

## **Questions and Answers**

### **1. How can KiwiSaver be used to buy a first home?**

The KiwiSaver First Home Withdrawal allows first home buyers (and some previous home owners, see Question 4) to withdraw their own savings, their employer's contributions and their investment returns to supplement a deposit on a home. There is no income or house price cap for this product nor any minimum deposit. They must have been a member of KiwiSaver for a minimum of three years.

The KiwiSaver First Home Deposit Subsidy allows first home buyers (and some previous home owners, see Question 4) to access a Government-funded subsidy to supplement a deposit on a home. If the buyer is eligible, they receive \$1,000 for every year they have been a KiwiSaver member (a 3-year minimum and 5-year maximum applies).

### **2. How many people have used the KiwiSaver schemes to help buy a house?**

The First Home Deposit Subsidy has been popular with first home buyers, with about 6000 subsidies paid out since 2010, averaging about \$3,500.

The First Home Withdrawal assistance has also been popular, with about 11,000 withdrawals approved since 2010, averaging about \$10,000. About 36 per cent were in Auckland. About 10 per cent of house sales since 2012 have included KiwiSaver First Home Withdrawal and about five per cent attracted a KiwiSaver Deposit Subsidy.

### **3. Are any changes being made to the KiwiSaver First Home Withdrawal scheme?**

We are not proposing any changes to this scheme for first home buyers, who can withdraw their own and their employer's contributions to supplement a deposit for a home without worrying about income or house price thresholds.

**4. What are the conditions under which a second chance home buyer can access the KiwiSaver First Home Withdrawal or KiwiSaver First Home Deposit Subsidy?**

A second chance home owner may access KiwiSaver First Home Withdrawal and the Deposit Subsidy but must meet additional conditions. Unlike first-home buyers, they will have to meet the income cap and will also need to have assets worth less than 20 per cent of that area's house price cap.

**5. What is the breakdown for solos, couples and groups accessing the KiwiSaver Deposit Subsidy?**

8228 KiwiSaver First Home Deposit Subsidies have been paid made up of 37 per cent singles, 64 per cent couples and 0.9 per cent of groups of three or more buyers.

**6. What will happen to people who apply for the KiwiSaver Deposit Subsidy between now and when the changes come into force on 1 October?**

Housing New Zealand has developed a transition programme to ensure existing applicants are treated fairly. Housing New Zealand will continue to accept and process new applications against the existing criteria during the months of August and September. They will assess all emailed applications received up to midnight 30 September 2013 and all posted applications that were received at the office on or before Tuesday 1 October 2013. Any applications received afterwards will be assessed against the new criteria. Some clients will be approved under the existing criteria, but won't be due to settle until after the new criteria come into effect. These subsidies will be honoured for the amount they have been approved for prior to the proposed changes.

**7. What happens to people that are pre-approved under KiwiSaver but their house doesn't settle until after the changes come into effect?**

Those who have had approvals or pre-approvals granted under the previous criteria will continue to have their subsidies processed against that criteria. The pre-approvals last for six months. So if a person has pre-approval under

the previous criteria and they haven't bought a house by the time the period expires, they will be able to apply under the new criteria.

**8. 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. Approximately 10,000 loan loans have been underwritten since 2003. Welcome Home Loan is funded by a 3 per cent insurance premium, which is paid one per cent from the borrower and two per cent by the government.

Demand for the Welcome Home Loan dropped off in recent years as banks have become prepared to provide loans with very low deposits without the guarantee.

**9. Aren't you undermining the integrity of KiwiSaver which was set up as a retirement savings scheme and not a first home buying scheme?**

The ability for first-home buyers to access KiwiSaver to help get them into a modest home was always an early intention of the KiwiSaver scheme.

The fact is for most New Zealanders their retirement nest egg is the equity in their home.

**10. How were the price caps decided on – for instance in Auckland it is \$485,000 but the average house now costs around \$630,000?**

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

