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## Government-backed finance shapes as answer to housing crisis

South Australian Government backed lender HomeStart Finance is calling for national housing policy to address the single biggest challenge facing first home buyers – access to finance.

The organisation believes federal or state governments could go a long way to addressing the current housing affordability crisis by stepping in and providing better access to finance for first home buyers, as has proven successful over 25 years in South Australia.

The call comes on the back of another strong year from HomeStart Finance, which recorded a profit before tax of \$15.6 million, a return on equity of 9.09%, and saw the organisation return a financial contribution to the South Australian Government of \$40.7 million, a 23.8% return on investment for the State.

The year also saw the organisation help more than 1360 homebuyers into the housing market, with almost half of them being first homebuyers. This takes the total number of people it has helped in its 25 years to more than 66,000.

Chair of HomeStart Finance, Jim Kouts, said the government-assisted model implemented in South Australia had proven the effectiveness of assisted finance in moving people through the housing continuum.

“Remarkably, more than 85% of our customers would have been unable to get a loan from a mainstream lender at the time of application,” he said.

“Yet in 25 years, we’ve assisted one in eight South Australian first homebuyers into the market and once they achieve this foothold, they go on to establish equity and continue to move along the housing continuum.

“HomeStart isn’t designed to compete with the private finance market, but to complement it instead. We exist to get homebuyers started sooner and once equity has been built, move along the housing continuum to home ownership financed by a mainstream lender.”

HomeStart assists homebuyers into ownership through a range of innovative products and loan terms, including low deposit loans from 3% deposit, low upfront costs with an alternative to lenders mortgage insurance, and accepting unconventional income sources, such as Centrelink benefits.

*HomeStart makes home ownership a reality for more South Australians in more ways. We are a statutory authority that reports to the Minister for Housing and Urban Development. We were created in 1989 and since then have helped over 66,000 households into home ownership.*

“Our research continually highlights that one of the greatest barriers for first homebuyers is overcoming the upfront costs associated with home ownership. In many cases, the deposit and lenders mortgage insurance required to finance the purchase of a home can equate to upwards of \$60,000 depending on the value of the property,” Jim said.

“We strongly believe that offering a bridge from rental to buying in the private market is sound policy which governments can use to bring the Australian dream of home ownership to more people, and help them achieve all the benefits that come with it – wellbeing, stability, community connection and financial security.

Chief Executive Officer of HomeStart Finance, John Oliver, said key highlights for HomeStart in the 2014-15 year included the relaunch of the organisation’s Graduate Loan to now include certificate 3 and 4 TAFE graduates which resulted in a 58% increase in the number of loans being taken, as well as the launch of a new lending office in Adelaide’s southern suburbs.

It also strengthened its retail network through partnerships with two new aggregator groups providing access to 90 additional brokers.

“We measure our success in the number of people we assist into home ownership and this year we’ve helped more than 1300 families achieve that dream,” John said.

“The number of homebuyers seeking our products is clear proof that there is a role for government in providing better access to finance for homebuyers. The success of HomeStart over the past 26 years, having experienced all economic cycles including the Global Financial Crisis, provides a readymade roadmap for governments to create the vehicle, and further contribute to solving one of the country’s biggest social issues – it can be done, it simply needs the willpower to do it.”

In its 25 years, HomeStart has been profitable every year and returned more than \$456 million to the State Government.

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