

21 May 2024

Help to Buy Unit
Treasury
Langton Cres
Parkes ACT 2600

Dear Colleagues

Help to Buy program directions exposure draft

National Seniors Australia welcomes the opportunity to make a submission on the draft Help to Buy program directions. As the peak consumer body representing older Australians, NSA seeks to improve the wellbeing of all older Australians.

NSA is broadly supportive of the policy, but believes it is important that older Australians can access the arrangements.

As such, we are calling for the Help to Buy directions to:

- reserve a portion of the annual cap for people nearing retirement age, and
- lower the income thresholds to restrict access to those who the scheme would help most.

We are also calling on government to consider a modified rent assistance payment for people accepted into the scheme and investigate barriers facing older people accessing loans to ensure older people have access to loans if suitable.

The impact of housing on retirement outcomes

As the Hon Julie Collins, Minister for Housing, Minister for Homelessness and Minister for Small Business, told the House of Representatives, the Help to Buy scheme is intended to help those “close to retirement”, among others¹.

While homeownership rates in Australia have traditionally been high, more and more people are reaching later life as renters. According to the Australian Bureau of Statistics, 9.1% of people aged 65-74 were private renters in 2013-14, compared to 9.5% in 2019-20².

If the number of people renting in later life continues to increase as projected, this could have a negative impact on retirement incomes and on the sustainability of the retirement income system.

¹ Parliament of Australia 2024. [ParInfo - BILLS : Help to Buy Bill 2023 : Second Reading \(aph.gov.au\)](https://aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Urban_Affairs/Help_to_Buy_Bill_2023/Second_Reading)

² ABS 2014 and 2020 *Housing Occupancy and Costs* [2013-14](#) and [2019-20](#)

Implications of renting in retirement

Renting in retirement can have a profound impact on standard of living.

The Retirement Income Review³ found that over 60% of single renter retirees are in poverty and over 20% of couple renters are in poverty. This is likely due to this group having the lowest wealth, but also requiring higher replacement rates to maintain living standards, estimated at 90-100% of pre-retirement income, the Review found.

The increase in rents and broader cost-of-living pressures since then would only be making the situation worse for retirees who rent. Our own research has found that, for people aged 50 and over, 39% of renters had experienced a severe cost of living impact, compared to 28% of people with a mortgage, and only 11% of homeowners⁴.

Rapidly increasing rents place financial pressure on renters, with worsening affordability reducing the housing options available. The 2024 Anglicare Rental Affordability Snapshot found that rental listings affordable to a single person on the Age Pension had dropped from 0.4% to 0.2% in one year⁵. Of these remaining 89 listings, 58 were a room in a share house. For couples on the Age Pension, only 1.0% of listings were affordable.

The precarious nature of finding and keeping a rental home given these circumstances has a severe impact on the sense of financial security in retirement. Even when controlling for the level of savings, people who rented were nine times more likely to be concerned about housing affordability over the short term and 5.6 times more likely to be concerned over the long term⁶.

In severe cases, limited affordable and accessible options leads to homelessness and marginal housing options.

Interaction of gender, housing, retirement income, and poverty

There are distributional issues with the impact of non-homeownership in retirement.

In 2020, Australia ranked 6th worst amongst OECD countries for poverty among people age over 65, based on having income less than 50% of the median equivalised household disposable income. Australia was the fourth worst country for the size of the gap between poverty among over-65 and the total population. Poverty was also higher for women over 65 (26.6%) compared to men over 65 (18.2%).⁷

³ Treasury 2018. [Retirement Income Review Final Report \(treasury.gov.au\)](https://www.treasury.gov.au/retirement-income-review)

⁴ National Seniors Australia 2023. [Older people & cost of living](#)

⁵ Anglicare Australia 2024. [2024: Rental Affordability Snapshot - Anglicare Australia](#)

⁶ National Seniors Australia 2023. [2023-NSA-Housing-report.pdf \(nationalseniors.com.au\)](#)

⁷ OECD 2021. [Old-age income poverty | Pensions at a Glance 2021 : OECD and G20 Indicators | OECD iLibrary](#)

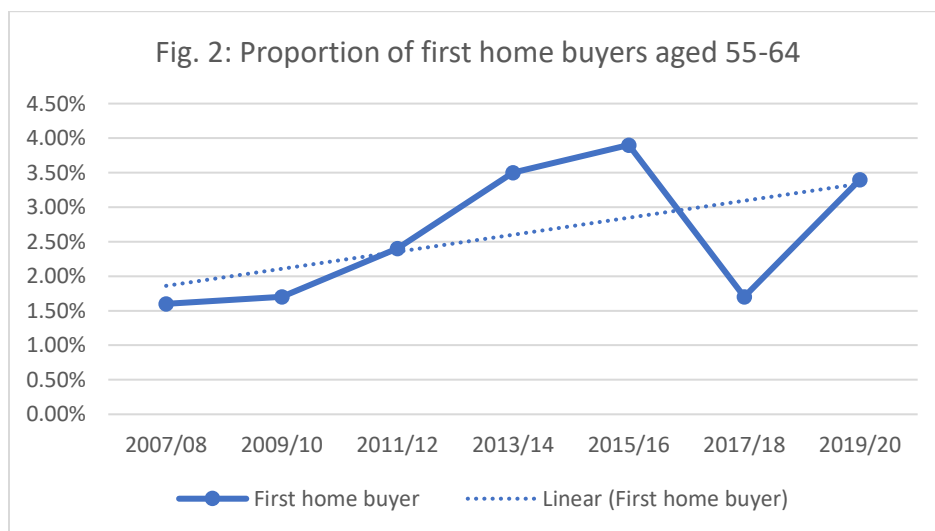
As the Senate report into economic security for women in retirement noted, “People who retire without owning a home, particularly single women, are at greater risk of living in poverty and experiencing housing stress.”

A gender gap in savings, along with longer life expectancies, are likely contributors to the higher levels of worry about outliving retirement savings among women found by our research, with risk of worrying being 47% higher among women.⁸ This finding highlights the importance of closing the retirement savings gender gap.

Ability of senior Australians to access credit

While NSA is supportive of the increased consumer protections which followed from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, we are concerned this has had a negative impact on seniors accessing financial products, such as loans.

There is limited data about borrowing by age group. However, the data from the ABS shows that the proportion of first home buyers who are aged 55-64 has been increasing over time.



Source: [Housing Occupancy and Costs | Australian Bureau of Statistics \(abs.gov.au\)](https://www.abs.gov.au/Housing-Occupancy-and-Costs)

While the data doesn't allow for sophisticated analysis, there was clearly a dip in the proportion of first home buyers aged 55-64 in 2017/18, about the time that banking reforms were enacted. While the proportion has recovered somewhat in 2019-20, there is a question about whether the trend towards greater proportions of older first home buyers has been impacted by tighter lending rules, which make it more difficult for older people to access loans.

⁸ National Seniors Australia 2020. [Retirement income worry: Who worries and why?](#)

Implications for the Help to Buy directions

There is an inherent contradiction in the scheme. It appears to be aimed at people who can access a loan to finance their purchase, yet older people will struggle to access a loan under current responsible lending rules.

Under the proposed directions, older people with access to some capital (e.g. from superannuation, a divorce settlement, inheritance or other means) could theoretically be eligible for the scheme. Unlike existing state-based shared equity schemes (e.g. Myhome in Tasmania⁹), financial asset limits are not used to restrict eligibility.

This is a good innovation, which we welcome. It means an older person with some savings, but not enough to complete a purchase could be able to make use of the scheme to buy a home with help from the government. It should be noted that in using their savings to invest in housing, they would see their overall income diminish, putting them in the unenviable position of trading off financial security for housing security. Regardless, they would likely be in a better position by exiting the rental market as they would not have ongoing rental costs and would have greater security of tenure.

If that same person wanted to access a loan and keep their savings in superannuation, they would unlikely be able to do this because they would struggle to find a banking institution willing to offer them a loan.

Other, equally deserving older people, who do not possess adequate capital would not be eligible because they would not be likely to access a loan despite having a guaranteed income from the Age Pension.

Though there is no explicit age restriction in the draft directions, there may be an effective one due to the operation of the 'mortgage requirements'. If lenders are unlikely to lend to older people, at least without an additional contribution, and Housing Australia cannot approve the scheme if the applicant is unlikely to obtain a mortgage, this effectively adds an age restriction to the measure.

While the intent is to assist a wide range of people, including those approaching retirement, this may not be broadly understood. This could impact the measure through a lack of knowledge on the part of bank staff and potential applicants. To meet the goals of the scheme it is therefore important for there be confidence within the banking system in making loans to seniors.

Ensuring equitable access to the scheme

The limit of the Help to Buy scheme to 10,000 arrangements per year could have a negative impact on the access by seniors Australians.

Older Australians may not see themselves as eligible for this scheme or may be less likely to know about the scheme given the current framing towards younger first home buyers.

⁹ Homes Tasmania 2024. <https://www.homestasmania.com.au/Buying-a-Home/eligibility>

Unless there are arrangements to allocate scheme placements to specific cohorts, older people may be less likely to be access the scheme.

If Housing Australia is more easily able to approve applications by younger people, due to being able to access a mortgage, this could limit the number of older people.

Considering these factors, NSA recommends reserving of a portion of the annual cap for people nearing retirement age. Additionally, there should be an awareness campaign to increase knowledge of the scheme to older applicants.

Further to this point, given the single and joint income thresholds are set in the directions, NSA recommends lowering these thresholds to restrict access to those who the scheme would most help. This would likely become more so of an issue going forward, given the starting threshold is much close to the average wage than the median wage, and is to be further indexed by the Wage Price Index.¹⁰

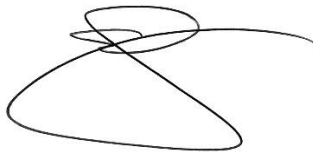
There is also a valid question about the role of rent assistance in the Help to Buy scheme.

While rent assistance is understandably a support for renters, given the nature of the Help to Buy scheme we believe an older renter with limited capital facing difficulties securing a loan should continue to receive a similar payment under the Help to Buy scheme.

This would improve the chances of an older individual securing a loan and being able to make repayments, as it would increase their overall income.

Furthermore, we encourage the government and appropriate regulatory body, to undertake an investigation into senior Australian's access to lending products, including mortgages and credit cards, with a focus on identifying changes to responsible lending laws that inhibit financial institutions from lending to older people, especially those who may access shared equity scheme such as Help to Buy.

Yours sincerely



Chris Grice

CEO

¹⁰ ABS 2023. [Average Weekly Earnings, Australia, November 2023](#), ABS 2023. [Employee earnings, August 2023](#)