

30 June 2016

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**Working together for better housing and sustainable communities - response to discussion paper**

Good Shepherd Microfinance welcomes the release of the *Working together for better housing and sustainable communities* discussion paper and commends the Queensland Government for the long term and consultative approach that is being taken to set the strategic direction for housing policy in Queensland.

Good Shepherd Microfinance is Australia's largest microfinance organisation and has successfully delivered a growing range of microfinance products and services for 35 years. We offer a suite of people-centred, affordable financial programs for people on low incomes at different financial stages of their lives. Our aim is to enable clients to realise their own economic wellbeing, as they define it themselves, through appropriate financial programs. We work with 263 accredited community organisations in 670 locations across Australia. Our programs are designed to fill a market gap and serve the needs of the three million people in Australia who are financially excluded<sup>1</sup>.

In Queensland, we work with 55 partner organisations in 136 locations, including six partner organisations operating in remote locations of Queensland. As a result, there are over 350 microfinance workers (paid & volunteer) operating in Queensland. The network will expand in 2017 with the establishment of a Good Money store in Cairns and the Gold Coast with the support of the Queensland Government and National Australia Bank (NAB). In Queensland in 2014, 45 per cent of our clients were tenants in public housing, and 33 per cent of our clients were Aboriginal and Torres Strait Islander people (compared to a national average of 24 per cent).

Our long history in working with people on low incomes and delivering financial programs nationally can play a critical role in informing and implementing initiatives to create a housing system in Queensland that is better placed to meet the needs of people and build sustainable communities.

Our submission highlights a number of opportunities to enable people to define and then realise social and economic wellbeing:

- **Leveraging existing networks and alignment between financial and housing services:** Good Shepherd Microfinance sees a significant opportunity to leverage and expand the financial capability conversations and associated education delivered by our microfinance network to support people on low incomes to move along the financial inclusion continuum and associated housing continuum. The Queensland **network of 55 accredited microfinance providers at 136 locations**, coordinated by Good Shepherd Microfinance, provides financial programs to people on low incomes. We are uniquely positioned to enable the achievement of housing-related outcomes for people on low incomes in Queensland by capitalising on the existing relationships with the Good Shepherd Microfinance provider network and our clients. The microfinance network and the existing Queensland Government Housing Service Centres and RentConnect sites can complement

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<sup>1</sup> Connolly C, *Measuring Financial Exclusion in Australia*, Centre for Social Impact (CSI) – University of New South Wales, 2014, for National Australia Bank.

each other and refer clients to expand the reach of both financial and housing services. In many instances, there is a direct link between the financial needs of our clients and their housing sustainability. Both social and economic wellbeing can be enhanced by putting people at the centre of one holistic conversation about their needs and aspirations.

- **Taking action on private rental sustainment:** The private rental market is vital to meeting the demand for housing and achieving better housing outcomes for the people of Queensland. Low income households can face difficulties sustaining their rental payments, particularly when unexpected expenses arise. These unexpected expenses increase financial stress and can jeopardise the tenancy of the household, putting them at increased risk of homelessness. A **pilot Rent Assist program** can support low income households in the private rental market who require a small loan to meet expenses that have the potential to jeopardise their ability to sustain their private rental payments. The existing No Interest Loan Scheme (NILS) and the NILS Queensland network could be a mechanism to deliver this program. Seed investment would be required to develop and deliver the pilot. Good Shepherd Microfinance submitted a project proposal outlining this concept and delivery approach to the Queensland Government Department of Housing and Public Works in 2015.
- **Taking action on home ownership:** People on low incomes have the ability to service debt, grow their financial assets and move away from crisis and hardship towards financial stability if they have access to the right resources and are protected from exploitative lending arrangements. For those people who have an aspiration to own their own home and can service a mortgage, we recommend that the Queensland Government invests in a **pilot home ownership program** (in partnership with Good Shepherd Microfinance and a bank). Good Shepherd Microfinance would welcome the opportunity to further develop this program as a client-focused affordable housing initiative. Seed investment would be required to develop the concept and deliver the pilot.
- **Whole of system support: Financial Inclusion Action Plans (FIAPs)** can support the objectives outlined in the discussion paper to work together across all sectors of the community and to put people at the centre of solutions. FIAPs provide an opportunity for signatory organisations to take coordinated action to improve financial resilience for the large numbers of people experiencing financial exclusion and hardship, factors that also influence people's housing stability. The Queensland Government launched their FIAP Statement of Commitment in May this year, becoming one of 11 trailblazer organisations committing to the development of a FIAP in 2016. We are also committed to expanding the network of FIAP trailblazers and would encourage other relevant stakeholders in the housing context in Queensland to join the program. This would include real estate agents, property developers, landlords, housing associations and related property services, to commit and develop their own FIAPs to encourage a holistic and collaborative approach to the challenges involved in housing stability and hardship, in line with the objectives outlined in the discussion paper.
- **Mitigate the impacts of the rising cost of energy:** Our microfinance workers are assisting an increasing number of clients who are experiencing financial hardship due to unaffordable energy bills. Addressing the rising cost of energy, and the impact of this on the financial and housing stability of people on low incomes, has the potential to deliver economic, social and environmental outcomes. Energy bills can be reduced through access to affordable energy efficient appliances such as the products offered through our Good2GoNow program in partnership with The Good Guys, or through a program similar to the former Home Energy Saver Scheme. Other options include supporting vulnerable households to take simple energy saving actions and use power efficiently, and encouraging and incentivising developers and landlords to improve the energy efficiency of properties.

- **Improving access to and flexibility of home loan products:** The suite of financial products currently available from mainstream banks for the purchase of a homes are not meeting the needs of people on low incomes. There is a critical role for the mainstream banking sector to improve access to and flexibility of financial products to enable people on low incomes to purchase their own home.

Good Shepherd Microfinance is keen to continue to work with the Queensland Government, our existing network and partners, and other stakeholders on the further development of initiatives to achieve better housing outcomes.

Many thanks again for the opportunity to contribute to Queensland's housing strategy.

Yours sincerely,

A handwritten signature in black ink that reads "Adam Mooney". The signature is written in a cursive style with a large initial 'A' and 'M'.

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## WORKING TOGETHER FOR BETTER HOUSING AND SUSTAINABLE COMMUNITIES DISCUSSION PAPER RESPONSE TO DISCUSSION PAPER QUESTIONS

### THEME 1 SUSTAINABLE COMMUNITIES

#### 1. How do we create an environment that enables a human services approach to housing that puts people at the centre in Queensland?

Good Shepherd Microfinance sees a significant opportunity to leverage and expand the financial capability conversations and associated education delivered by our microfinance network to support people on low incomes to move across the financial inclusion continuum (refer to definition on following page) and associated housing continuum. Through this process, Good Shepherd Microfinance is ideally placed to identify clients who are potential candidates for housing related lending services.

Good Shepherd Microfinance offers a range of people-centred, affordable financial programs for people on low incomes at different financial stages of their lives. Our aim is to enable clients to realise their own economic wellbeing, as they define it themselves, through appropriate financial programs. Our programs are delivered in partnership with 263 accredited community organisations in 670 locations across Australia to deliver a localised and client-focused approach.

Almost 17 per cent of the adult population in Australia - 3,040,000 Australians - experience financial exclusion<sup>2</sup>. Good Shepherd Microfinance aims to reach over one million people with our programs by 2018. By the end of 2015, we had reached 181,000 clients and around 398,000 people in total. In order to reach a greater number of people, we are calling on all state and territory governments to consider commencing or increasing investment in expanding Good Shepherd Microfinance products and the network, to complement the funding provided by the Australian Government Department of Social Services.

Good Shepherd Microfinance and our partners have researched, piloted and scaled up highly successful national financial wellbeing and capability programs recognised by government, corporate partners and communities. These award-winning programs include:

- **No Interest Loan Scheme (NILS):** a community based program providing access to fair and safe credit (up to \$1,200)
- **StepUP:** provides low interest loans for personal or household purposes to people on low incomes, in partnership with NAB (from \$800 to \$3,000)
- **AddsUP:** helps people on low incomes develop financial independence through a matched savings incentive (\$500), in partnership with NAB
- **Debt Deduct:** a pilot program designed to work as a circuit breaker addressing the immediate need for debt relief through the no-interest consolidation of debt with loans of up to \$2,000 and the support of a financial counsellor
- **Good Insurance:** a program that works with Australia's biggest insurance companies to create affordable, simple and effective insurance policies for people on low incomes
- **Good Money:** community finance stores delivering financial programs in partnership with NAB and State Governments. Two new Good Money stores in Cairns and the Gold Coast in 2017 will join the existing four stores in Victoria and South Australia.

We are uniquely positioned to enable the achievement of housing-related outcomes for people on low incomes in Queensland, as they already have a relationship with the Good Shepherd Microfinance provider network as clients of our financial programs. In many instances, there is a direct link between the financial needs of our clients and their housing sustainability. Both social and economic wellbeing can be enhanced by putting people at the centre of one holistic conversation about their needs and aspirations.

Our microfinance clients in Queensland align strongly with the community segments acknowledged in the discussion paper as being particularly impacted by lack of affordable housing:

- 73 per cent of our clients are female

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<sup>2</sup> Connolly C, *Measuring Financial Exclusion in Australia*, Centre for Social Impact (CSI) – University of New South Wales, 2014, for National Australia Bank.

- 44 per cent are Aboriginal and Torres Strait Islander people. In some areas of Far North Queensland, 80 per cent of our clients are Aboriginal
- 26.3 per cent are on a Disability Support Pension
- 37 per cent are single parent households.

Good Shepherd Microfinance has long held the view that the financial conversation, currently undertaken between a microfinance worker and a loan applicant as part of a loan interview, assists in increasing the financial capability of applicants<sup>3</sup>. This discussion takes place at a relevant and critical time for clients (enabling an immediate application of knowledge). These 45-60 minute conversations cover budgeting, saving, managing bank fees and bills, and the risks around fringe lending and goods rental.

In 2015, Good Shepherd Microfinance researched the impact of the financial conversation in the StepUP program by measuring the changes in applicants' actual financial skills, knowledge and skills over three months (as well as their perceived changes). The results reinforced the fundamental importance of raising financial awareness and boosting self-confidence in order to build financial capability and self-determination. Key findings included:

- 66 per cent of loan recipients reported a general increase in confidence in dealing with their own money
- 47 per cent of applicants who did not receive a loan reported a general increase in confidence in dealing with their own money
- 12 per cent of applicants started a new job in the three-month period following the financial conversation
- Female applicants were more likely than males to seek help or assistance with questions about money, both before the financial conversation and three months after
- Regardless of the outcome of the loan application, engagement with a microfinance organisation appeared to provide an important boost in self-confidence for people who typically are financially excluded and feel judged by traditional institutions and services.

Good Shepherd Microfinance's 'Financial Inclusion Continuum' (Figure 1) shows the key stages where a person moves from financial crisis to resilience and inclusion. People in the first five segments of the 10-stage financial inclusion continuum experience a limited to great level of financial exclusion and have potential to benefit from moving up the continuum. The linkages between housing status and the financial continuum have been depicted in Figure 1.

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<sup>3</sup> Good Shepherd Microfinance, *Impact of the financial conversation on StepUP applicants' financial literacy and capability*, 2015

Housing Segment	Possible homelessness	Rental through public or private housing	Transitioning to home ownership		Home ownership				Investment	
Segment	Financial Crisis	Financial Hardship	Hardship transition	Stable, Asset Building	Stable Wellbeing	Income Generation	Growth Consolidation	Wealth Creation	Financial Independence	Wealth Distribution
Individual weekly income (maximum)	\$200	\$300	\$400	\$600	\$800	\$1000	\$1250	\$1500	\$2000	\$2000+
No. people	0.85m	1.80m	1.72m	2.00m	1.80m	1.44m	1.37m	0.96m	1.12m	1.08m
Households	185k	359k	922k	1.08m	1.01m	792k	815k	568k	623k	473k
Largest employment category	Not in labour force (65%)	Not in labour force (69%)	Not in labour force (52%)	Employed full time (42%)	Employed full time (68%)	Employed full time (75%)	Employed full time (79%)	Employed full time (82%)	Employed full time (83%)	Employed full time (81%)
Largest household type	Lone person (28%)	Lone person (47%)	Lone person (44%)	Couple with children (28%)	Couple with children (35%)	Couple with children (42%)	Couple with children (40%)	Couple with children (43%)	Couple with children (35%)	Couple with no children (47%)
Segment demographic	Excluding under 20s, evenly distributed up to 64	Peak in 20-24 and rising again in 60 -80 year olds	Peak in 20-24 and rising again in 60 -85 year olds (highest of all segments)	Peak in 20-24 then evenly represented to 70 year olds	Peak in 20 to 30s, steady to 55 then declining representation	Peak in 25-30s, even to 55 then declining representation	Peak in 25-30s, even to 55 then declining representation	Peak in 30-35s then declining representation across all other age segments	Bell curve averaging at 45yrs, closing out at 70	Bell curve averaging at 45yrs, closing out at 70
Household net worth	\$5,300	\$15,600	\$63,000	\$152,600	\$247,800	\$339,500	\$475,300	\$657,800	Not modelled	Not modelled
Benefit of 25% of segment moving up a segment	\$0.5bn	\$4.3bn	\$20.6bn	\$25.7bn	\$23.1bn	Not modelled	Not modelled	Not modelled	Not modelled	Not modelled

Figure 1 Housing status mapped against the Good Shepherd Microfinance financial continuum

The suite of financial programs provided by Good Shepherd Microfinance are relevant to needs across the housing continuum. For example (and depicted in Figure 2):

- A NILS or StepUP loan for personal or household purposes can assist a low income household to manage unexpected expenses that could jeopardise their ability to sustain rental payments
- The matched savings incentive AddsUP can enable individuals to establish savings behaviours that are essential for goals such as saving for a house deposit
- Insurance policies through Good Insurance can shield households from an unexpected expense that could jeopardise their ability to sustain rental payments
- The Rent Assist and Good Homes loans outlined in this submission can support households to sustain their housing situation and work towards longer term goals such as home ownership.

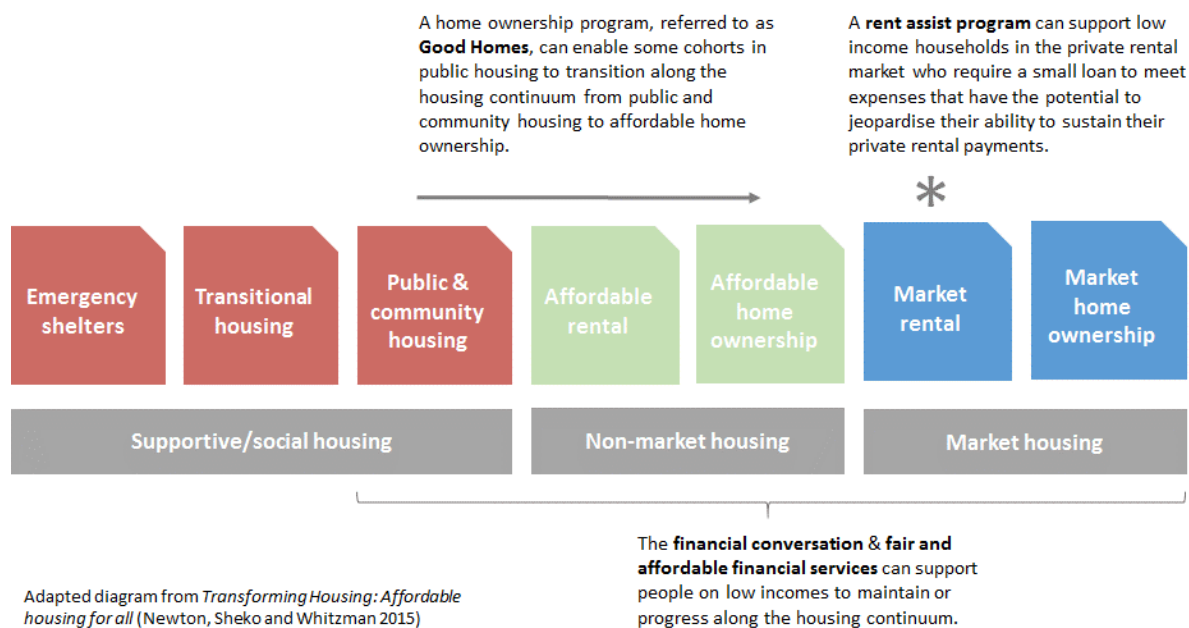


Figure 2 Contribution of Good Shepherd Microfinance products and concepts to housing continuum

Good Shepherd Microfinance is a community-led organisation with strong local partnerships and extensive experience in government, community and corporate collaboration. Together with our partners, we recognise the inescapable need and value for the sector to unite resources and expertise to deliver more impactful programs.

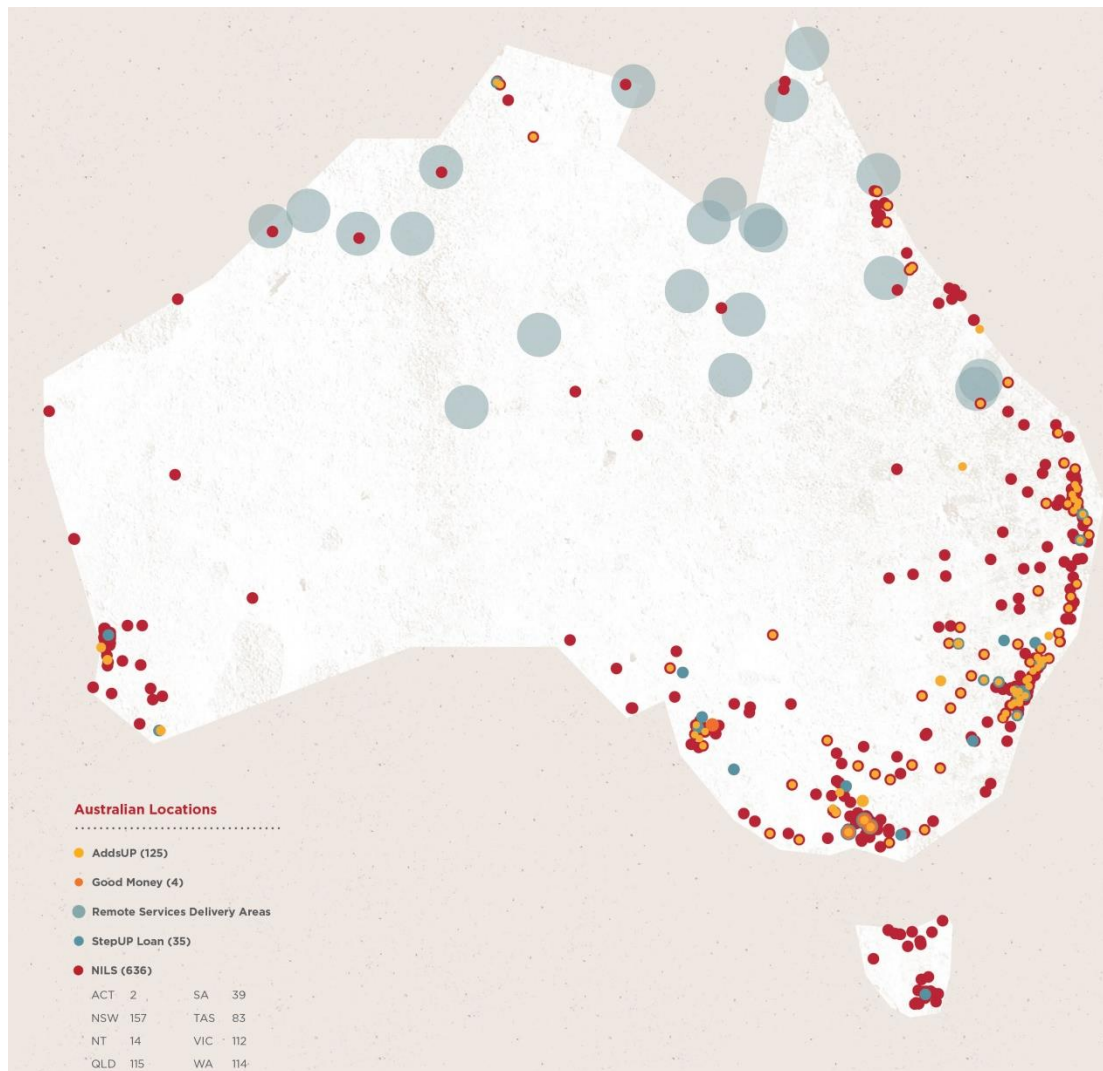
Our microfinance providers are community organisations with a shared commitment to helping people out of poverty towards economic independence. More than 70 per cent of NILS or StepUP clients receive their loan through a community provider that is either a:

- housing provider
- community organisation which assists people on low income to find suitable housing or in navigating the public housing system.

Many of our providers are organisations with a long history of involvement in their local areas, and are supporting their community on the full spectrum of social and economic wellbeing. A strength of the Good Shepherd Microfinance network model is embedding financial programs in client-focused, community-led and trusted organisations.

The microfinance network and the existing Queensland Government Housing Service Centres and RentConnect sites can complement each other and refer clients to expand the reach of both financial and housing services.

The figure below presents the coverage of the Good Shepherd Microfinance network across Australia.



*Figure 3 Good Shepherd Microfinance network across Australia*

We continue to develop strong links to Federal and State Governments and a close working relationship with the corporate sector (including best practice shared value partnerships with NAB, Suncorp and IAG). Through our partnership with NAB we have access to \$130 million in microfinance capital to operationalise financial programs. Together we share a goal to reach one million people with microfinance by 2018.

In addition, Good Shepherd Microfinance has launched a Financial Inclusion Action Plan (FIAP) program in partnership with Ernst & Young, Centre for Social Impact and the Australian Government Department of Social Services. This program supports business, government, community and academic institutions to develop their own plans and advance financial inclusion in Australia, especially for women. The Queensland State Government is one of 11 trailblazer organisations to commit to the development of a FIAP (which they are referring to as a Financial Resilience and Inclusion Action Plan or FRIAP), launching their Statement of Commitment in May 2016. Good Shepherd Microfinance views great synergies between the objectives of the FIAP program and the Queensland Government's commitment to 'explore how we can better work together to invest early in people and the outcomes that will resolve the housing access and affordability issues faced by a growing number of Queenslanders' due to the links between financial resilience and inclusion and housing stability. We would also encourage other relevant stakeholders in the housing context in Queensland, including real estate agents, property developers, landlords, housing associations and related property services, to commit to the FIAP program to enable a holistic and collaborative approach, particularly through the Communities of Practice which aim to encourage cross-organisation collaboration.



Examples of how FIAPs can support housing outcomes are:

- Property developers may adopt commitments or targets relating to energy efficient design and fit out which will minimise the energy costs of housing, particularly in supportive/social housing and non-market housing where people on low incomes spend an above average amount of their disposable income on energy
- Real estate agents may consider developing and implementing hardship policies to support tenants in rental stress
- A property developer may consider allocating a percentage of a development to affordable housing for low income earners.

## **2. What do the department and other service partners need to do to operate more effectively as human service providers?**

Good Shepherd Microfinance focuses on enabling people to define and then to realise their own economic wellbeing, to feel valued and in control of their finances and lives. Supporting individuals to define their own needs and aspirations is a desired outcome in and of itself, as well as a mechanism for ensuring that programs and approaches can have the greatest impact possible.

Further, we recognise that there are a range of complex and inter-dependent issues that affect the lives of people who are vulnerable or disadvantaged. We know from our work with our clients that issues with employment and housing can impact financial wellbeing, and vice versa. Confidence and self-esteem are both enablers of financial wellbeing, and outcomes that can flow from improved financial wellbeing. The provision of holistic services by organisations with the skills and capabilities to address multiple, complex needs is an effective approach to support individuals to achieve their aspirations. Good Shepherd Microfinance sees a significant opportunity to leverage the existing conversation our microfinance workers are having with clients, and the existing network of over 55 partner organisations in Queensland to simultaneously support people on low-incomes move across the financial inclusion continuum and associated housing continuum.

## **3. How can we maximise the contribution of housing to social and economic development and environmental outcomes in Queensland? What are the key issues we need to work on together?**

Addressing the rising cost of energy, and the impact of this on the financial and housing stability of people on low incomes, has the potential to deliver economic, social and environmental outcomes.

Rising energy costs have been felt by everyone, but people on low incomes are disproportionately impacted. A 2014 discussion paper from the Australian Council of Social Service reported that the lowest income households spend seven per cent of disposable income on energy, compared to 2.6 per cent for the highest income households<sup>4</sup>.

Developers and landlords have little incentive beyond their environmental or social commitment to invest in the construction or upgrade of properties to be energy efficient, because the resulting energy savings accrue to the tenant.

Renters often have no information relating to the energy efficiency of the home they are renting before moving into the property, yet their comfort levels and expenses could be heavily impacted. People on low incomes in the rental market are particularly vulnerable because they are often renting older and poor quality housing which is energy inefficient, and they lack the financial resources to improve the efficiency and comfort of their homes.

Our microfinance workers are assisting an increasing number of clients who are experiencing financial hardship due to unaffordable energy bills.

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<sup>4</sup> Australian Council of Social Service (2014) *Preventing shocks and addressing energy poverty ACOSS Discussion Paper*, available at <[http://www.acoss.org.au/images/uploads/Concessions\\_paper\\_2014\\_FINAL.pdf](http://www.acoss.org.au/images/uploads/Concessions_paper_2014_FINAL.pdf)>

## Home Energy Saver Scheme

In 2012, we partnered with the Australian Government to deliver the Home Energy Saver Scheme (HESS), part of the Australian Government's climate change plan, *Securing a Clean Energy Future*.

HESS supported low-income households across Australia experiencing difficulty in meeting and paying for their energy needs. Good Shepherd Microfinance oversaw an educational program to build the capacity of microfinance workers to hold energy conversations with their clients, as well as a subsidy program that enabled eligible NILS clients to purchase energy efficient household appliances, such as fridges and washing machines.

From April 2013 to June 2014, 1,812 subsidised appliances were purchased in Queensland, which represents over \$951,895 worth of subsidies (including over \$170,000 worth of delivery subsidies which were particularly beneficial to clients in remote locations such as Hopevale and Wujal Wujal). By choosing the high star rated appliances available through HESS compared to a lower star appliance, clients in Queensland would collectively save nearly \$150,000 a year on electricity bills. Assuming a 10 year life for appliances, that's over \$1.6 million in savings for clients over ten years. The environmental benefits from this represents approximately 23,000 tonnes of greenhouse emissions.

## Good2GoNow

In partnership with The Good Guys, Good Shepherd Microfinance has developed Good2GoNow, a responsible and ethical online buying service that enables clients to access household appliances at competitive prices. The service is available to NILS and StepUP borrowers who need to buy electrical appliances such as fridges or washing machines.

By purchasing through the online buying service, clients can:

- Save money off the purchase price of electrical appliances
- Reduce their electricity bills with an energy efficient appliances
- In some instances, access free delivery.

Good2GoNow has saved clients a total of almost \$1 million off the retail price of white goods and appliances.

### CASE STUDY - The impact of energy hardship on a NILS client in Queensland

When Kathleen\* was contacted by a microfinance worker about her lapsed NILS loan repayments (for a loan purpose unrelated to energy costs), the reason for the lapsed payments was beyond doubt - Kathleen had an outstanding electricity bill of approximately \$4,500. The escalating cost of energy was the trigger for things to “go off the rails” for Kathleen and the three generations of her family living in the household.

The family had been using \$238 of electricity every fortnight before the electricity was disconnected, one month prior to the phone call to Kathleen from the microfinance worker. Although Kathleen was receiving Centrelink benefits, it just wasn't enough to cover the expenses of the household.

The electricity retailer required a one-off payment of \$650 before the power would be reconnected. Kathleen's youngest child, who has asthma and gait challenges requiring medication & specialised footwear, had no other option but to travel to the picnic area of a nearby park to access electricity to administer his asthma medication. Kathleen and her family members, including a teen single parent and her child, and an adult child living in the home who has anxiety, bipolar depression and schizophrenia, were provided with access to water, showers and laundry facilities by an NGO.

Kathleen's electricity retailer had set her up on a hardship payment plan of \$50 per week, and Kathleen was making additional payments towards the arrears. But the payment plan wasn't sufficient and Kathleen accrued even more debt while on the hardship payment plan.

There was additional support available, but Kathleen needed assistance to access it. The electricity retailer had offered the family access to the Home Energy Emergency Assistance Scheme, however Kathleen wasn't able to complete the form correctly and the application was denied.

When contacting clients in relation to lapsed loan repayments, microfinance workers are often required to undertake tasks beyond the administration of the loans in order to support vulnerable clients. The microfinance worker used local knowledge and networks to organise brokerage money for the electricity reconnection cost and broader support for the family to prevent worsening of their situation.

Kathleen is committed to repaying her NILS loan once she recovers from the financial shockwaves cause by escalating energy costs.

\* Not her real name. Name changed to protect privacy.

Some proposed options for minimising the impact of increasing electricity prices on the housing sustainability of vulnerable and disadvantaged Queenslanders are outlined below. Given the significant impact of energy hardship on our clients, Good Shepherd Microfinance is keen to contribute our unique knowledge and value to the development and provision of solutions.

- Energy bills can be reduced through access to affordable energy efficient appliances such as the products offered through our Good2GoNow program in partnership with The Good Guys or through a program similar to the former Home Energy Saver Scheme
- Education programs can have a positive impact through providing support to vulnerable households so that they can take simple energy saving actions and use power as efficiently as possible.
- Developers and landlords can be encouraged and incentivised to improve the energy efficiency of their properties, including retrofitting, so that tenants can benefit from features such as solar power, insulation and energy efficient appliances.
- Energy poverty can be reduced by encouraging investment in renewable and efficient technologies, with a deliberate focus on the benefits of these technologies being experienced by people on low incomes who won't be buying solar systems for themselves, especially when they're renting and can't afford cutting edge, efficient technology.

- The energy efficiency of rental properties can be encouraged through requirements for tenants to be given some indication of running costs before moving into a rental property.

**4. What are the opportunities for the non-government sector (private and community) to achieve better outcomes for people and communities through housing?**

**Availability and flexibility of home loan products**

The suite of financial products currently available from mainstream banks for the purchase of a home are not meeting the needs of people on low incomes. People on low incomes have the ability to service debt, grow their financial assets and progress along the housing continuum towards home ownership if they have access to the right resources and are protected from exploitative lending arrangements.

There is a critical role for the mainstream banking sector to improve access to and flexibility of financial products to enable people on low incomes to purchase their own home. Alternative options may include loans with a longer duration, an interest-only format and shared equity or index loans.

As Australia's largest microfinance organisation Good Shepherd Microfinance would be keen to contribute our expertise and resources to further develop such products in collaboration with the banking sector, government and the community sector.

**Bringing home ownership within reach**

While people on a low income may be able to afford the repayments on a home loan, the challenge of saving a deposit may prevent them from realising their aspiration of owning their own home. Saving a house deposit is an ambitious task for most people, but can be insurmountable for people on a low income with only a small amount of surplus available to save.

There may be a role for the philanthropy community in the establishment of a fund that could provide people on low incomes with loans for a home deposit. This would need to be 'patient capital' as the repayment rate and loan period would likely need to be beyond mainstream conditions.

This concept is advocated for by our peer organisation Foresters Community Finance, and both of our organisations would be keen to be involved in further discussions about the development of such an initiative.

**5. Do existing legislative frameworks provide the right level of protections for housing consumers, and how could they be improved to ensure fairer and more equitable access to housing?**

No response provided.

**6. Are there differences in issues and approaches for housing that need to be considered in rural, remote and regional communities?**

Good Shepherd Microfinance, through our network of providers, is delivering financial programs in rural, remote and regional areas of Queensland. Since 2012, Good Shepherd Microfinance has received funding from the Australian Government Department of Social Services to expand the delivery of safe and affordable financial products to remote communities in Australia. Currently, there are six providers of financial programs operating in remote areas of Queensland. To complement the network of providers, a Good Money store will be established in Cairns in 2017 with the support of the Queensland Government and NAB.

Our experience has shown that there are unique considerations and challenges for service delivery in remote areas. We consider these findings to be equally relevant to the provision of housing services:

- The majority of clients of financial products in remote areas were Aboriginal and Torres Strait Islander who previously had limited or no access to safe and affordable alternatives for financial products.

- The development of partnerships with strong and resourceful organisations led to efficient uses of resources, a holistic approach to “money business” and more effective community engagement. As a result of establishing relationships with community organisations with a broad client focus, the program has led to substantial increases in referrals to partner organisations, not just for microfinance information and no interest loans, but also for other services relating to personal finances including financial counselling.
- The initial engagement of very remote Aboriginal communities was challenging, requiring the support of the local council, a community agency or member, as well as time and patience.
- Geographic remoteness is not the only challenge - it is important to recognise that each community is unique with obstacles in remote Aboriginal communities including suspicion of strangers, Men’s and Women’s Business, deaths in the community, as well as a mistrust of welfare based agencies.
- Key to the success of partnerships was the engagement of personnel who were committed to supporting disadvantaged people in Australia living in remote communities, were knowledgeable about their region and prospective clients, and willing to work with their clients with a more time-consuming and flexible approach than the generalist program.
- Funding models need to recognise the additional costs associated with servicing remote areas.

The experience demonstrates the importance of a people-centred approach; implementing a one-size-fits-all approach to service delivery is unlikely to be successful. Our network of local and trusted organisations is well-positioned to understand local needs and aspirations and respond accordingly.

## THEME 2 HOUSING AFFORDABILITY

### 7. How can we improve people’s access to sustainable and affordable housing by making better use of existing assets, subsidies and incentives? For example, incentivising the market and non-government sector to respond to people and communities.

There is a real risk of people accessing predatory payday lending facilities to assist in their housing related expenses. Good Shepherd Microfinance believes there is an opportunity to expand its existing suite of financial programs to address needs specifically related to maintaining or progressing individuals along the housing continuum. Good Shepherd Microfinance’s existing knowledge and networks can be leveraged to develop and deploy these programs across Queensland.

Research conducted on the use of payday lending showed that just over a quarter of research participants (28 per cent) had a current payday loan that was obtained for housing costs/rent<sup>5</sup>.

#### SUSTAINING PRIVATE RENTERS: RENT ASSIST

##### Background

The *Working together for better housing and sustainable communities discussion paper* acknowledges the vital role of the private rental market in achieving better housing outcomes for the people of Queensland. 36 per cent of people in Queensland live in private rentals<sup>6</sup>. Over the 30-

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<sup>5</sup> Hanover Welfare Services (2014). Taking the Stress Out of Managing Money: A report examining the use and impact of payday lending on low income families in the City of Greater Dandenong. Prepared by Hanover Welfare Services with support from the Consumer Action Law Centre and Good Shepherd Microfinance April 2014. Available from: < [http://www.hanover.org.au/wp-content/uploads/2014/10/Taking-the-stress-out-of-managing-money-report\\_May-2014\\_FINAL.pdf](http://www.hanover.org.au/wp-content/uploads/2014/10/Taking-the-stress-out-of-managing-money-report_May-2014_FINAL.pdf)>

<sup>6</sup> Department of Energy and Water Supply (2016). A solar future: powering Queensland’s renewable energy industries. Available from: <<https://www.dews.qld.gov.au/electricity/solar/solar-future>>

year period 1981-2011, there was a 174 per cent growth in private renter households in Queensland<sup>7</sup>. Private rental properties are integral to meeting demand for housing in Queensland.

People on low incomes in the private rental market are under increasing financial pressure. The *discussion paper* cites research by the Australian Housing and Urban Research Institute (AHURI) that more than half of Australia's low income tenants are being driven into poverty by unaffordable rents<sup>8</sup>. Also cited in the *discussion paper* is data from the Specialist Homelessness Services which shows that the majority of people who access specialist homelessness services have come from private market tenancies, and return to the private market after receiving assistance<sup>9</sup>.

### Concept

We commend the Queensland Government on its range of initiatives to assist households to enter the private rental market, including RentConnect, bond loans and rental grants. We see potential for the development of a pilot program to operate alongside these existing initiatives that supports these householders to sustain their private market tenancies. A program such as Rent Assist would support households to remain in market housing and maintain their position on the housing continuum.

Good Shepherd Microfinance submitted a project proposal outlining this concept and delivery approach to the Queensland Government Department of Housing and Public Works in 2015.

Individuals and families on very low incomes are often under extreme stress and are particularly vulnerable to external pressures such as unexpected expenses (on top of rental payments). One unexpected expense could be enough to jeopardise the ability of a low income household to meet rental payments.

Good Shepherd Microfinance's existing NILS provides individuals and families on a low income access to loans of up to \$1,200 for essential goods and services. NILS products cannot currently be used for the payment of rent, however there is the potential to develop a loan product that is focused on meeting the needs of people in the private rental market who are at risk of losing their private tenancy, and regressing along the housing continuum into social housing or homelessness. Further research and consultation would be needed to determine the types of expenses that the loan could be utilised for e.g. rent payments, other goods and services.

### Approach and benefits

The program could be targeted at low to moderate income households currently engaged with the Queensland Government's RentConnect program, providing fair and affordable alternatives to payday loans or rent-to-buy schemes, which enable them to maintain their private market tenancies, avoid further financial hardship and develop their financial capacity through responsible lending.

In addition to improving social and economic outcomes for at-risk households, the provision of such a loan would contribute to making sure that the benefits of the Queensland Government's initiatives to assist people to enter the private rental market can be sustained, as well as reducing demand for social housing.

Good Shepherd Microfinance is well-positioned to lead the development of this program. The barriers to finance by people on low incomes are very similar to the barriers to suitable housing. Barriers to obtaining finance and private rental include:

- Access to affordable products
- Low and/or variable income

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<sup>7</sup> AHURI Bulletin, (2015) How has the private rental sector changed in recent decades, particularly for long-term private renters?, Issue 185. Melbourne: Australian Housing and Urban Research Institute. Available from: <http://www.ahuri.edu.au/publications/projects/p50683>

<sup>8</sup> Hulse, K., Reynolds, M., Stone, W., & Yates, J. (2015). Supply sector: short and longer term trends, AHURI Final Report No.241. Melbourne: Australian Housing and Urban Research Institute. Available from: [http://www.ahuri.edu.au/publications/download.asp?ContentID=ahuri\\_51018\\_fr&redirect=true](http://www.ahuri.edu.au/publications/download.asp?ContentID=ahuri_51018_fr&redirect=true)

<sup>9</sup> Specialist homelessness services 2014-15 supplementary tables Queensland, Canberra: Australian Institute of Health and Welfare. 2015. Available from: <http://www.aihw.gov.au/homelessness/specialist-homelessness-services-2014-15/supplementary-tables/>

- Poor credit history
- Lack of experience and confidence.

Good Shepherd Microfinance has developed the refined skills and expertise and an extensive network to efficiently and prudently facilitate accessible, affordable and appropriate finance and support for people on low incomes.

Client-focused, community-led and trusted financial programs, such as Good Shepherd Microfinance, enable people on low incomes to build financial capability required at all stages across the housing continuum: from Supportive/Social Housing (emergency shelters, transitional housing; public and community housing) to Non-Market Housing (affordable rental; affordable home ownership) to Market Housing (market rental; market home ownership).

The product could be made available to all eligible applicants across Queensland through the Queensland NLS network, which consists of over 55 partner organisations and 136 sites. There is also the potential to deliver the product through the new Good Money stores which will be operational in Cairns and the Gold Coast in 2017. One possibility could involve placing housing officers in the Good Money stores to work alongside microfinance workers to assist clients with integrated housing and finance needs.

This program would involve all three sectors of the community delivering better housing outcomes. The loan product would operate via a robust referral network linking the capacity and industry knowledge of the Department of Housing and Public Work's (HPW) RentConnect staff and Good Shepherd Microfinance's provider network.

## **ENABLING HOME OWNERSHIP: GOOD HOMES**

Microfinance loans used to build assets have a high social and economic return, however, only eight per cent of microfinance clients own their own home, with the majority renting either private or public housing. With over 50 per cent of microfinance clients being in their housing for over two years, there is opportunity for the Queensland Government to support initiatives that encourage home ownership for people on low incomes in Australia.

### **Background and objectives**

For those living in social housing, the prospect of owning their own home is out of reach - perpetual rent payments hinder their ability to save sufficient funds for a house deposit. A proportion of public housing tenants reliably pay rent, hold stable jobs and are committed to improving their financial independence and capabilities.

For low income households, securing a deposit and financial credit are major barriers to home ownership. Some demographics are particularly disadvantaged in their ability to enter the property market:

- Families and individuals in public housing
- Women with children, particularly those affected by domestic abuse
- Aboriginal people.

Low income cohorts who currently reside in social housing are less likely to transition out of this accommodation and consequently place a greater strain on Government resources than if they had more options available to them. This situation also prevents the Government from freeing up this social housing for other individuals and families in need of accommodation.

This initiative's main objective is to enable some of the stronger cohorts in public housing to transition along the housing continuum from public and community housing to affordable home ownership. This will enable liquefaction of public housing and Government assets and free up resources. This program will:

- Address the deficit of public housing
- Help public housing tenants build equity, reducing the likelihood of regression into financial difficulty
- Free up Governments' capacity to accommodate other financially disadvantaged people in public housing
- Reduce the strain on government resources dedicated to combating homelessness and

helping people in difficult financial circumstances.

Analysis undertaken by Daymark for Good Shepherd Microfinance in 2016 found that the typical client for such a loan is going to be a lone household or single parent household with one dependent earning between \$42,000 to \$52,000. In Queensland, the need and suitable clients for a home ownership program are located in Brisbane, Moreton Bay, Gold Coast, Cairns and Toowoomba.

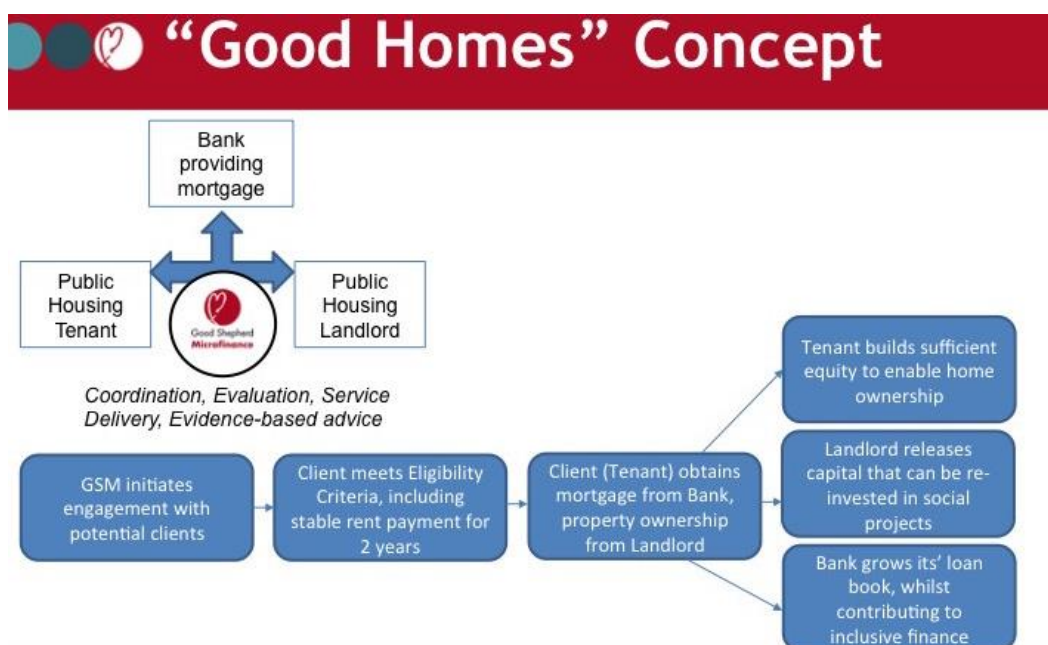
**Australian example: KeyStart & SharedStart Home loans with Rental Sales Scheme (WA):**

- Keystart was established in 1989 to provide low-deposit home loans to people in Western Australia unable to meet the deposit requirements from mainstream lenders. More than 85,000 people on low incomes in West Australia have accessed home ownership via KeyStart.
- SharedStart: Enables people on low incomes in West Australia to purchase newly-built homes and off-the-plan properties offered by the Housing Authority across metropolitan and regional areas.
- The Rental Sales Scheme is open to eligible Housing Authority tenants who are interested in purchasing their rental property.

**Concept**

The concept involves a social partnership between a bank, the public housing landlord (i.e. State Government) and a public housing tenant. The concept has yet to be fully developed, but it would involve the following basic approach:

- 1) The three parties sign up for the program.
- 2) After a suitable period of stable rent payments (eg. 2 years), a transaction takes place to:
  - a) Transfer property ownership from landlord to tenant based on property value as at the beginning of the period
  - b) Allow the tenant to take out a mortgage from the bank, secured against the property
  - c) Pay out the landlord using proceeds from the mortgage.
- 3) There would be some eligibility criteria for example: no breach of rental agreement during the period, property valuation showing positive equity (home value greater than loan amount) at the time of transaction, and satisfactory tenant income situation to service the loan.





### **The program will deliver clear benefits:**

- THE TENANT builds sufficient equity to enable home ownership. Economic wellbeing stemming from building home equity contributes to social wellbeing and leads to greater inclusiveness, dignity, empowerment and confidence about the future
- THE LANDLORD releases capital that can be re-invested in other projects. By helping a tenant transition out of public housing, this program will help public housing landlords deliver on their social and community benefit objectives
- THE BANK grows its loan book, whilst contributing to its corporate social responsibility.

Borrowing funds to purchase a home is regarded as the most significant financial commitment most people make in their lifetime. Most people who borrow to buy a house progressively obtain a sense of economic wellbeing as loan repayments are met, principal outstanding is reduced and assets (home equity) are built. Research shows that this feeling of economic wellbeing contributes strongly to social wellbeing and leads to greater inclusiveness, dignity, empowerment and confidence about the future.

### **Wider social and community benefits will also flow from increased home ownership:**

- Improvements in health, child education, poverty, crime, social inclusion
- Greater propensity for local action
- Increased geographical stability
- Participation in local community organisations and initiatives
- Children staying at school for longer.

The modelling undertaken by Daymark demonstrates that there are 80,000 households in Queensland that could benefit from Good Homes. Potential households are defined as earning between \$22,000 and \$52,000, currently renting and who can afford to pay less than 30% of their disposable income on a mortgage. The availability of housing stock under \$300,000 is a key reason why there are so many households in Queensland that could benefit.

The concept is still in its early stages and further funding is required to develop it further and engage with key stakeholders to pilot a program.

There are a number of dimensions to detail further, including:

- When the transaction takes place
- Where home equity will come from (e.g. property value increase, part of rental payments)
- The type and duration of mortgage to be taken out. Where rental payments are lower than standard mortgage repayments (principal and interest over 25 years), alternative options may be suitable (e.g. longer duration, interest-only format, shared equity or index loans)
- Exact eligibility criteria.

One option would be to back-date the mortgage, allowing rent payments to be counted as payments on a loan (interest and principal) that is assumed to have commenced at the beginning of the period. Another is to construct a financial transaction (but no transfer of title) at the beginning of the period, which will close out at the end of the period, after which the former tenant will continue to repay the mortgage on normal terms.

### **8. How can we improve housing affordability through sustainable housing practices such as energy efficient designs and other initiatives?**

No response provided.

### **9. What are the benefits of creating an affordable rental sector, and what needs to happen for that to be successful?**

No response provided.

**10. How should the department work with its partners to extend the supply of social housing? For example, renewal of the existing social housing portfolio and financing and developing new supply.**

No response provided.

**11. What is the role of community housing providers in delivering people-centred services, responding to local needs, and growing supply through potential housing transfers in the future?**

No response provided.

**12. What is the role of local governments in housing affordability and how can the State better support this? For example, if we provided incentives, or implemented 'inclusionary zoning' for affordable housing at a local government level, where (or how) would you see this working and what would it deliver?**

No response provided.

### **THEME 3 RESPONSIVE HOUSING SYSTEM**

**13. What should be the roles and relationship of government and the non-government sector in the delivery of homelessness and housing assistance in the future?**

No response provided.

**14. How do we better develop and integrate the housing and homelessness service systems so they operate as one housing assistance system centred on people's needs and what is required to make this happen**

No response provided.

**15. How do we best support collaborative regional and local place-based initiatives? For example, how do we make best use of our collective limited resources to achieve outcomes for people?**

No response provided.

**16. How can government support innovation in the development of mechanisms that will increase the finance and investment available for homelessness and housing assistance?**

No response provided.