

Inquiry into Housing Affordability

New Zealand Productivity Commission

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RE: Affordable housing in New Zealand: Consultation on draft report

As a previous facilitator of the LDRL, HOEP and Welcome Home Loan, Housing Education programmes, in the Eastern Bay of Plenty, for a number of years, our findings were consistent and repetitive in relation to Maori Housing.

The desire for Maori to build on their whenua was a strong drive for many of the attendees of these education programmes. With over 500 attendees of all programmes over a 10 year period, 95% predominantly Maori, and at least 75% of those, wanting to build on multiple owned Maori Land, the promise of home ownership was realized by very few.

The recognition for many that financial debt became a barrier or the reason their realisation of home ownership was not attainable, in some cases, at all, in others, so many more years down the track, did not deter their desire to become homeowners. The availability of funds and indeed housing product for Maori was and still is restrictive and prohibitive. LDRL in it's earliest form promised so much hope for Maori to become homeowners, and of all the products we worked with, was by all means the most successful. The ability for families to access a 3% deposit was achievable, the education component was absolutely necessary and provided information that, for many, would be invaluable in the future. The downside for many was their debt and the inability to build houses that they wanted and could afford. HNZA policy, at that time, in relation to building on multiply owned Maori Land, only allowed single level, removable houses. For many coastal peoples the idea to build mud brick or other alternative materials for dwellings, fit in with the environmental kaitiaki beliefs that many rural Maori have. The inability to build other than single level, transportable homes with restricted use of materials does not allow for alternative energy options which would benefit the long term sustainability, quality, and wellbeing of the whānau. The change in product from low deposit to just an education programme, disincentivized attendee's as well as the loss in funding for Maori Housing created a void that to date has not been filled.

In the rural housing scenario, Māori wanting to build in rural isolated communities are faced with financial barriers, local council requirements, legislative, (Maori Land Court) requirements, whanau

disagreement and often large numbers of beneficial owners that needed to be contacted to permit building.

Additional to this is the cost of utilities, power, septic, water, access to land blocks.

This makes the option of building on rural multiple owned land, too expensive.

Most Māori within this area are prohibited by these upfront costs as opposed to finding a deposit or sustaining mortgages. Local Councils require development levies, sometimes ranging from \$5,000 to \$35,000. Roading costs are also often required where potential home owners, want to access land off state highways.

The inability to utilise Maori title land as lending capital to build or repair has for many in the Eastern Bay of Plenty created more substandard housing conditions adding to increased poor health among rural Maori. If Government were to underwrite loans for repairs and maintenance and to build new, many families would take up a considerable number more of loans than what has been experienced to date, as more lenders may consider lending..

Consent to build on Māori land is challenging with the cost and sometimes inability to change Maori title to General, for the purpose of lending, sometimes taking many years.

Recommendations:

1. That consideration is given to the provision of wrap-a-round services to whānau. For example, budgeting, whānau support, technical expertise (Māori Land Court, Local Council), advocacy. The provision of support and education would significantly reduce repairs and maintenance costs, reduce defaults on loans, increase the chances of mortgage sustainability etc.
2. That future lending products for rural housing have standard features and flexibility (competitive interest rates, holiday for mortgage in line with general lending product, the ability to utilize equity to improve the home in the future)
3. That criteria for lending is standard across all housing products.....
4. Reintroduction of the LDRL scheme, with an improved lending process and product. (i.e. tripartite deed, occupation order, licence to occupy upfront). As stated in the review by the Office of the Auditor General, "there is evidence from the LDRL programme that investing in support and advice for potential borrowers can be effective and reduce defaults on loans."
5. Recognition of Occupation Orders over Licences to occupy as Occupation Orders provide more security to the individual. For example, with a licence to occupy, trusteeship can change, land status can change, beneficial owners can potentially take ownership of a home if desired – no real security for lender or occupier. Occupation order gives more security to the occupant of the home, should trusteeship change there is no effect on occupancy of the land or dwelling.

We agree that products such as the Kainga Whenua Welcome Home Loan is “not affordable for those in most need of housing, nor available to many Maori families, and that this product has not proved effective in helping to overcome the difficulties that Maori landowners experience when seeking finance to build or buy houses on Maori land”. Furthermore the product was designed without evidence of Maori household incomes and what Maori households could afford. Consultation with Maori organisations could have for seen the problems with the current design of Kainga whenua.

Summary

We believe that to achieve good quality, affordable, sustainable and maintained housing there are a number of factors that need to be considered.

- 1: The ability for communities, hapu, Iwi, Maori organisations to access medium term loans, or seed funding to address housing need from within, by the people and for the people .
- 2: Partnerships with Government, Private sector and philanthropic groups that could provide additional funds to offset the cost of housing within these communities.
- 3: Interest free loans with a shorter mortgage period ensures repayments are able to be sustained with little default.
- 4: Capitalisation of Family Support payments and forfeiture of Accommodation supplement could save the Government money in the long term.
- 5: The ability for whanau to provide sweat equity to the building of their homes, wrap around services that support whanau from initial enquiries about home ownership to 2-3 Years after home ownership is realized would provide the support , advice and monitoring to ensure whanau are capable of retaining a mortgage and keeping their homes maintained.
- 6: Equity that is able to be utilized through a special Maori housing fund that enables existing home owners on multiple Maori land, to access, through lending, to improve housing conditions and additions where necessary for the improvement of health and well being of Maori, with an education component a compulsory aspect of the fund. That Government underwrite these loans to give security to lenders.
- 7: Funds spent on the rural housing repairs and maintenance programme could have been better spent, by allowing families the opportunity to lend for maintenance and repairs – supported by an education component. This gives responsibility back to the home owner – not everyone expects a hand out – it is more around the ability to access support and advice.

In answer to questions raised:

Q12.1 Has the Commission understood how housing contributes to the wellbeing of Māori communities, allowing that individuals will place different weightings on different elements?

-Yes. But a solution has not been identified and supported fully.
Also knowing whanau want to build and have the capacity to take up loans.
This capacity may be affected by economic support within communities. For example, rural isolation, infrastructure costs, lack of employment.
Whanau want to service a loan.
Set up costs, capital required to start is difficult.

Q12.3 Are the options the Commission explored for improving for improving the ability of lenders to lend viable? How else might certainty of future demand or security for loans be achieved?

No
-Trusts

-Insurance

Options:
Certainty of future demand will occur as a result of increased access and affordability.

Security for loans will be achieved....

Whānau should be able to capitalise family tax credits/accommodation supplement as income and/or deposits.

Market value should be applied to Māori Land.
No interest/low interest lending over a shorter term.
Government, in partnership with Iwi, Trusts and philanthropic groups should underwrite loans.

Security could be based on the value of the chattel at the conclusion of the build, with the term of the loan over a shorter period to accommodate the decline in value of the property over the years.

Q12.4 Would the unit titles model or retirement villages approach to licences to occupy be useful for housing developments on Māori land? Are they worth further exploration?

Assumptions:

-Retirement village approach

-not all runanga etc would have the capacity and capability to manage this arrangement.

Issues:

Owner not able lend against it as equity.

Other land owners do not have a say.

Retirement village – what happens when the person dies?

We remain an active and interested housing provider addressing many queries and housing needs within our community.

Whakaatu Whan aunga Trust