

Questions and answers

1. How many people will benefit from KiwiSaver HomeStart as compared to the existing KiwiSaver First Home Deposit Subsidy scheme?

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	5-YEAR TOTAL
No. of recipients							
Current settings	6,016	7,520	9,024	10,378	11,415	11,986	50,323
New settings	6,016	8,980	17,466	20,085	22,094	23,199	91,824
Increase	0	1,460	8,442	9,708	10,679	11,213	41,501

2. How much will the changes to HomeStart cost?

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	5-YEAR TOTAL
Costs							
Current settings	\$24.1m	\$30.8m	\$37.9m	\$44.6m	\$50.2m	\$53.9m	\$217.5m
New settings	\$24.1m	\$37.9m	\$81.3m	\$95.3m	\$106.8m	\$114.1m	\$435.4m
Increase	\$0	\$7.0m	\$43.4m	\$50.7m	\$56.5m	\$60.2m	\$217.8m

3. What are the house price caps increasing to?

House price caps are increasing to:

- \$550,000 in Auckland;
- \$450,000 in Western Bay of Plenty, Tauranga, Hamilton, Kapiti Coast, Porirua, Upper Hutt, Lower Hutt, Wellington, Nelson, Tasman, Waimakariri, Christchurch, Selwyn and Queenstown;
- \$350,000 in all other parts of the country.

This means the following changes will be made:

- Auckland – from \$485,000 to \$550,000;
- Wellington & Queenstown – from \$425,000 to \$450,000;
- Christchurch & Selwyn District – from \$400,000 to \$450,000;
- Hamilton, Tauranga, Western Bay of Plenty, Hutt City, Porirua, Tasman, Nelson & Waimakariri – from \$350,000 to \$450,000;
- Upper Hutt & Kapiti Coast – from \$300,000 to \$450,000;
- All other areas – from \$300,000 to \$350,000.

4. What are the changes being made to the KiwiSaver First Home Withdrawal scheme?

First home buyers who wish to withdraw their own and their employer's contributions to supplement a deposit for a home will also be able to withdraw the member tax credit. The member tax credit is the Government's contribution to members' KiwiSaver savings – for every dollar a member saves the Government contributes 50 cents annually, up to a maximum of \$521.43.

5. When will all these changes come into effect?

HomeStart and the changes to the KiwiSaver First Home Withdrawal and Welcome Home Loan schemes will come into effect from 1 April 2015.

6. How will the changes be implemented?

Changes to the house prices caps and the introduction of higher subsidies for first home buyers wishing to purchase a new home are policy decisions the Government can make and implement. Legislation or regulations are not required.

The change to the KiwiSaver First Home Withdrawal requires legislative change to be made to the KiwiSaver Act 2006.

7. Are any changes to the income caps proposed?

No, the incomes caps under HomeStart and Welcome Home Loans will remain the same as they are for the current schemes. The income caps are \$80,000 for a single buyer and \$120,000 for a couple.

8. What are the conditions under which a second chance home buyer (previous home owner) can access a HomeStart grant?

A second chance home buyer may access these grants but, like first home buyers, they will have to meet the income cap. They will also need to have assets worth less than 20 per cent of that area's house price cap. They must not have previously received a KiwiSaver subsidy or grant.

9. Who will administer the schemes?

Homestart and Welcome Home Loan will continue to be administered by Housing New Zealand.

The KiwiSaver First Home Withdrawal is administered by participating KiwiSaver providers. First home buyers who wish to withdraw their funds should contact their KiwiSaver provider for further information.

10. How were the house price caps determined?

The intent is that first home buyers have access to a modest home in a modest suburb that meets their needs and the caps reflect that. Developing price caps that apply across New Zealand requires a balance of simplicity and effectiveness. For example, house price caps defined by local authority boundary would require over 60 caps, making the requirements more complex than we believe they should be.

The three caps provide for improved eligibility in higher priced markets such as Auckland and Christchurch, without discouraging other savers in other parts of New Zealand.

11. What conditions will there be for qualifying as a “newly built house”?

In cases where the relevant dwelling has not yet been built at the time the first home buyer applies for the HomeStart grant, Housing New Zealand Corporation must be reasonably satisfied that the new dwelling will be built within the following timeframes and that the first home buyer has sufficient finance available with which to complete their dwelling or purchase:

- When purchasing a vacant residential section, a new dwelling must be built within 12 months of the purchase being settled;
- When purchasing a house and land package off the plans, a new dwelling must be built within 12 months of the date on which the first home buyer entered into an agreement to purchase the house and land package;
- When purchasing an apartment off the plans, the new apartment must be built within 18 months of the date on which the first home buyer entered into an agreement to purchase the apartment.

12. How does the Welcome Home Loan work?

The Welcome Home Loan is a mortgage insurance scheme that is subsidised by the Government. The Housing New Zealand Corporation product was introduced in 2003 to assist low income people to get into a home by underwriting their bank loan. First home buyers need a 10 per cent deposit to apply for a loan and must meet income cap and house price caps to be eligible. 1,700 loans were supplied in 2013/14.

Welcome Home Loan is funded by a 2.2 per cent insurance premium, which is paid 1 per cent from the borrower and 1.2 per cent by the Government. In the case of default, the lender is reimbursed for the loan loss and costs.

The Government is increasing the house price caps to enable more people to become eligible for the scheme.

13. Why does the Government need to stimulate the supply of new, lower cost homes?

Far fewer low cost homes are being built now than 50 years ago. In the early 1960s, 35 per cent of new houses were sold at a price that placed their value in the bottom quartile of the existing housing stock. Today, the proportion of new houses in this group has fallen to about 5 per cent, making it harder for first home buyers to purchase new houses.