 15(2) and 20(2) of the *Help to Buy Act 2024*. These provisions require Housing Australia to act in a proper, efficient and effective manner whilst undertaking its functions under the Act.

Housing Australia will also be required to provide regular reporting on a variety of aspects of the scheme. This will ensure that the principal objectives outlined in section 3 of the *Help to Buy Act 2024* are being achieved, and the scheme framework is operating effectively.

## 4. What are the likely net benefits of Help to Buy

The analysis of the net benefit of the Help to Buy scheme compared to the status quo focuses principally on the direct financial benefits to participants. While home ownership has significant long-term economic and social benefits for individuals and benefits to society more broadly, these are often difficult to quantify.

It is expected that Housing Australia will, where possible, seek to minimise differences between the Help to Buy shared equity product and those of a standard residential mortgage product for lenders. As a result, consideration of regulatory burden focuses on areas where Help to Buy imposes potential additional costs when compared with a standard mortgage. Importantly, lenders have the choice of whether to participate in the scheme.

### 4.1 Status quo

Under the status quo option, the many homebuyers who have the borrowing power to service a mortgage but lack a sufficient deposit (or cannot afford LMI costs), can be supported into home ownership through HGS. HGS supports up to 50,000 Australian households each year to purchase a home. However, HGS can only support homebuyers who have the financial capacity to service a high loan-to-valuation ratio mortgage (up to 98 per cent of the value of the home).

While there would be no Commonwealth-supported shared equity program under this option, a number of similar schemes are currently operated by state and territory governments.<sup>29</sup> However, these schemes are not available nationally, have small numbers of places and generally support a narrower cohort than the proposed Commonwealth model.

It should also be noted that one of the larger state shared equity schemes in Australia – the Victorian Homebuyer Fund – will receive one final year of funding in 2024-25 before ceasing. This will significantly reduce the aggregate level of support provided by states.

As Help to Buy is targeted specifically to individuals who would otherwise be unable to purchase a home, the cohort that will benefit from this scheme would not be able to achieve homeownership under the status quo. This has a wide variety of impacts which are outlined in the section below. While it is likely that some proportion of this cohort would be able to achieve homeownership in future, the evidence indicates that only around 30 per cent of the difference in homeownership rates between cohorts is made up within 10 years, and only around 50 per cent is made up within

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<sup>29</sup> For example, see State Revenue Office Victoria, Annual Review 2023-24, <https://annualreview2324.sro.vic.gov.au/delivering-for-victorians/helping-victorians-own-their-homes>.

20 years.<sup>30</sup> This indicates that, under the status quo option, of the cohort of 40,000 households, approximately 28,000 fewer would have achieved homeownership after 10 years, and 20,000 fewer would have achieved homeownership after 20 years.

Opting for the status quo and not implementing the Help to Buy shared equity scheme will result in low- and middle-income Australians continuing to face significant challenges in overcoming the deposit and serviceability hurdles.

## 4.2 Implementing the Help to Buy Scheme

The Help to Buy scheme would complement the Government's existing Home Guarantee Scheme. Help to Buy will support 40,000 low- and middle- income households to purchase a home of their own and realise the social and economic benefits associated with home ownership. While the program will not target specific cohorts it is expected the program will support a range of vulnerable cohorts who are disproportionately represented amongst low- and middle- income earners, including single parents, mature aged women, First Nations Australians and long-term renters.

It is estimated that the Commonwealth will contribute \$6.3 billion in equity investments through the Scheme. Actual investment will depend on a number of factors including property prices and interest rates. Costs will be subject to periodic updates, including to reflect the timing of the roll-out of the scheme, and actual program data including uptake, participant behaviour and other parameters.

Help to Buy will only be available to applicants who do not own any other property, either in Australia or overseas. Help to Buy also has lower income caps than the HGS. While households who are earning above the income caps will not be able to make use of Help to Buy, they will remain eligible for support under HGS, and approximately 50 per cent of dwellings would be accessible to these households given current market conditions and interest rate settings.

It is also possible the Help to Buy scheme may result in individuals who would otherwise purchase a relevant property being displaced by participants who are able to purchase them with the support of Help to Buy. However, as the scheme impacts at most 10,000 dwellings each year for 4 years, in the context of a market with around 530,000 residential property transactions in 2024,<sup>31</sup> the vast majority of these individuals are likely to be able to purchase a different dwelling. As the property price caps under the scheme have generally been set at the median house price in each housing market, the impact of the scheme will be concentrated in the entry level section of the market. However, given Treasury estimates that more than half of all transactions would be below

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<sup>30</sup> Atalay, K. Edwards, R. Han, F. (2024) *Lost in Transition: A Cohort Analysis of Catch-Up in Homeownership in Australia*, Economic Record, Vol. 100, No. 331, December 2024, 513-532, <https://onlinelibrary.wiley.com/doi/full/10.1111/1475-4932.12831>.

<sup>31</sup> ABS Lending Indicators, December Quarter 2024, <https://www.abs.gov.au/statistics/economy/finance/lending-indicators/dec-quarter-2024>.



the Help to Buy price caps, the total impact of the additional 10,000 transactions on prices in this subset of the market is also likely to be modest.<sup>32</sup>

The limited demand-side impact of the scheme is reflected in previous modelling by the Grattan Institute which estimated the scheme would increase prices by less than 0.02 per cent.<sup>33</sup>

Additionally, the Help to Buy Program Directions require Housing Australia to satisfy itself that it is unlikely that the applicant (or joint applicants) could acquire the relevant property without the assistance of the Commonwealth through Help to Buy.

### 4.3 Help to Buy complements existing programs by providing targeted support

As has been discussed in Sections 1 and 2, the intersection of the deposit and serviceability hurdle faced by lower income households justifies government intervention. While many aspiring homeowners are constrained by both the deposit and serviceability hurdle, existing Government programs assist only with the former. AHURI modelling indicates that approximately 22 per cent of aspiring homebuyers who may be eligible for the scheme are able to achieve home ownership with the support of HGS, 55.8 per cent of eligible homebuyers remain constrained by one of the two hurdles even with the support of HGS.<sup>34</sup>

This demonstrates the need for Government support that is also able to assist aspiring homebuyers with the serviceability hurdle to achieve the policy goal of home ownership. According to AHURI modelling, approximately 31 per cent of aspiring homebuyers may have been eligible for a shared equity scheme modelled on the Help to Buy scheme in May 2023, noting that this does not take into account the increase to the income caps and property price caps in the 2025-26 Budget.

AHURI estimates this scheme could remove the relevant constraint for 41 per cent of eligible aspiring homebuyers. This represents a significant increase in the number of potentially eligible homebuyers that could be assisted into home ownership by the Help to Buy scheme in addition to those who could be assisted by HGS.<sup>35</sup> This clearly demonstrates the role that a shared equity

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<sup>32</sup> Treasury estimate using CoreLogic data.

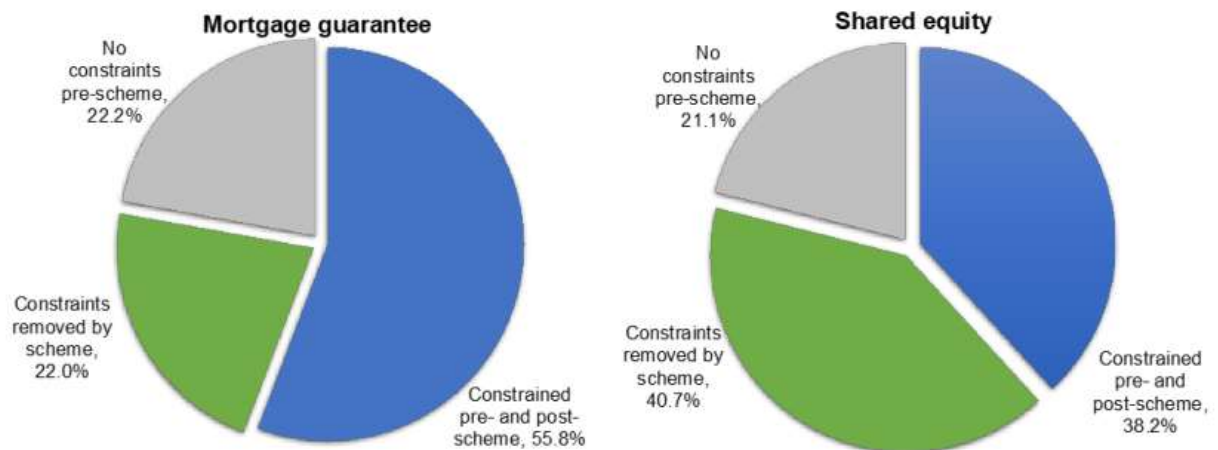
<sup>33</sup> Grattan Institute (2023), Opening remarks to the Senate Economics Committee inquiry into the Help to Buy Bill 2023, <https://grattan.edu.au/news/pass-the-help-to-buy-bill/>.

<sup>34</sup> Ong ViforJ, R., Graham, J., Cigdem-Bayram, M., Phelps, C. and Whelan, S. (2023) *Financing first home ownership: modelling policy impacts at market and individual levels*, AHURI Final Report No. 398, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/sites/default/files/documents/2023-05/AHURI-Final-Report-398-Financing-first%20home-ownership-modelling-policy-impacts-at-market-and-individual-levels.pdf>.

<sup>35</sup> Ong ViforJ, R., Graham, J., Cigdem-Bayram, M., Phelps, C. and Whelan, S. (2023) *Financing first home ownership: modelling policy impacts at market and individual levels*, AHURI Final Report No. 398, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/sites/default/files/documents/2023-05/AHURI-Final-Report-398-Financing-first%20home-ownership-modelling-policy-impacts-at-market-and-individual-levels.pdf>.

scheme complementing existing Government programs could have in supporting home ownership in Australia.

**Figure 4.1: Impact of Mortgage Guarantee and Shared Equity Schemes on constraints to home ownership among aspiring first homebuyers.<sup>36</sup>**



## 4.4 Shared equity schemes have proven effective

This has been demonstrated through the strong take-up of shared equity schemes in various state and international jurisdictions. While the take-up of a scheme can vary depending on the eligibility criteria applied, evidence shows that appropriately designed shared equity schemes implemented by state governments have effectively supported home ownership for lower income households in Australia. In particular, as of November 2024 the Victorian Homebuyer Fund had assisted 13,700 households to purchase a home.<sup>37</sup>

Similar schemes are also relatively common overseas where there is a strong record of support for targeted household cohorts. Shared equity schemes operate in some US states, the United Kingdom, Canada, and New Zealand. Canada has a \$1.25 billion shared equity program for first home buyers and a separate \$100 million fund which supports equity mortgage providers.<sup>38</sup> In England, there were approximately 202,000 households living in shared ownership homes in 2021 and the use of shared ownership programs has increased in recent years. Approximately 76,500 new shared ownership homes were delivered between 2016 and 2021 and 90,000 new shared

<sup>36</sup> Ong Vitorj, R., Graham, J., Cigdem-Bayram, M., Phelps, C. and Whelan, S. (2023) *Financing first home ownership: modelling policy impacts at market and individual levels*, AHURI Final Report No. 398, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/sites/default/files/documents/2023-05/AHURI-Final-Report-398-Financing-first%20home-ownership-modelling-policy-impacts-at-market-and-individual-levels.pdf>.

<sup>37</sup> State Revenue Office Victoria, Annual Review 2023-24, <https://annualreview2324.sro.vic.gov.au/delivering-for-victorians/helping-victorians-own-their-homes>.

<sup>38</sup> Canada Mortgage and Housing Corporation, <https://www.cmhc-schl.gc.ca/professionals/project-funding-and-mortgage-financing/funding-programs/all-funding-programs/shared-equity-mortgage-providers-fund>

ownership homes are expected between 2021 and 2026 under the new £11.5 billion Affordable Homes Programme.<sup>39</sup> The successful administration of shared equity schemes in various state and international jurisdictions supports the position in this Impact Analysis that the Government has the capacity to intervene successfully.

## 4.5 Benefits to Scheme Participants

### Lowered mortgage and rent repayments

Scheme participants will benefit from lower ongoing repayments from a smaller home loan – as the Commonwealth would share the up-front cost of purchasing a home – with the financial risk and benefit (capital gains and losses) to be shared between the participant and the Commonwealth proportionate to their interests.

The Government's contribution – up to 40 per cent – will significantly reduce the mortgage required by the participant to facilitate the purchase, and it is expected that mortgage repayments would reduce by a similar order of magnitude. It is important to note that the exact size of each participant's saving will be dependent on factors such as the precise terms of their loan, the size of the Commonwealth equity share. Participants will also benefit from any savings associated with no longer needing to participate in the rental market, as of December 2024 the median rent in Australia was \$643 per week.<sup>40</sup>

### Additional wealth accumulation

One of the principal benefits of home ownership is the additional equity created by the appreciation of home values over time. The Help to Buy scheme will assist 40,000 Australians to purchase a home that they would not otherwise be able to buy, allowing participants to benefit from the appreciation in value of their property. While a proportion of this equity appreciation will be shared with the Commonwealth, homeowners will still receive significant benefits from participating in the scheme. It is also important to note that no interest will be charged on Commonwealth's equity contribution.

While the precise impact of this effect will be heavily dependent on property markets, the terms of a participant's mortgage and the size of the Commonwealth's equity stake, a potential quantification can be ascertained by considering the impact such a scheme would have had on an individual purchasing a property 30 years ago.

If an individual had been able to purchase a median dwelling through the use of a shared equity scheme in December 1994 at the median price of \$123,411, and assuming that dwelling tracked

<sup>39</sup> House of Commons Library (2021), Shared ownership (England): the fourth tenure?, <https://commonslibrary.parliament.uk/research-briefings/cbp-8828/>.

<sup>40</sup> CoreLogic Quarterly Rental Review Report, Q4 2024, [https://www.corelogic.com.au/\\_\\_data/assets/pdf\\_file/0027/25569/2501-CoreLogic-RentalReview-DecQtr-Report-FINAL.pdf](https://www.corelogic.com.au/__data/assets/pdf_file/0027/25569/2501-CoreLogic-RentalReview-DecQtr-Report-FINAL.pdf).

price growth, that property would now be valued at approximately \$820,331.<sup>41</sup> With a Government equity contribution of 30 per cent, the participant's capital gain would be approximately \$450,000, without factoring in further interest savings.

### Benefits associated with home ownership

As discussed in Section 2, access to affordable and quality housing provides significant economic and social benefits both to individuals and society more broadly.<sup>42</sup> While many of these benefits can also be provided by affordable and high-quality rental accommodation, home ownership can increase the extent of these benefits. It can offer stable tenure, which supports long-term planning around work, education, and staying connected to your community. Financially, it can act as a form of savings, with mortgage repayments building equity over time, which is particularly important in improving retirement outcomes.<sup>43</sup> While these effects are difficult to quantify, they will provide real benefits to participants in the scheme.

### Impact on house prices

Help to Buy increases the purchasing capacity of eligible applicants. Policies that increase the purchasing capacity of buyers can put upward pressure on housing prices by adding to demand, without a corresponding increase in supply. However, Help to Buy is expected to have a limited impact on the aggregate level of housing prices as support under the scheme is capped at 10,000 property purchases each year, which is a small proportion of the 530,000 residential property transactions that occurred in Australia in 2024.<sup>44</sup> While the scheme's property price caps will result in the impact of Help to Buy being concentrated in the entry level section of the market, it remains a very small proportion of the total annual transactions.

While the limited scale of Help to Buy is unlikely to significantly impact housing supply, the scheme may encourage eligible buyers to choose new dwelling construction where possible by offering more support for this type of dwelling (40 per cent rather than 30 per cent). Long-term housing affordability relies on the provision of new supply. As such, measures that encourage new dwelling supply will generally deliver a net benefit for homebuyers in the long term. Capacity constraints and labour shortages in the construction sector mean that any measure that increases demand for new dwellings in the current environment may not meaningfully increase overall supply. Rather,

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<sup>41</sup> CoreLogic Hedonic Home Value Index, March 2025, [https://www.corelogic.com.au/\\_data/assets/pdf\\_file/0015/26214/CoreLogic-HVI-March-2025.pdf](https://www.corelogic.com.au/_data/assets/pdf_file/0015/26214/CoreLogic-HVI-March-2025.pdf).

<sup>42</sup> Productivity Commission (2004), First Home Ownership - Productivity Commission Inquiry Report, <https://www.pc.gov.au/inquiries/completed/first-home-ownership/report/housing.pdf>.

<sup>43</sup> Treasury (2020), Retirement Income Review, <https://treasury.gov.au/sites/default/files/2021-02/p2020-100554-udcomplete-report.pdf>; Treasury (2021), Intergenerational Report, <https://treasury.gov.au/publication/2021-intergenerational-report>.

<sup>44</sup> Grattan Institute (2023), Opening remarks to the Senate Economics Committee inquiry into the Help to Buy Bill 2023, <https://grattan.edu.au/news/pass-the-help-to-buy-bill/>; ABS Lending Indicators, December Quarter 2024, <https://www.abs.gov.au/statistics/economy/finance/lending-indicators/dec-quarter-2024>.

bringing forward demand for new dwellings when construction capacity is fully utilised may only result in price increases for all buyers.

As with the broader price impacts of the scheme, the impact on new constructions is likely to be limited, at most the scheme would be able to support the construction of 10,000 additional dwelling each year. This represents a relatively small proportion of the approximately 180,000 new dwellings completed in Australia in 2024. While the scheme property price caps mean the impact of the scheme will be concentrated in the entry level section of the market, as with the broader impact of the scheme, it is unlikely this will have a significant impact on the market. Moreover, by splitting demand between existing and new dwellings, the potential impact on aggregate dwelling prices will be further moderated by encouraging a portion of purchased dwellings to be new supply.

### Impact on lenders and LMI providers

Participating lenders will assist with the delivery of Help to Buy. Importantly, Help to Buy is not mandatory for lenders and they have the choice of whether to apply to participate. For those lenders already involved in delivery of the First Home Guarantee (formerly the First Home Loan Deposit Scheme) which has been in operation since January 2020, should they elect to implement Help to Buy, they will be able to leverage from their experiences. Housing Australia will seek to align its implementation, where possible, with industry practice to minimise additional compliance and regulatory burden.

The Help to Buy scheme is targeted at homebuyers who would otherwise not be able to enter the property market, which by design should mean it is not displacing demand for private LMI products, where homebuyers would need to be able to service high loan-to-valuation ratio mortgages. That said, a proportion of Help to Buy places may go to households who may have otherwise been able to enter the market within a few years. Some of these, in turn, may have entered the market with the support of the Home Guarantee Scheme. As such, the implementation of Help to Buy would not necessarily represent foregone future demand for LMI-supported loans.

Additionally, some of the properties purchased under the scheme would have otherwise been purchased by individuals making use of LMI. However, as has been previously noted, given Help to Buy will assist in the purchase of 10,000 dwellings each year for 4 years in the context of a market that had 530,000 residential property transactions in 2024, the total impact of this is likely to be negligible.

### Conclusion

Overall, the benefits of enabling 40,000 additional low- and middle-income households to achieve home ownership, including obtaining the social and economic benefits that home ownership entails, outweigh the potential disadvantages. As discussed in this section, Help to Buy is not expected to have significant impacts on established housing prices and demand in the residential construction and LMI sectors, nor impose significant additional compliance costs on participating lenders.

## 4.6 Regulatory Burden Estimate

Table 4.1: Regulatory burden estimate (RBE) table - Average annual regulatory costs (from status quo)

Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$4.474	\$0.0	\$1.406	\$5.88

### Methodology used to estimate costs to individuals

Regulatory costs to individuals from implementing the Help to Buy scheme come from the additional time it takes individuals to understand the requirements of the Help to Buy scheme during the application stage, compliance requirements associated with Housing Australia's five yearly-reviews, and the ongoing cost of considering when to exit the scheme through refinancing or sale of the property. Additionally, participation in the scheme is entirely discretionary. Individuals will be able choose whether or not to participate in the scheme. This means individuals will be able to take into account both the potential benefits of the scheme, as well as any potential regulatory costs, before deciding to participate.

Based on feedback from industry and the Government's experience with HGS, the following assumptions were made to determine the regulatory costs to individuals under Option 2:

- 10,000 places per year as outlined in section 3 above.
- Individuals spend 2 additional hours to understand the requirements of the scheme in the application stage, then one additional hour each year until scheme exit.
  - These additional costs each year are derived from the additional requirements of participation in the scheme above those of a standard mortgage. In particular, the 5 yearly review, and the yearly insurance checks required under the Program Directions.
- Using the Office of Impact Analysis estimate for individual costs at \$37 per hour.

The total estimated average regulatory costs to individuals under Option 2 is \$0.74 million in the first year of the scheme, followed by \$1.11 million in the second year, \$1.48 million in the third year, \$1.85 million in the fourth year, before falling to \$1.48 million per year for the remainder of the scheme's operation. This results in an average yearly cost to each successful applicant of \$41 a year.

## Methodology used to estimate costs to businesses

Regulatory costs to lenders from implementing the scheme come from the additional time it takes to educate front-line lenders on the requirements of the Help to Buy scheme, system updates, and ongoing administrative costs to lenders through processing additional loans. Only requirements of the scheme that impose additional costs beyond those of a standard mortgage represent additional regulatory costs.

As the Scheme will be delivered by a panel of lenders selected by a competitive procurement process undertaken by Housing Australia, any regulatory costs associated with the Scheme will be discretionary. Lenders will be able to choose whether or not to participate in the Scheme, taking into account the regulatory costs associated with participation. However, as the panel of lenders has yet to be selected, it is not possible to determine the number of lenders that will participate in the Scheme on commencement, additionally this number may change over the four years that applicants will be able to enter the Scheme.

Given the uncertainty regarding the number of lenders that will participate, this assessment will consider the costs to a single lender administering all 40,000 participants. These cost estimates are based on initial general feedback from industry and the Government's experience with HGS. As a result, the following assumptions were made to estimate the regulatory costs associated with the education of front-line lenders, including system updates:

- Total of 100 relevant employees
  - 16 hours of additional training per employee
- Total of 1000 additional hours to update systems
- Using the Office of Impact Analysis estimate for business costs at \$85.17 per hour, as the precise final design and delivery of the scheme by frontline lenders has not been finalised and will be dependent on decisions by lenders and Housing Australia, it is not possible to develop a more specific business cost estimate.

Estimated average regulatory costs associated with the education of front-line lenders, including systems updates, is \$0.221 million per year over the first year of the Scheme.

The following additional assumptions were made to estimate the regulatory costs associated with ongoing administrative costs to lenders through processing Help to Buy applications.

- Additional four hours for a lender to process a Help to Buy application, including reserving a scheme place with the Scheme administrator.

Estimated average regulatory costs associated with ongoing administrative costs to lenders through processing additional loans is therefore four hours per applicant, using the OIA estimate for business cost of \$85.17 per hour this represents total costs of \$3.407 million per year for the first four years of the scheme.



Ongoing costs relating to existing Scheme participants for lenders compared to a standard mortgage is limited, as most ongoing compliance checks will be undertaken by Housing Australia. As such the ongoing cost to lenders is estimated at 1 hour per participant per year. This equates to ongoing costs of \$0.852 million in the second year, \$1.703 million in the third year, \$2.555 million in the fourth year and \$3.407 million per year thereafter.

This results in an estimated regulatory cost of \$3.628 million for the first year of the Scheme, \$4.259 million for the second year, \$5.111 million for the third year, \$5.963 million for the fourth year and \$3.407 million thereafter.

The total estimated average regulatory costs to lenders is \$4.474 million per year for the first five years of the scheme. However, as previously noted, participation by lenders in the scheme is voluntary and it is expected that lenders will only seek to offer the Help to Buy product where expected revenue outweighs any additional regulatory burden. The Help to Buy Program Directions additionally require Housing Australia to consider the competitiveness of a lender's mortgage products as a criteria when approving entities to become participating lenders. It is expected that this will ensure participating lenders do not pass additional costs on to scheme participants.



## 5. Consultation

Treasury has undertaken extensive consultation with a number of commercial lenders, housing industry representatives, state and territory governments, financial regulators and other impacted stakeholders, and has drawn on this feedback to inform the detailed design of the proposal.

Consideration has been given to the interactions with other home ownership schemes, including similar state-run schemes, the Commonwealth support offered by HGS and the first home buyer grants and stamp duty concessions offered by state and territory governments.

### 5.1 Consultation rounds

#### Public consultation on the Help to Buy Program Directions

Treasury released an exposure draft version of the *Help to Buy Program Directions* for public consultation between 23 April 2024 and 21 May 2024. The Program Directions set out the detailed requirements of the program, including income and price caps, eligibility requirements for participants and rules surrounding contracts.

Stakeholders were given an opportunity to provide written feedback on the Program Directions, with a total of 51 written submissions on 8 key topics from a wide range of stakeholders including lenders, States and Territories, the development and construction sectors and community organisations. Treasury also met directly with 32 organisations over 20 meetings.

Public feedback on the broader design of the scheme was also provided through the Senate Economics Committee inquiry on the *Help to Buy Bill 2023*. Feedback from this process was considered by Government during the final policy development process for the Help to Buy Program Directions.<sup>45</sup>

#### Key themes

Stakeholder feedback focused principally on the key themes set out below. The Government considered each of these recommendations and several were incorporated into the final Program Directions. Detail on changes to the Program Directions as a result of consultation is set out in the Response and Consideration section below.

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<sup>45</sup> Senate Economics Legislation Committee Inquiry into the *Help to Buy Bill 2023* and the *Help to Buy (Consequential Provisions) Bill 2023 [Provisions]*, [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Economics/HelpToBuyBills2023/Submissions](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/HelpToBuyBills2023/Submissions).

### **Increasing the Scheme's income caps**

Stakeholders suggested that the scheme income caps should be raised and could limit the ability of Australians to participate in the scheme and purchase a dwelling within the property price caps.

### **Increasing the Scheme's property price caps**

Stakeholders suggested that the Scheme property price caps should be raised as the current price caps were under median prices in several markets.

### **Modifying the requirements for off-the-plan dwellings**

Stakeholders suggested that the requirement for off-the-plan dwellings to be near completion to qualify under the Scheme was overly restrictive and would limit the ability of participants to use off-the-plan dwellings under the Scheme.

### **Increase the timeframe for completion of new builds**

Stakeholders suggested that the requirement that construction of a dwelling under the Scheme be completed within 24 months be extended to 36 months to provide additional certainty to participants in the Scheme.

### **Allow the Commonwealth to provide additional funds as necessary to ensure new builds are completed**

Stakeholders suggested Housing Australia be given the ability to contribute additional funds to a new construction where costs increase, and participants and lenders are unable to provide additional funds. This would ensure new builds are completed.

### **Provide greater flexibility on the application of eligibility requirements**

Stakeholders suggested that Housing Australia be given additional flexibility on certain eligibility requirements in the Program Directions to ensure individual circumstances could be catered to more effectively.

### **Increase the size or length of the Scheme**

Stakeholders suggested expanding the number of places offered under the Scheme either by expanding the number provided each year and/or extending the number of years in which places would be offered to support more Australians into home ownership.

### **Reserve places for priority cohorts**

Stakeholders suggested reserving a certain number of places each year for a variety of priority cohorts to ensure sufficient uptake of the Scheme amongst relevant target groups.

## Response and Considerations

In response to feedback from stakeholders during the public consultation process, the Government has made several changes to the parameters of the scheme, to ensure participation is as simple as possible for individuals and lenders.

### Increasing income caps

Stakeholders considered that the proposed income caps were overly restrictive. Given the increases in both incomes and house prices since the Government's initial election commitment in 2022, the Government considered that increases to the scheme income caps would improve the ability of Australians to participate in the scheme.

### Enabling single parents and legal guardians to access the joint income cap

As dependents may reduce the ability of individuals to access mortgage finance, allowing single parents and legal guardians to access the higher income cap for joint applicants ensure that they are not disadvantaged compared to dual income families.

### Changes to support the construction of new homes

Providing Housing Australia with flexibility to assist participants to finish new constructions will assist in ensuring as many homes as possible that are started under the scheme are completed. This is important both to improving participant outcomes and protecting the Commonwealth's financial interests, and these suggested changes were included.

### Feedback that was not incorporated

Changes to scheme requirements in relation to off-the-plan dwellings were considered to present too significant a risk to participants being exposed to losses and with the potential to end up in financial hardship, so were not adopted. Also not adopted were proposals to reserve a portion of scheme places for target cohorts, as it was considered that this could limit overall uptake of the scheme.

### Consultation with states and territories

Treasury engaged in detailed discussions over an extended period with states and territories to finalise the terms of the referrals of power that form the Constitutional basis of the scheme. Additionally, Treasury worked closely with state and territory housing officials on the final design of the scheme.

### Consultations with other Commonwealth Departments and Agencies

Treasury consulted with a range of Commonwealth departments and agencies in developing options for Help to Buy, including Housing Australia, the Department of Finance, and the Department of the Prime Minister and Cabinet.

Further, legal advice was sought from the Australian Government Solicitor on the Constitutional basis of the scheme as well as certain parameters of the scheme design.

### Targeted consultations

Feedback from lenders and other market participants indicated that the scheme should be simple to understand and provide confidence to potential buyers. In response to this feedback, the design of the scheme seeks to align with existing housing market and mortgage lending practices.

Feedback from lenders, regulators and others informed the design of the terms of the shared equity arrangements, including with regards to loan terms and the administration of the Government's equity stake. Feedback from lenders has also informed the development of the scheme's operational design and ongoing responsibilities of scheme participants, including the design and implementation of oversight and review mechanisms.

Contributions from commercial lenders on scheme eligibility and the number of eligible properties has guided the Government's understanding of the scope and potential impact of the scheme on housing markets in Australia, which has in-turn guided this assessment of the potential impacts of the Help to Buy scheme.

## 6. Chosen option and implementation

**Implementing the Help to Buy Scheme (option 2)** is the preferred option. The scheme enables additional low- to middle-income households to achieve home ownership, and all the benefits home ownership entails, with limited impacts on housing prices, lenders, and the residential construction and LMI sectors.

Given the difficulties that many low- to middle-income households face in attempting to enter the property market, particularly given recent increases in dwelling prices and rising interest rates, there are strong arguments in favour of Government assistance to those households.

The barrier to home ownership created by the time it takes to save for a deposit is addressed under the status quo through the Government's existing Home Guarantee Scheme. However, HGS does not support buyers who do not have the financial means to service a typical mortgage.

There is currently no nation-wide scheme designed to assist low- to middle-income households to purchase a property, that they otherwise would not be able to purchase. As demonstrated, this represents a significant gap in Government support to low- and middle-income first homebuyers.

Access to secure and affordable housing confers significant economic and social benefits, including improved health and education outcomes and greater workforce participation.<sup>46</sup> Home ownership is linked to long term economic security, including in retirement where it acts as a store of capital.<sup>47</sup> Retiree homeowners generally have lower housing costs and an asset that can be drawn on in retirement which generally translates into lower dependence on Government support in retirement.<sup>48</sup>

### 6.1 Implementation details

While the broad policy was established by the Government's election commitment, the focus of the detailed policy design and implementation process has been based on ensuring that the following objectives are met:

- That Housing Australia is able to effectively support 40,000 low- and middle-income Australians over four years into home ownership.

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<sup>46</sup> Productivity Commission (2004), First Home Ownership - Productivity Commission Inquiry Report, <https://www.pc.gov.au/inquiries/completed/first-home-ownership/report/housing.pdf>.

<sup>47</sup> Treasury (2020), Retirement Income Review, <https://treasury.gov.au/sites/default/files/2021-02/p2020-100554-udcomplete-report.pdf>. The Retirement Income Review found that "the home is the most important component of voluntary savings and is an important factor influencing retirement outcomes and how people feel about retirement."

<sup>48</sup> Treasury (2020), Intergenerational Report, <https://treasury.gov.au/publication/2021-intergenerational-report>.

- That supported households are those who would genuinely not be able to buy or build a home without the Government's equity contribution. This will be assessed by Housing Australia through the financial capacity test required by the Help to Buy Program Directions.
- That Help to Buy support is distributed appropriately across Australia. In particular, the share of places used in regional areas, compared with those used in metro areas and capital cities. This will be achieved by allocating places to participating States according to population and requiring regular reporting from Housing Australia.
- That target cohorts, such as single parents, mature aged women, key workers such as teachers, nurses and social workers, First Nations Australians, and long-term renters are able to benefit from the scheme. This will be achieved by requiring regular reporting from Housing Australia.
- That participants are supported in repaying the Commonwealth equity share as appropriate for their financial circumstances. This has been achieved by providing for participants to repay the Commonwealth equity share according to their financial capacity, and allowing Housing Australia to take relevant personal circumstances into account during this process.

### Review mechanism

The Help to Buy Act includes a statutory review provision which requires a detailed review of the effectiveness of the scheme in supporting Australians into home ownership. Additionally, Housing Australia will be required to provide regular and detailed reporting on a variety of aspects of the scheme to ensure Treasury is able to regularly assess the targeting of the scheme and any difficulties with implementation.

## 6.2 Implementation challenges

### State uptake and Constitutional basis

As the Help to Buy scheme relies on State referrals of power for its constitutional basis, the success of the scheme will rely on all States passing adoption legislation that will enable the scheme to achieve the policy intent. To provide States with flexibility surrounding the timing of passage, the Program Directions provides for places to be reserved for all States for the first 8 months following commencement of the scheme.

### Lender interest

The Help to Buy scheme will be offered as a mortgage product via a panel of lenders. To ensure the product is offered broadly and at competitive rates, it will be important for the lender panel to be sufficiently diverse. The Program Directions provide Housing Australia with the necessary flexibility to work closely with lenders to limit the additional costs associated with providing Help to Buy, ensuring that the scheme remains attractive to lenders.

### Interest rate environment

The Help to Buy scheme relies on participants being able to afford a standard mortgage loan on a significant portion of the relevant property. This will be impacted by the interest rate environment and where repayment costs rise significantly the ability of the scheme to support particularly low-income Australians into home ownership may become more limited.

## 7. Measuring success

Robust data reporting requirements are critical in ensuring the Help to Buy scheme is achieving its principal objectives. These requirements have been put in place principally through the *Housing Australia Act 2018*, the *Help to Buy Act 2024* and the Help to Buy Intergovernmental Agreement.

Section 44 of the *Help to Buy Act 2024* requires that the Board of Housing Australia provide an annual report to the Minister in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013*. These reporting requirements will ensure the impact of any modifications made to the Help to Buy Program Directions are adequately scrutinised.

The *Housing Australia Act 2018* also requires that a review of Housing Australia's support for first home buyers be conducted every 12 months, which must be tabled in each House of the Parliament.

The Help to Buy Intergovernmental Agreement requires more detailed reporting be provided by Housing Australia to the States and Territories. This reporting will be released publicly and will provide detailed information on uptake numbers and the demographic and geographic breakdown of participation in the scheme. This information will allow Treasury and Housing Australia to monitor the effectiveness of the scheme and ensure it is providing appropriate support to all Australians, and particular to select target cohorts.

Section 45 of the *Help to Buy Act 2024* requires that a review of the operation of the Help to Buy scheme be undertaken as soon as possible after 3 years. This statutory review will provide an additional opportunity to evaluate the effectiveness of the scheme.

### 7.1 Monitoring, Reporting and Evaluation

The primary policy objective of the Help to Buy scheme is to support 40,000 low- and middle-income Australian households to achieve home ownership by providing support in the form of a shared equity contribution from Housing Australia on behalf of the Commonwealth.

Secondary measures to be monitored include:

- Supported households are those who would genuinely be unable to buy or build a home without the Government's equity contribution;
- Support under the Help to Buy scheme is distributed appropriately across Australia. For example, an appropriate share of places is used in regional areas, compared with those used in metro areas and capital cities;
- Participants are supported in repaying the Commonwealth equity share as appropriate given their financial circumstances;
- High proportion of participants are in stable accommodation, either remaining in a scheme property or transitioned to other stable accommodation;



- Homes purchased under the scheme reflect a diverse range of housing types to account for varying community needs;
- The proportion of houses that are new builds; and
- The impact of the scheme on dwelling prices.

The success of the Scheme will be assessed in relation to achievement of the primary objective, supported by consideration of these secondary measures.

## Reporting Requirements

The *Help to Buy Act 2024* requires:

### Section 44

- 1) The annual report prepared by the Board and given to the Minister under section 46 of the *Public Governance, Performance and Accountability Act 2013* for a period of time must include particulars of:
  - a. Any changes to the Help to Buy Program Directions during the period; and
  - b. The impact of the changes on the operation of Housing Australia

### Section 45

- 1) The Minister must cause a review of the operation of the Help to Buy program to be undertaken as soon as possible after the end of 3 years after the commencement of this Part.
- 2) The persons undertaking the review must give the Minister a written report of the review. The report must not include:
  - a. personal information (within the meaning of the Privacy Act 26 1988); or
  - b. information that is commercially sensitive.
- 3) The Minister must cause a copy of the report of the review to be tabled in each House of the Parliament within 15 sitting days of that House after the report is given to the Minister.

Similarly, the *Housing Australia Act 2018* includes the following reporting requirements:

### Section 57A

- 1) The Minister must cause a review of Housing Australia's activities assisting additional first home buyers to enter the housing market to be commenced within 3 months after the end of
  - a. the period beginning on the date when the first guarantee is issued by the NHFIC and ending 12 months after that date; and
  - b. each subsequent 12 month period.
- 2) The persons undertaking the review must give the Minister a written report of the review within 3 months of the commencement of the review.
- 3) The Minister must cause a copy of the report to be tabled in each House of the Parliament within 15 sitting days of that House after the report is given to the Minister.

## Help to Buy Intergovernmental Agreement

The Help to Buy Intergovernmental Agreement requires that Housing Australia report on:

- the number of new participants in each 12-month period
- basic demographic data for those new participants (including age, gender, median income and number of Aboriginal/Torres Strait Islander participants);
- median shared equity contribution and median purchase price
- number of discharges of the Commonwealth equity investment (Help to Buy scheme exits) during each 12-month period;
- key trends and insights, including location of participants (with a split between metropolitan and regional

## Monitoring

As the agency responsible for the delivery of Help to Buy, Housing Australia will collect data to support monitoring of the scheme. Housing Australia and Treasury will develop ongoing data sharing processes to facilitate effective monitoring practices.

In addition to Housing Australia's internal monitoring practices, Treasury will monitor Housing Australia's data on an ongoing basis. Treasury's monitoring approach can be divided into 3 main categories – uptake, trends and risks. Treasury's focus will be on ensuring; that the program meets its objectives; the settings in the program remain fit for purpose, and; the program does not expose the Commonwealth or participants to undue risk.

- **Uptake:** Uptake data may provide insight into whether the program has sufficient market coverage to support the number of places the Government wishes to support and may provide an early indicator of potential issues with program settings. An example may be demographic analysis related to cohorts, such as single parents, mature aged women, key workers such as teachers, nurses and social workers, First Nations Australians, long-term renters, and regional Australians more broadly, may also be monitored.
- **Trends:** Trends data, such as purchase price distributions or purchases by states, may be useful as an early indicator of program impacts, including by income, geography and age.
- **Risks:** Data such as defaults and hardship rate and compliance events may be used to identify emerging risks.

## Evaluation

As described above, various legislative instruments require annual reviews of the Help to Buy scheme, with an additional requirement under the *Help to Buy Act 2024* for a three-year review into the operation of the scheme. The annual report legislative requirements are likely to be met by one annual report, however multiple reports may be commissioned instead.

The annual HGS Trends and Insights Report provides an example of what a Help to Buy annual report may include both to fulfill the legislative requirements and to provide additional reporting. The HGS report provides information on the performance of the scheme in the previous financial year, as well as broader trends since the scheme's initial implementation. The report specifically provides insights on the profile of scheme participants, the properties purchased under the scheme and where they are located, and how the portfolio is performing. It may be appropriate to include similar analysis in a Help to Buy annual report. These types of analyses may help provide evidence as to whether the scheme is achieving its principal objective, as well as providing reporting with respect to secondary measures of success.

In addition to the reviews required by legislation, Treasury will conduct:

- Reviews of the property price and income thresholds and will report to the Minister on whether changes are recommended, and
- Ad hoc reviews of policy parameters when identified via monitoring processes.

Treasury may consider additional evaluative tools as the scheme progresses, such as qualitative surveys to provide greater insight into participant experience.