



Home Ownership Uplift Scheme	
Party:	Independent Member for Indi
<p>Summary of proposal:</p> <p>The proposal would establish a shared equity scheme 'Home Ownership Uplift Scheme' for first home buyers.</p> <p>The Government will provide equity of up to a maximum of 25% of the home purchase price. The applicant will be required to have a minimum 2% deposit and finance the remainder of the purchase. The property price thresholds will be the same as the price thresholds required under the New Home Guarantee program each year.</p> <p>During the loan period, the applicant will be able to buy back the Government's equity share, at market value. At the time of sale, the Government will recover its equity loan plus a share of capital gains.</p> <p>The Home Ownership Uplift Scheme will be available to 10,000 purchases in total each financial year. Each year 5,000 of the 10,000 places would be reserved for people living in regional Australia.</p> <p>Only first home buyers are eligible to access the Home Ownership Uplift Scheme. The income thresholds to access the Home Ownership Uplift Scheme are \$80,000 per annum for individuals and \$130,000 per annum for joint applicants.</p> <p>The policy proposal would have effect from 1 October 2022.</p>	

Costing overview

The proposal would be expected to decrease the fiscal balance by \$284 million, the underlying cash balance by \$271 million and the headline cash balance by \$5,406 million over the 2022-23 Budget forward estimates period.

The proposal would have an impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications (including separate PDI tables) over the period to 2032-33 is provided at Attachment A.

The fiscal and underlying cash balance impact over the forward estimates period largely reflect the Departmental cost required to process the applications and the capital gains realised from the equity buy back.

Consistent with *Parliamentary Budget Office (PBO) Guidance 02/2015*, PDI expense impacts have been included in this costing because the equity injections provided under this proposal involve the transaction of financial assets. The fiscal, underlying cash and headline cash balance impacts differ in the treatment of investment gains, PDI and equity amounts. In particular, only the headline cash balance includes transactions related to equity injections. The impact on net debt will be broadly consistent with movements in the headline cash balance.

This costing is subject to a high degree of uncertainty. Given the recent volatility in house prices and lending criteria, it is difficult to estimate the total equity investment the government would contribute towards the applicant's home purchase and the amounts that would be repaid from equity buy backs.

The equity buy back could either result in a capital gain or loss, depending on the market value of the house at the time of the buy back. Tighter lending standards may reduce the applicant's ability to borrow and therefore they may require a larger equity contribution from the scheme. Furthermore, it is difficult for the PBO to measure when, and to what magnitude, applicants will buy back the government's equity share. These uncertainties will have a considerable impact on the headline cash balance.

Table 1: Financial implications (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	-26.0	-55.1	-86.1	-117.2	-284.4
Underlying cash balance	-24.0	-52.1	-82.1	-113.2	-271.4
Headline cash balance	-1,307.0	-1,336.1	-1,366.1	-1,397.2	-5,406.4

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- There will be a full take-up of the 'Home Ownership Uplift Scheme' scheme. That is, every year, all 10,000 places will be exhausted. While half the places go to cities and half go to regional areas, the composition of these are allocated in line with population. The regional and city split is based on population shares as at June 2021 and held constant.
- Regional Australia is defined as the rest of Australia outside the eight capital cities.
- 30% of applicants will be single applicants, and 70% will be joint applicants.
- For 90% of applicants, the government would contribute the full 25% equity of the purchase price of the house.
- For the remaining 10% of applicants, the government would contribute 8% in equity of the purchase price of the house.
- House prices are assumed to remain steady until 2025-26, but then grow at the historical average house price growth rate (measured between 2003 to 2021) from 2026-27 onwards. This means that on average and over the longer term, the government will recognise a capital gain and no capital loss on their equity share of the houses. Both regional and city house prices are assumed to grow by the same historical average house price growth rate.
- Defaults will not have an impact on the Budget, as the Commonwealth is the first party to receive payments from the sale of the house as specified in the costing specification.
- The home purchase price is based on the maximum borrowing power of the applicants but capped at the rate set by the National Housing Finance and Investment Corporation (NHFIC).
 - The maximum borrowing power for single applicants is \$350,000, and \$575,000 for joint applicants.

- The assumed house value caps, by jurisdiction, are:

Jurisdiction	Capital city	Rest of state
NSW	\$950,000	\$550,000
Vic	\$850,000	\$550,000
Qld	\$650,000	\$500,000
WA	\$550,000	\$400,000
SA	\$550,000	\$400,000
Tas	\$500,000	\$400,000
ACT	\$600,000	
NT	\$550,000	

- After 5 years of the program’s implementation, 5% of applicants will either sell their house or buy back the government’s equity share each year.
- The Government will provide funding to the NHFIC to cover the equity and departmental components.

Methodology

The total size of the government’s equity injection in each year was calculated by multiplying the 10,000 places by the Government’s expected equity contribution per application. The expected equity contributions are based on the applicant’s borrowing capacity, NHFIC house price cap by jurisdiction and regional areas, and assumptions on the portion of equity that the government would contribute.

House prices in the model are calculated using a ‘bottom up’ approach whereby the individual’s borrowing capacity is estimated to determine the expected purchase price and the government’s expected equity share. House prices under this approach are calculated as sum of:

- the individual’s housing deposit
- the amount borrowed by the individual (based on the individual’s assessed maximum borrowing capacity)
- the government’s equity contribution.

The government’s realised capital gains were calculated by subtracting the value of the government’s equity share when the applicant buys back the equity or sells the house, from the value of the government’s equity share when the applicant first purchased the house.

Departmental expenses were calculated based on the average time to process an application multiplied by 10,000 applications per year and based on the average time to process one application multiplied by the number of applicants who execute the equity buy back or sell their house from the fifth year onwards.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.¹

Data sources

The Treasury provided economic parameter forecasts as at the *Pre-election Economic and Fiscal Outlook 2022*.

Australian Bureau of Statistics (ABS) (2019) *Housing Occupancy and Costs, 2017-18*, ABS.

ABS (2022) *Lending indicators, 2021*, ABS.

ABS (2022) *Residential Property Price Indexes: Eight Capital Cities, December 2021*, ABS.

ABS (2022) *Regional population, 2020-21 financial year*, ABS.

ABS (2022) *National, state and territory population, September 2021*, ABS.

Commonwealth Bank (2022) *Borrowing Power Calculator*, Commonwealth Bank.

National Housing Finance and Investment Corporation (2021) *New Home Guarantee Fact Sheet 2021/22*, National Housing Finance and Investment Corporation.

¹ https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

Attachment A – Home Ownership Uplift Scheme – financial implications

Table A1: Home Ownership Uplift Scheme – Fiscal balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Revenue													
Administered non-tax													
<i>Capital gains from equity buyback - capital cities</i>	-	-	-	-	2.0	8.0	18.0	33.0	53.0	79.0	110.0	-	303.0
<i>Capital gains from equity buyback - non-capital cities</i>	-	-	-	-	1.6	6.5	15.1	27.6	44.3	65.5	91.7	-	252.3
Total – revenue	-	-	-	-	3.6	14.5	33.1	60.6	97.3	144.5	201.7	-	555.3
Expenses													
Departmental													
<i>Departmental expense</i>	-11.0	-11.1	-11.1	-11.2	-11.3	-11.3	-11.4	-11.4	-11.5	-11.6	-11.6	-44.4	-124.5
Total – expenses	-11.0	-11.1	-11.1	-11.2	-11.3	-11.3	-11.4	-11.4	-11.5	-11.6	-11.6	-44.4	-124.5
Total (excluding PDI)	-11.0	-11.1	-11.1	-11.2	-7.7	3.2	21.7	49.2	85.8	132.9	190.1	-44.4	430.8
PDI impacts	-15.0	-44.0	-75.0	-106.0	-138.0	-172.0	-207.0	-242.0	-277.0	-309.0	-348.0	-240.0	-1,933.0
Total (including PDI)	-26.0	-55.1	-86.1	-117.2	-145.7	-168.8	-185.3	-192.8	-191.2	-176.1	-157.9	-284.4	-1,502.2

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

- Indicates nil.

Table A2: Home Ownership Uplift Scheme – Underlying cash balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Receipts													
Administered non-tax													
<i>Capital gains from equity buyback - capital cities</i>	-	-	-	-	2.0	8.0	18.0	33.0	53.0	79.0	110.0	-	303.0
<i>Capital gains from equity buyback - non-capital cities</i>	-	-	-	-	1.6	6.5	15.1	27.6	44.3	65.5	91.7	-	252.3
Total – receipts	-	-	-	-	3.6	14.5	33.1	60.6	97.3	144.5	201.7	-	555.3
Payments													
Departmental													
<i>Departmental expense</i>	-11.0	-11.1	-11.1	-11.2	-11.3	-11.3	-11.4	-11.4	-11.5	-11.6	-11.6	-44.4	-124.5
Total – payments	-11.0	-11.1	-11.1	-11.2	-11.3	-11.3	-11.4	-11.4	-11.5	-11.6	-11.6	-44.4	-124.5
Total (excluding PDI)	-11.0	-11.1	-11.1	-11.2	-7.7	3.2	21.7	49.2	85.8	132.9	190.1	-44.4	430.8
PDI impacts	-13.0	-41.0	-71.0	-102.0	-134.0	-168.0	-203.0	-238.0	-272.0	-306.0	-344.0	-227.0	-1,892.0
Total (including PDI)	-24.0	-52.1	-82.1	-113.2	-141.7	-164.8	-181.3	-188.8	-186.2	-173.1	-153.9	-271.4	-1,461.2

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

Table A3: Home Ownership Uplift Scheme – Headline cash balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Receipts													
Administered non-tax													
<i>Capital gains from equity buyback - capital cities</i>	-	-	-	-	2.0	8.0	18.0	33.0	53.0	79.0	110.0	-	303.0
<i>Capital gains from equity buyback - non-capital cities</i>	-	-	-	-	1.6	6.5	15.1	27.6	44.3	65.5	91.7	-	252.3
Total – receipts	-	-	-	-	3.6	14.5	33.1	60.6	97.3	144.5	201.7	-	555.3
Payments													
Administered													
<i>Equity contributions - capital cities</i>	-700.0	-700.0	-700.0	-700.0	-700.0	-700.0	-701.0	-701.0	-701.0	-701.0	-701.0	-2,800.0	-7,705.0
<i>Equity contributions - non-capital cities</i>	-583.0	-584.0	-584.0	-584.0	-584.0	-584.0	-584.0	-584.0	-584.0	-584.0	-585.0	-2,335.0	-6,424.0
<i>Equity buyback - capital cities</i>	-	-	-	-	37.0	78.0	123.0	173.0	228.0	289.0	355.0	-	1,283.0
<i>Equity buyback - non-capital cities</i>	-	-	-	-	31.0	65.0	103.0	144.0	190.0	241.0	296.0	-	1,070.0
Departmental													
<i>Departmental expense</i>	-11.0	-11.1	-11.1	-11.2	-11.3	-11.3	-11.4	-11.4	-11.5	-11.6	-11.6	-44.4	-124.5
Total – payments	-1,294.0	-1,295.1	-1,295.1	-1,295.2	-1,227.3	-1,152.3	-1,070.4	-979.4	-878.5	-766.6	-646.6	-5,179.4	-11,900.5
Total (excluding PDI)	-1,294.0	-1,295.1	-1,295.1	-1,295.2	-1,223.7	-1,137.8	-1,037.3	-918.8	-781.2	-622.1	-444.9	-5,179.4	-11,345.2
PDI impacts	-13.0	-41.0	-71.0	-102.0	-134.0	-168.0	-203.0	-238.0	-272.0	-306.0	-344.0	-227.0	-1,892.0
Total (including PDI)	-1,307.0	-1,336.1	-1,366.1	-1,397.2	-1,357.7	-1,305.8	-1,240.3	-1,156.8	-1,053.2	-928.1	-788.9	-5,406.4	-13,237.2

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

- Indicates nil.