

David Johnston

WA

### Submission to Inquiry on First Home Ownership

Having read the discussion draft I appreciate the magnitude and scope of this inquiry. As a home-owner, a recipient of the New Home Owner Grant in 1995, possessing a Keystart Loan, I aim to present a viewpoint from an end-user.

Since building my home, my health has rapidly declined and I find it most difficult to procure paid employment. Initially lack of employment led to considerable financial difficulties; meeting my mortgage repayments became almost beyond my reach. The manager of my Keystart Lending Institution requested my wife and I (joint borrowers) pay him a visit at his office to review our mortgage. After extensive enquiries to determine our precise financial position; he advised us to cut our losses, by selling our home.

This suggestion appalled both of us as our hearts were set on owing our own home above all else. As this was our instant and joint response, the manager told us that he would reduce the interest rate on our loan for a period of three months stipulating should we fail to meet a repayment by the due date during this period he would immediately foreclose our loan. These repayments became our top priority – our determination was such that frequently we abstained from eating; going without any food for days to save those extra few pennies. I was in receipt of Newstart Allowance and my wife was receiving partner allowance. With repayments roughly \$800.00 per month before the interest rate reduction and in the region of \$625.00 per month; this left precious little from our combined welfare payments after paying for utilities and rates. Other welfare recipients qualify for Rent Allowance; yet home owners repaying a loan do not receive any assistance.

Expanding on this point, if my wife and I sold our home; we would be left no other option than to rent. As tenants we would qualify for Rent Allowance; thereby making the rental option quite attractive. As this option is infinitely more costly to the state, I ask the inquiry team to carefully examine the feasibility of provision of assistance to home owners experiencing major financial difficulties. The alternative pressurising cash strapped home owners into the rental sector appears to be nonsensical. Home ownership involves

home upkeep; these maintenance costs can be very steep to people on low income. Incidentally these costs are not incurred by tenants.

Appreciating the need to protect one's home, in most cases their most valuable asset; I can fully understand the lender's requirement for the owner to always have current home insurance for the period of the loan. Even from a home owner's viewpoint this affords personal security, peace of mind, and protection from future unseen events; all of which make a great deal of sense. Nevertheless I fail to comprehend the rationale for the lender taking out such insurance on the owner's behalf on a home which is already insured, a home which has been constantly insured from the beginning of the loan; without first making some contact with the home owner. Such an incident has happened to me; further exasperating my financial situation. Complications such as this one can easily make home ownership beyond the reach of low income families. I have been advised that this situation has been rectified and I will not suffer any financial loss. One telephone call would have eliminated a great deal of stress and a lot of work.

Home ownership has many advantages especially the provision of a very valuable asset; an asset that grows in value over the years. Tenants derive no benefit from house price increases; the rent continues to increase in line with these house price increases. On the other hand, home owners experience their mortgage repayments remain relatively static, except for interest rate increases. Overall I believe the New Home Owners Grant is terrific; I have no doubts in the absence of this housing grant—home ownership would be out of my reach. By presenting this submission it is my earnest desire to inform from an end-user viewpoint; not to criticise, I hope to add constructively and thereby enhance a great scheme.

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