

Review of Shared Equity Related Schemes

*Available to older single women as individuals
or in co-housing solutions*

Prepared for



By

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About Inclusive Economics

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With capabilities across strategy, economic analysis, investments, policy advice, research, and advocacy, Inclusive Economics analyses problems, identifies solutions, develops strategies and influences policy debates on some of Australia's most complex economic and social policy challenges.

Working across housing affordability, social impact, retirement incomes policy, superannuation, public finance, investments, and infrastructure, our underlying drivers are equality of opportunity, inclusive growth, and shared prosperity.

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ACKNOWLEDGEMENT OF COUNTRY

Inclusive Economics acknowledges Aboriginal and Torres Strait Islander peoples as the Traditional Owners of Country throughout Australia and their continuing connection to both their land and seas. We also pay our respects to Elders – past, present and emerging – and generations of Aboriginal and Torres Strait Islander peoples now and into the future.

Contents

1. Background	4
2. Context	4
3. Methodology	4
4. Target Women	5
5. Financial Products and Services.....	6
6. Relevance to Target Women	10
7. Conclusions and Way Forward	12
Attachment 1: Financial Products Overview.....	14
Attachment 2: Financial Product Descriptions.....	16
Attachment 3: Keystart WA Loans Under Various Scenarios	16

1. Background

Q Shelter has sought a preliminary review of a range of currently available shared equity products to determine whether these products can be accessed by older women who are unable to access commercially provided standard home loans. Specifically, Q Shelter seeks information on whether a material gap exists in the availability of suitable products able to be accessed in arrangements as individuals or in co-housing solutions. This paper documents the outcome of that review.

This review has been sought as a preliminary step before initiating a broader project, the Gold Star Project, the purpose of which is to identify, develop and make recommendations on the promotion and delivery of innovative financial products that could help older women to finance homes in which they own equity.

2. Context

The specific problems that this project is intending to address are:

- Declining housing affordability creates housing stress for both mortgaged and private renters particularly single older women.
- Being subject to the insecurity, vagaries and expense of the private rental market places single older women at risk of homelessness;
- Lack of viable, flexible and accessible financial products that work for older single women across different socio-economic circumstances that can act as an additional barrier to homeownership; and
- Addressing the financial product gap could serve as a stimulus to innovative housing options such as co-housing to extend the range of choices available for women over 50 years in Queensland.

3. Methodology

The project method involved three interrelated phases:

Initiation - segmentation of the target cohort of women in need and development of the framework to be used to evaluate the products.

Product research - extensive desk research of some 15 products and services that were identified by Q Shelter as being relevant to the target cohort of women. This was supplemented by consultations to better understand the relevance of the products to the issues faced by the target cohort. Documentation of a summary table of the products/services was prepared for comparison purposes grouped into shared equity, supported loans and other (housing developments and services). Attachment A details eight financial products that are of potential relevance.

Assessment and way forward - the products/service were assessed against the circumstances of the target women and gaps were identified for each cohort. Conclusions and implications of the analysis were drawn for the way forward.

This project has benefited from consultations with Q Shelter's Fiona Caniglia, Executive Director, and Emma Greenhalgh, Manager Strategic Projects; Diane Estreich, Director, WIN Housing Projects; Susan Davies and Kate Rose, Zonta; Jeanette Large, CEO Women's Property Initiative; and Maggie Shamrock, Q Shelter Projects Manager.

Table 1: Project Phases

Phase 1	Initiation	Product evaluation framework
		Determine characteristics of cohort women in need
Phase 2	Product research	Identify and research products
		Summarise key product features
		Stakeholder consultations for context
Phase 3	Assessment and way forward	Assess product and identify market gaps
		Relevance for women cohorts
		Implications, conclusions, way forward

4. Target Women

The focus of the project is on older single women living in Queensland who have finance needs in relation to securing access to a home that meets their needs and aspirations.¹

For the purpose of assessing the availability of products, the cohort of older single women has been segmented as follows:

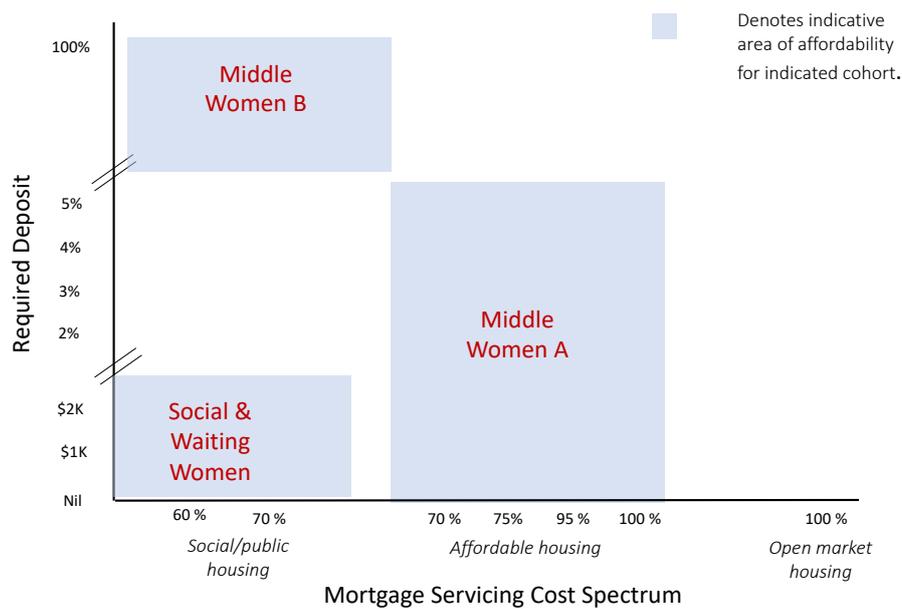
1. Those who present as homeless to service system with complex needs, who would qualify for social housing but need more support than can be provided by social housing;
2. Those living in social housing receiving some form of statutory payment as their main source of income (*Social Housing Women*);
3. Those living in private rental accommodation who may be on the social housing waiting list, receiving some form of statutory payment to supplement their modest private income (*Waiting Women*);
4. Emerging group that has sufficient income or assets such that they do not qualify for social housing, but not enough to be able to buy their own home outright. Within this so called ‘middle women’ group can be distinguished:
 - a. those with moderate income and little to no capital (*Middle Women A*)
 - b. those with moderate capital and low, most likely statutory, income (*Middle Income B*).

Women in extreme poverty who are homeless are outside the scope of this paper due to their complex service needs, income levels and inability to qualify and support indebtedness.

The blue shaded areas on Chart 1 show the position of each group in terms of their ability to service a mortgage ranging from social housing to affordable housing and through to open market housing – on horizontal axis – and their capacity to pay a deposit on the vertical axis.

¹ Mercy Foundation Grants to End Homelessness 2021 Application, 8 February 2021.

Chart 1: Positioning of Target Women Segments



Source: Author based on the findings contained in this report.

5. Financial Products and Services

Shared equity housing refers to housing tenure forms in which the equity or value of the home is shared amongst more than one party via co-ownership.

Land lease (or ground lease) is where the purchaser owns the dwelling and leases the land making such homes more affordable. As the loans are backed by assets other than land, they are sometimes referred to as chattel loans.

While the purpose of this report was to investigate shared equity, a number of land lease and other products were also reviewed to ascertain their possible relevance to housing security for older women. The products and services included in the review are listed in Table 2.

Table 2: Shared Equity Related Product List

Shared Equity:

- Shared Equity Scheme (Australian Capital Territory)
- Keystart Shared Ownership Home Loan (Western Australia)
- Pathways Shared Equity Loan (Queensland)
- HomeShare (Tasmania)
- HomeStart Shared Equity (South Australia)
- HomeVic Shared Equity Initiative (Victoria)

Supported Loans:

- BuyAssist
- Family Home Guarantee
- Queensland Housing Finance Loan

Land Lease

- Land Rent Scheme ACT
- Ground Lease Victoria
- Lifestyle Plus

Other Products Services:

- Abor Sherwood Retirement Village
- Mortgage Mates

- Hundred Hills Tweed Estate (Building Better Regional Cities program)
- Shared Equity and Specialist Disability Accommodation loans
- Retirement Villages & Luxury Resorts

The financial product scan shows that most state and territory governments have recognised housing affordability as an issue of concern and committed resources to address it. Women were rarely referred to as a specific priority area in the products reviewed, and very limited reference was made to older women. More often, financial products were directed at solutions for first home buyers, younger people and public housing tenants with the financial means to secure ownership of their dwelling.

The financial products reviewed are summarised in the Financial Product Overview (Attachment 1). Further information on specific products is provided in Attachment 2.

Shared Equity Loans

Equity share products can make purchasing more affordable by allowing the resident to purchase only a portion of the property. The minimum equity share of the resident varies from 60% to 75% of the value of the property. By substituting rent for mortgage repayments, residents are able to build home equity and reduce their housing costs over time. Many shared equity schemes are government initiatives and targeted at low-income earners through some form of means testing.

Certain schemes currently in operation are restricted to current social housing tenants (specifically in Queensland and ACT) while others give priority to particular groups such as sole parents, indigenous Australians, and first home buyers. Some schemes are limited to a particular housing stock, particularly existing social housing stock or, for example new developments with mixed tenure.

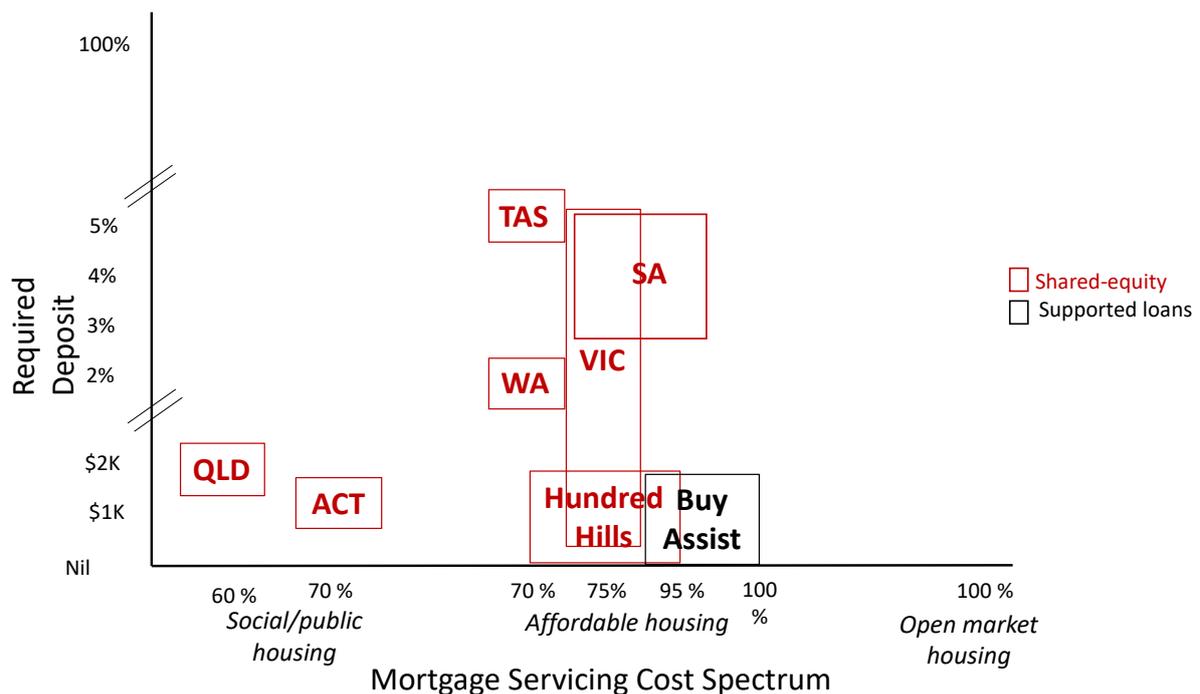
In the case of Horizon Housing Group, their charitable equity is a form of financial product that has no time limit for repayment and service costs; repayment of the charitable equity is required when the property is sold. This is a generous charitable scheme that could be helpful to a limited number of older women living in the Tweed region of NSW.

Insofar as the financial product scan revealed, the Pathways shared equity schemes offered by the Queensland government is only available to existing social housing tenants in respect of the dwelling they live in. Bank Australia also offers shared equity loans in Queensland to community housing tenants and Special Disability Accommodation recipients and their families.

Chart 2 shows the position of each shared equity product in terms of where the product sits on the housing affordability spectrum ranging from social housing to affordable housing, through to open market housing including the minimum amount of ownership the purchaser is required to buy (horizontal axis) and the products' deposit requirement on the vertical axis.

Given the attractiveness of WA Keystart home loan, further analysis was conducted to determine how much our target women, represented by various cameos, could potentially borrow from Keystart assuming it operated in Queensland. The results are summarised in Attachment 3.

Chart 2: Positioning of Shared Equity Products



Source: Author based on the findings contained in this report.

Land Lease

Under the ACT Government Land Rent Scheme, lessees are required to pay the Government land rent, calculated on the unimproved value of the block of land, and to construct a house on the land within two years of the lease being granted. The lessee may even purchase the land from the Government at a later date.

As part of the Ground Lease Model project, Homes Victoria will lease public land to the Building Communities Consortia who will build, manage and maintain the sites for 40 years, before handing the land, and all dwellings, back into public ownership. The sites will deliver social, affordable, specialist disability and market rental homes.

Land Lease Home Loans also offers land lease although the high deposit required (60% of dwelling value) may be beyond the reach of the women in the target group.

Supported Loans

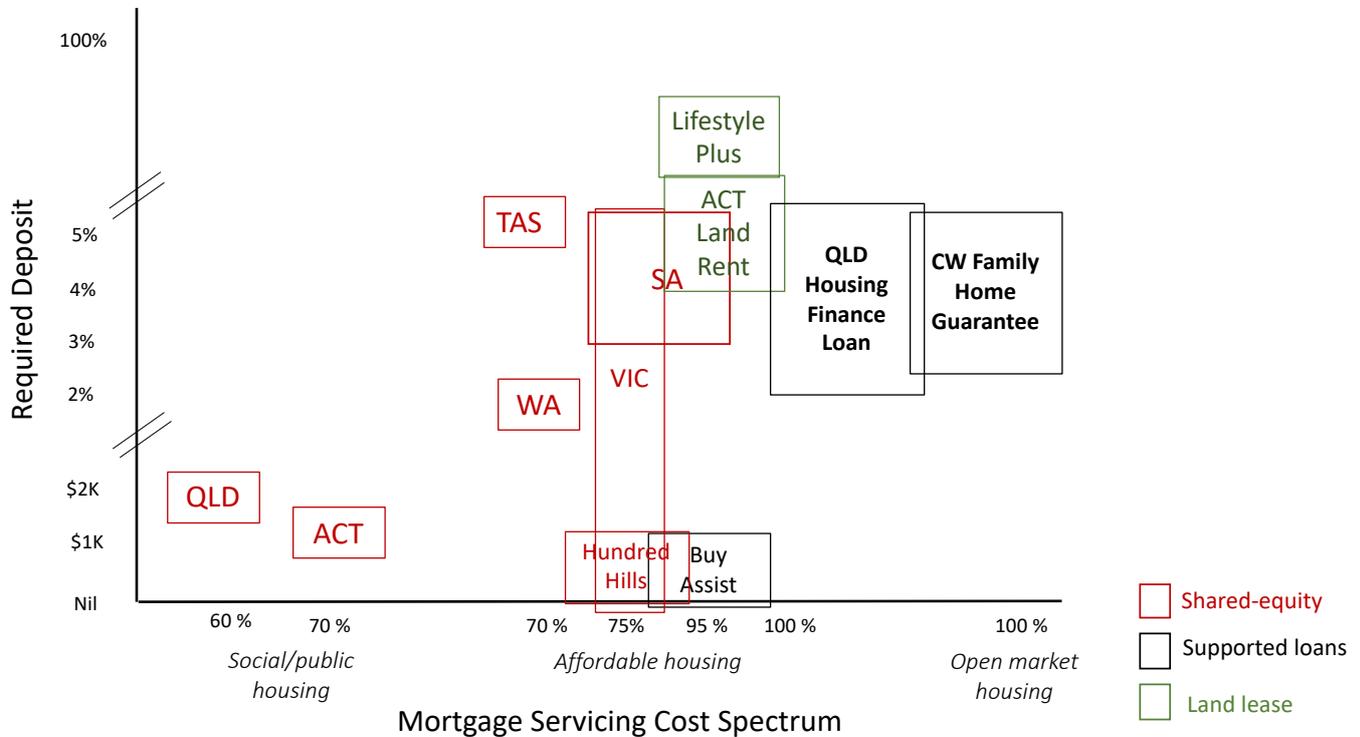
Apart from shared equity, other types of support to enter the housing market are also possible, including:

- Low deposit loans available in Queensland from the Queensland government (Housing Finance Loan) and BuyAssist provided by Bank Australia and the National Affordability Consortium with priority to first homeowners. These require full ownership of the property which may be unaffordable for the target groups.
- Loan guarantees provided by the Government through National Housing Finance and Investment Corporation (NHFIC) for people who cannot afford a 20% deposit as announced in the Commonwealth Budget brought down in May 2021. The value to the

borrower is that they can avoid the cost of deposit insurance. Eligibility is limited to single parents with dependents.

Chart 3 shows the position of each supported loan product in terms on the housing affordability and deposit requirement universe.

Chart 3: Positioning of Shared Equity and related products



Source: Author based on the findings contained in this report.

Other Support

Apart from loan products, there are other ways in which single older women may be assisted into secure housing accommodation.

Housing developments and retirement villages may have contract options offering different combinations of upfront capital cost and ongoing accommodation fees to suit a range of residents' means. In many cases, the developments, such as those offered by Lend Lease, may be beyond the means of all but the wealthiest single women. The Abor Sherwood development by Brisbane Housing Company (BHC) in Brisbane is more affordable having been subsidised by the Queensland Government.

Where not for profit participation is involved, it provides valuable input in delivering much needed affordable housing solutions for older women. Organisations like BHC and Horizon Housing Group offer affordable housing services that can support older women through their efforts to increase the stock of available affordable housing and innovative tenancy arrangements and ownership financing options.

An alternative approach to assisting single older women is by providing the means to identify other women to pool resources and acquire a property to live in the same dwelling as co-owners. Mortgage Mates offers a matching platform and clear and binding co-ownership agreement.

6. Relevance to Target Women

This investigation shows that among the different cohorts of women in need of better and more enduring housing support, those that have the capacity to service a loan are best placed to receive the existing types of support available. Addressing impediments to home ownership such as people with too low a deposit and avoiding costly lenders mortgage insurance are consistent themes running across many products covered by the scan.

In most circumstances, financial products require the occupier of the dwelling to service a loan and have equity in the dwelling. As a result, this limits the usefulness of these financial products to address many of the issues confronting older women that do not earn a sufficient income or financial equity to the investment.

Women in social housing in Queensland could potentially benefit from the Pathways shared equity product offered by the Queensland government that is currently available to existing social housing tenants on the dwelling they live in. It appears that Bank Australia may also offer its shared equity scheme in Queensland that may be available to older women in community housing.

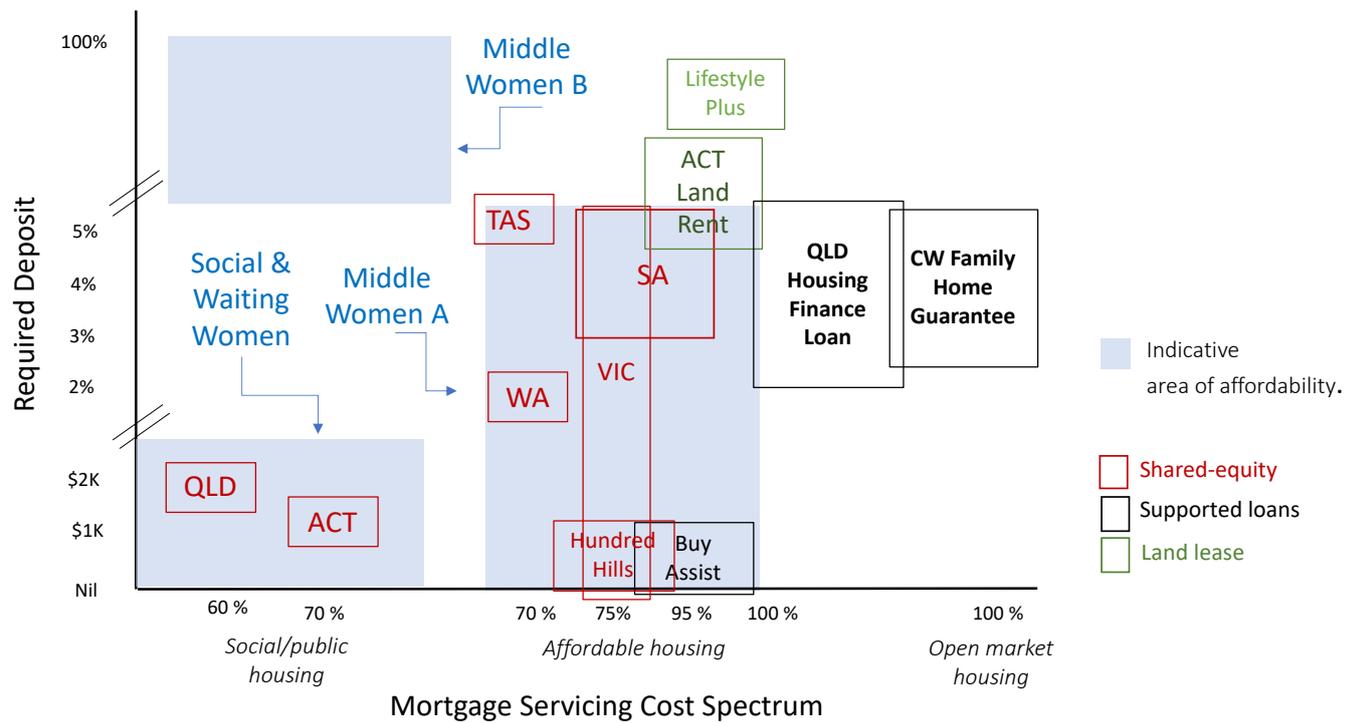
Women with limited financial means in the private rental market and/or on social housing waiting lists (Waiting Women) do not have access to shared equity schemes in Queensland. That is because they are not existing public housing tenants, nor would they qualify for public housing until their situation becomes urgent and face imminent homelessness.

Pensioner or Newstart recipients in the private rental market receiving Commonwealth Rent Assistance (CRA) would lose their entitlement if they purchased equity in a home and replaced rental payments with mortgage payments. This may act as a barrier to their participation in a shared equity or assisted equity scheme. Purchasing under Land Lease on the other hand may allow them to maintain their entitlement to CRA.

In the case of the emerging group of middle women who either work and earn a moderate income or who have some capital behind them, this investigation also did not reveal any shared equity products that would be available to them in Queensland. While they may present as being financially independent their financial circumstances are precarious and many are often living on the margin where a disruption of their work, loss of pay would result in their being at risk of homelessness should such a situation endure for more than a few pay cycles.

Chart 4 superimposes the position of each target group in terms of their capacity to pay onto the positioning of each of the shared equity and related products to highlight the gaps in product availability.

Chart 4: Positioning of shared equity related products against women cohort's affordability
 - Required capital and income matrix



Source: Author based on the findings contained in this report.

7. Conclusions and Way Forward

While a range of shared equity products are available across Australia, this review has confirmed that a material gap exists in the range of available shared equity financial products that are able to be accessed by women over 50 years as individuals or in co-housing solutions as illustrated in Chart 1.

The target women, specifically in the middle and waiting segments, could benefit from products that would enable them to make better use of their current incomes in a way that contributes to a longer-term housing solution. That is, where their current private rental arrangements could be replaced with suitable housing services that permits and secures long term tenure across a wider range of possible financial scenarios. Assisting these women would prevent them falling into homelessness and avert further stress being placed on an already overburdened social housing and services system.

More particularly, these women would potentially benefit from the further development of suitable shared equity products similar to those offered in other states, particularly Keystart in WA, HomesVic in Victoria, Homestart in SA and Homeshare in Tasmania. It should be noted that the schemes in other States may prioritise groups in the community other than single older women.

While the purpose of this report was to investigate shared equity products, it has identified land lease as another avenue for addressing housing security for older women. Further consideration should also be given to the feasibility of developing a land lease scheme in Queensland.

Other loan products may also hold out some potential for older women particularly the middle women:

- The low deposit loan offered by National Affordability Housing Consortium (BuyAssist) in exchange for a share in the capital gain at the sale of the property, currently targeted at first home buyers, could usefully be extended and made available to older women.
- Prioritising single older women within NHFIC Family Home Guarantee would also provide this cohort with some much-needed support through saving the cost of loan insurance.

There is clear merit in combining financial product innovation with property development capabilities and a mix of public and private capital to create scaled affordable housing developments to benefit the target group. This includes consideration of how to link an affordable property development with an existing government program such as Federal Government Building Better Regional Cities. The Horizon Housing Development in Murwillumbah NSW offers a possible model.

A related issue outside the scope of this report is whether single women over the age of 50 are being discriminated against when applying for home loans from commercial providers. Single women face greater hurdles applying for loans because they bring one income rather than two and their expenses are more than half that of couples making it harder for them to reach the required loan serviceability level. There is also greater risk attached to their income as there is no back up income to cover their repayments if for any reason (such as job loss, health reasons or accident) they become unable to work. Older women face the added problem that they are likely to have fewer years of paid work by dint of their age.

While the above factors should all reasonably be taken into account by financial product providers in assessing loan applications, there is anecdotal evidence to suggest that even where women over 50 years are able to comfortably service a home loan, their applications may be rejected. It was also suggested during consultations that the introduction of Responsible Lending Laws may have exacerbated this problem. Consideration should be given to further investigating this issue to better understand the factors at play with a view to identifying avenues for preventing discrimination from occurring.

Based on the above analysis, the following considerations would be important in the development of solution/s to assist older women gain access to secure housing through home equity:

- Market research to better understand the population of older women and their financial means to service a mortgage based on cohort segmentation.
- Financial modelling to determine financial feasibility and affordability for each of the women cohorts under various housing scenarios.
- Exploration of the options for achieving affordability and financial feasibility through shared equity and land lease schemes.
- Consultation with possible financial service providers to determine feasibility, interest, and financial requirements in providing loans for shared equity scheme and land lease.
- Consultations with property developers on the feasibility interest, and financial requirements of providing land lease developments.
- Exploration of interest from philanthropy to contribute capital for shared equity or land for land lease developments.
- Lessons from shared equity and land lease schemes available in other States to assist in developing suitable schemes.
- Potential scope for leveraging Federal government programs such as the Building Better Regional Cities to assist in generating suitable housing developments.

If you would like to discuss any matter or have questions or comments relating to this report, please contact me directly via my contact details below.

I look forward to further discussing the next stage of Gold Start project with you.

Kind regards,

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Attachment 1: Financial Products Overview

Product Name	Type of financial product	Provider Name	Provider Type	Geographic Scope	Eligibility Requirements	Limited to housing packages	Resident Ownership	Deposit Minimum	Relevance to single older women	Possible Cohort
Shared Equity										
ACT Shared Equity*	Shared ownership loan	ACT Housing & IMB Ltd	Govt. NFP	ACT	Social housing tenants	Nominated public housing stock	70%	\$1000 purchase fee	Public housing tenants only.	Social Housing Women
Keystart*	Shared ownership loan (fixed or flexible)	Western Australian Housing Authority	Govt	WA	Means tested, indigenous, sole parents, public housing tenants	Open market	70%	2%	Single women with dependents who can afford to service a loan for 70% of property value. Older women are not a priority group.	Middle Women A and B
Pathways Shared Equity*	Shared ownership loan	Queensland Government	Govt	QLD	Social housing tenants	Nominated public housing stock	60%	\$2,000	Public housing tenants only	Social Housing Women
HomeShare*	Shared ownership loan	Director of Housing, Tasmania Govt, panel of financial service providers (eg. Bendigo Bank)	Govt. NFP.	Tas	Income & Asset tested.	House & Land, and New Dwellings	70%	\$3k or 5% (whatever is greater)	Women able to service loan and repay state equity within 30 years.	Middle Women A and B
Homestart Shared Equity*	Multiple products including shared ownership loans that can work together	Home Start Finance South Australia	Govt	SA	Means tested	Varies	75%-95%	3%-5%	Potentially relevant although take up has been low.	Middle Women A and B
HomesVic*	Shared ownership loan	Homes Victoria	Govt	Vic	First home buyer, means tested	Varies by region. New urban development for specific priority geographies. (400 applicants only).	75%.	0-5% generally	First home buyer priority precludes older woman with previous homeownership	Middle Women A
Hundred Hills Tweed Estate (Building Better Regional Cities program)	Shared ownership loan.	Horizon Housing Group (CHL), Tweed Shire Council & Stocklands	NFP. Govt. For Profit.	Murwillumbah, NSW	Means tested	Affordable housing lots. Works within existing Federal programs.	75%	Interest free 2nd mortgage fixed at 25% of purchase price, repayable on property sale.	Highly relevant, although of limited availability.	Middle Women A and B, Waiting Women
Shared Equity and Specialist Disability Accommodation (SDA) loans	Shared ownership loan	Bank Australia	NFP	Aust	Community housing tenants and SDA recipients and families.	Community housing and SDA	Unspecified	Unspecified.	Community housing tenants, SDA recipients or their family.	Social Housing Women

Source: Author based on information provided by product and service providers.

Financial Products Overview (cont.)

Product Name	Type of financial product	Provider Name	Provider Type	Geographic Scope	Eligibility Requirements	Limited to housing packages	Resident Ownership	Deposit Minimum	Relevance to single older women	Possible Cohort
Assisted Loans										
BuyAssist*	Low deposit loan with charitable equity	National Affordability Housing Consortium and Bank Australia.	NFP	Aust	Means-tested. Priority - first home buyers then others	Designated newly built properties	100% - Provider shares in capital gains via charitable equity	Nil. BuyAssist provides up to 25% of purchase price.	First home buyer priority precludes older woman with previous homeownership	Middle Women A, Waiting Women
Family Home Guarantee	Loan guarantee	NHFIC, via participating financial service providers	Govt	Aust	Eligible single parents, annual incomes up to \$125K pa	New & existing properties	100%	2%	Single older women with dependent children	Middle Women A.
Queensland Housing Finance Loan	low deposit loan	Queensland Government	Govt	QLD	Means tested, earning <\$141K pa, no access private finance, affordability test	Open market	100%	2%	Women who can service a loan for 98% of the property value	Middle Women A.
Land Rent Scheme	Land Lease	Act Government	Govt	ACT	Income < \$160,000, build dwelling within 2 yrs	Specific new government estates	100% (ex land)	Unspecified.	Women with means to pay land rent and finance home building within 2 years	Middle Women A and B
Ground Lease	Land Lease	Victorian Government	Govt	Victoria	Social (primarily) , affordable, SDA	Specific new government estates	0% Affordable rental	NA	Priority to social tenants previously reletcaed	Social Housing Women
Lifestyle Plus*	Land Lease	Landlease Home loans	Listed Co.	Aust	Over 55 yrs. Affordability Assesment	Limited to proprietary communities	100% (ex land)	60%	Capital of 60% of value (excluding land) and support a small loan at higher interest. Retains CRA.	Middle Women B
Other										
Abor Sherwood Retirement Village	3 mixes of upfront capital & ongoing accom fees.	Brisbane Housing Company (BHC) and Queensland Government	NFP. Govt.	Brisbane	Income & needs assessment.	Offering from existing buildings & development within their property portfolio	Varies	Unspecified.	Offers more affordable tenancy and housing for purchase.	Middle Women A and B
Mortgage Mates	Matching platform, co-ownership agreement.	Mortgage Mates	Private	Aust	Open to all	New & existing properties	100%	Unspecified.	Enables pooling of resources to aquire property, live as co-owners.	Middle Women B, Social Women, Waiting
Retirement Villages & Luxury Resorts	Alternative property fee and purchase price combinations	LendLease	Listed Co.	Aust	Over 55yrs. Market prices - offers upmarket solutions.	Villas, apartments and assisted living	100%	Unspecified.	High end product for financially independent people. "Pay as you go" option effectively high end tenancy.	NA

Source: Author based on information provided by product and service providers.

Attachment 2: Financial Product Descriptions

[NOT ATTACHED]

Attachment 3: Keystart WA Loans Under Various Scenarios

[NOT ATTACHED]