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New Zealand Housing Strategy  
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**Submissions on the NZ Housing Strategy**

The New Zealand Federation of Family Budgeting Services Inc is a collective of community organisations that share a common code of ethics, philosophy and commitment to delivering high quality, free budgeting advice to families and individuals. Membership is renewed annually and organisations wishing to affiliate are checked against community need and ability to meet national standards. The current membership comprises 159 affiliated, satellite budgeting services and transitional members. The budget advisers active in affiliated services are nationally certificated by the Federation only after each has achieved the standards for the theory and practical training.

The budgeting services affiliated to the Federation report helping around 35,000 client families each year. The extent of help is determined by the clients' needs and wishes but may range from negotiating with one creditor with an intention to extend repayment terms, to teaching the client how to prepare and monitor a family budget or to actually taking control of a client's income and spending obligations. While each client must decide their priorities the Federation trains its budget advisers to help clients identify and prioritise for the essentials of food, shelter and warmth. A sustainable and affordable housing policy is therefore at the forefront of the Federation's core values. Over 70% of the new clients seeking help each year continue to identify benefits and pensions as their primary income source and should therefore be regarded as being in the low income bracket.

These submissions will centre on the issues of housing assistance and affordability and ownership programmes.

People normally seek budgeting help as a result of an adverse event in their lives that has upset the financial pattern. Too often this is related to trying to absorb increased rents or interest rates disproportionate to the income. On examination of these cases it is usually the case that the commitment made initially was not really sustainable, often relying on inflationary factors that are no longer present. Had proper advice been sought beforehand, a different decision may have been made. There is now greater use of independent appraisals of structural soundness of houses but there is no independent financial soundness check for purchasers. Not enough attention and/or encouragement are provided for people entering into financial commitments, including accommodation costs, to take independent advice beforehand. With mortgage brokers and land agents remunerated on the basis of property values the present system actually encourages over-commitment.

Both tenancy and house purchase programmes must incorporate a greater effort to ensure that people who are about to make these decisions, normally in a highly emotive mood, can be realistic about affordability and consequences of defaulting on payment. This could also benefit other parties as in an ideal world if the landlord or mortgage holder was less exposed to default the affordability of housing could improve. There is no logic in restricting this type of advisory programme only to low-income earners in rural areas. The financial risks are greater in metropolitan areas and the affordability decisions to be made may have a proportionately greater impact on high-income or double-income purchasers than on low-income families.

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The reality is that there is inequality in every society and it is logical that there will be some who will never have adequate income in order to accumulate assets, including owning a home. Home ownership would be out of reach of a great proportion of the budgeting clients and given the Government and society's attitude to credit that is unlikely to change. The changes planned in the Insolvency Law Review have the potential to increase personal indebtedness with minimal consequences. This debt and resulting no asset bankruptcy would of course discourage and preclude home ownership. Offering low deposit options will not necessarily help these people, if it leads to mortgage repayment rates for the home ownership being higher and therefore unsustainable in the long-term and consequently these people lose their homes and dreams to mortgagee sales. Nor will offering cheaper, lower quality or older homes. The increased outlay in repairs and maintenance and reduced appreciation would more than counter any reduced mortgage repayments as would the flow-on health and social impacts of poor housing.

Current policies for income supplementation can also be misdirected. The income needed to sustain mortgage repayments of \$150,000.00 @ 8% p.a. over 25 years (\$267.00 a week) and other property outgoings would be disqualifying amounts for accommodation supplement. Accumulated savings while renting towards a 10% home deposit would also be treated as disqualifying assets for accommodation supplement. There does not seem to be any correlation between what is, in budgetary terms, actually needed to afford a house and the assistance packages offered. The net effect is to discourage people from saving towards purchase or to encourage them to adopt a reckless disregard towards affordability. If the intention is to encourage people to aim for home ownership then the thresholds for both income and assets need to be raised considerably. Alternatively consideration should be given to using the taxation rebate and write-off systems. Is a home for a family any less a long-term investment than a house purchased as a retirement investment? In fact it is partly due to the taxation assisted property investment activity, which has attracted so many New Zealanders, that has pushed houses beyond the reasonable affordability of young low-income families.

For those unable to finance a property long-term rental is the most obvious option. For those in state housing the December 2000 changes have been of significant benefit. However it is generally agreed that the state alone cannot fill the gap. To encourage private and community-based landlords there need to be policies that offer more than a hedge against losses. Those may be as little as ensuring consistency in the application of section 82 of the Social Security Act so that all rents can be paid from source income. They could address the current timelines for dealing with rent arrears

In conclusion our submission is that:

1. There be encouragement for people to seek independent budgeting advice before entering contracts for purchase or rent of accommodation.
2. The income and assets thresholds for Accommodation Supplement be raised.
3. That home ownership costs excluding capital be tax deductible.
4. That private and community-based landlords be offered the same access to risk management procedures that are enjoyed by the state.

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