

NORTHERN TERRITORY OF AUSTRALIA

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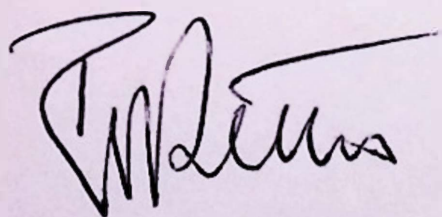
CONFIDENTIAL
CABINET DECISION
No. 7907

Submission No: 6664

Title: **SHARED EQUITY HOME OWNERSHIP**

Cabinet approved -

- (a) the principles of the shared equity home ownership scheme, as outlined in Appendix A2, subject to submission to the Commonwealth Minister for Housing, Local Government and Community Services and/or his Department, and specifically the recommendations in Appendix B;
- (b) a target implementation date of mid December 1993;
- (c) the funding of the proposed shared equity scheme from within Northern Territory Housing Commission (NTHC) balances consistent with home purchase assistance expenditure and from within the Rental Capital and Home Purchase Assistance Accounts of the CSHA;
- (d) the drafting of Regulations under the Housing Act be given a high priority;
- (e) the scheme to apply only to Housing Commission housing stock; and
- (f) there be no limit to the maximum purchase price.



R.A. SETTER
Secretary to Cabinet

5 October 1993

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APPENDIX B

RECOMMENDATIONS FOR SHARED EQUITY HOME OWNERSHIP.

ELIGIBILITY

- the applicant and spouse (where applicable) must not own nor have previously owned a dwelling in the Northern Territory;
- the applicant's gross family income must be between \$300-\$700 per week (this may be reviewed at a later date for possible extension to \$800); and
- the home must be for owner occupation.

MINIMUM DEPOSIT

- the client will be required to contribute at least 10% of the value of his initial equity as a cash deposit; and
- use of HomeNorth deposit assistance grant funds will not be permitted.

DWELLING

- a dwelling may either be purchased on the private market or, for current NTHC tenants, from the Housing Commission;
- private dwellings included in these scheme must be assessed by the NTHC as being suitable, and will be purchased with RCA funds and incorporated into the public housing stock prior to a portion being "sold" to the client;
- the suitability of privately purchased dwelling will be determined according to specific criteria in relation to standard, location and construction, which are currently being developed, and will exclude the extension of finance for the construction of dwellings; and
- the purchase price must not exceed \$120,000, and will be confirmed by an independent valuation.

LOAN

- the loan to be used to finance shared equity home ownership will be based on the revised HomeNorth first mortgage loan, as **indicated** in the attached schedule I; and
- the client will have a loan in place until the **acquisition** of 100% of the property; and

- attached to this Appendix are schedules indicating the proposed level of starting interest rates (based on current market conditions; changes in market conditions will result in the same changes to loan conditions detailed in the separate Cabinet submission on the HomeNorth portfolio), and the approximate maximum loan amount that may be provided to clients, given an equity split of 50% for both the NTHC and the client.

REPAYMENTS

- total repayments (the rent component plus the credit foncier based loan payment) should not generally exceed more than approximately 35% of the client's income, nor should they fall below 25%; and
- the "rent component" will be calculated according to a percentage of the standard rent that the dwelling would attract as public housing, and be discounted to take into account the client's responsibility for maintenance, water and municipal rates and insurance.

RATES, REPAIRS AND MAINTENANCE

- the client will be liable for all municipal, sewerage and water rates, insurance charges, repairs and maintenance and body corporate fees (where applicable).

LEGAL ARRANGEMENTS

- the dwelling will be held by the NT Housing Commission under a legal agreement between the NTHC and the client recognising the client's equity in the dwelling; and
- title to the dwelling will be transferred to the client when he acquires 100% equity.

PURCHASE OF ADDITIONAL EQUITY

- the client will be eligible to purchase additional equity in the dwelling at any time, provided that acquisition is in minimum parcels of 10%.

IMPROVEMENTS TO PROPERTY

- permission for the client to improve his property, and the treatment of additional equity resulting from improvements will be detailed in the legal agreement between the NTHC and the client.

APPENDIX B - ATTACHMENT A

SCHEDULE OF SHARED EQUITY COMMENCING INTEREST RATES.

GROSS WEEKLY FAMILY INCOME	PROPOSED COMMENCING INTEREST RATE
\$300-\$350	5%
\$351-\$400	6%
\$401-\$450	7%
\$451-\$500	8%
\$501-\$550	8.75%
\$551-\$600	8.75%
\$601-\$650	8.75%
\$651-\$700	8.75%
\$701-\$750	8.75%
\$751-\$800	8.75%

NOTES:

- Starting interest rates increase by 1% for each increment of \$50 gross family weekly income up to a maximum of 1% above the Commonwealth Bank's variable home loan interest rate.
- The current Commonwealth Bank variable home loan interest rate is 8.75%.

<i>WEEKLY INCOME</i>	<i>APPROXIMATE MAXIMUM LOAN AMOUNT, BASED ON 50% CLIENT EQUITY</i>								
\$300	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$325	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$350	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$375	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$400	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$425	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$450	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$475	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$500	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$525	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$550	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$575	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$600	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$625	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$650	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$675	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$700	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$725	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$750	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$775	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000
\$800	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000

SHADED AREA INDICATES APPROXIMATE MAXIMUM LOAN AMOUNT