

AUSTRALIA

Suh Mian Ng Help to Buy Housing Finance Branch, Housing Division Department of Treasury Canberra ACT 2600 By email: <u>housing@treasury.gov.au</u>

## Re: Response to Help to Buy Program Directions 2024

Dear Suh,

Master Builders Australia (Master Builders) welcomes the opportunity to respond to the 2024 Help to Buy Program Directions and we thank you and your colleagues for taking the time to meet with us earlier this month. As emphasised during our meeting, we firmly support to government's Help to Buy initiative and believe that it has a crucial role to play in delivering more of the new homes needed in Australia.

Having reviewed the Exposure Draft, we wish to propose some variations to allow the scheme to operate more effectively. There are also several areas where we would welcome more clarity. All of this relates to parts of Division 5, which cover contract, mortgage and timeframe requirements. Our focus in this area is seeking to address challenges experienced during the pandemic, where lack of flexibility in mortgage finance and fixed price housing contracts contributed to sector solvency challenges.

We acknowledge that Section 24(2) in Division 5 provides capacity for Housing Australia to adjust timeframes in response to circumstances of the case. In regard to section 22, requirements for mortgages and contacts, Master Builders proposes including contingency for qualified variations so all parties have the ability to deal more effectively with unforeseen circumstances. These are detailed in full over the pages that follow.

Should you have availability to discuss our position further that would be most appreciated.

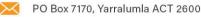
Regards

Alex Waldren National Director – Industry Policy Master Builders Australia 24 May 2024



Level 1, Building 4, Equinox Business Park 70 Kent Street, Deakin ACT 2600







## Feedback from Master Builders Australia relating to section of Division 5

Section of legislation	Current Text	Changes proposed	Comments from Master
		by Master Builders	Builders Australia
		Australia	
22: Requirements	(iii) the mortgage is a	(iii) the mortgage is a	There needs to be a
relating to mortgages	variable or fixed rate	variable or fixed rate	mechanism that requires
[(1)(b)(iii)]	loan, or a	loan, or a	mortgagees to
	combination of both	combination of both	incorporate a
	(and not a line of	(and not a line of	contingency (say 10%)
	credit);	credit), which	within the approved
		includes an	mortgage value to allow
		additional 10%	for qualified variations
		contingency under	under the new home
		the mortgage for	contract (incl. those
		qualified variations;	initiated and unforeseen
23: New home	(a) the contract is a	(a)the contract is a	by the contractor). We believe that a
contract	fixed-price contract	fixed-price contract,	reference to mortgage
requirements (a)	under which the	that also provides for	contingencies for qualified
	purchase price does	relevant	variations would be
	not exceed the price	contingencies for	prudent.
	cap for the area in	unforeseen and	We also welcome any
	which the property is	qualified variations,	clarification around how
	located;	under which the	the price caps are
		purchase price does	established and assessed.
		not exceed the price	
		cap for the area in	
		which the property is	
		located;	
23: New home	(d) the contract is		We believe that this
contract	entered into on an		requirement is ambiguous
requirements(d)	arm's-length basis;		from a legal perspective
			and would give rise to
			disputes. Accordingly, it
			should either be clarified
			or removed

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Section of legislation	Current Text	Changes proposed by Master Builders Australia	Comments from Master Builders Australia
24: Timeframe requirements (1)(a)(i)	(i) the construction of the dwelling must commence before the parties enter into the contract of sale		This requirement will be problematic as developments often require a threshold of sales (i.e. exchange of contracts) before they are able to commence the works. Could you clarify how this would apply in practice would be helpful.
24: Timeframe requirements (1)(a)(ii)	(ii) the settlement date must be no later than 90 days after the application to enter into the arrangement is approved;		Can you tell us how 'settlement date' is defined? This requirement appears ambiguous. Under most construction contracts, settlement ordinarily refers to the stage achieved once the date for practical completion has been reached, the works are completed and the parties are released of any ongoing obligations
24: Timeframe requirements (1)(b)(i)	(i) the construction of the dwelling must commence within 12 months of the day on which the applicant becomes the registered owner of the property to which the arrangement relates (the transfer date);		Would it be possible to get further clarity on what 'registered owner' means? If the home is being constructed under a mortgage, it is not clear that the title is vested in the mortgagor until the project has reached practical completion. This is something the government will need to get further advice on to ensure the drafting is right

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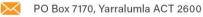
Section of legislation	Current Text	Changes proposed by Master Builders Australia	Comments from Master Builders Australia
24: Timeframe requirements (1)(b)(i)	(ii) the construction must be completed within 24 months of the transfer date.		We are uncomfortable with any restrictions around commencement/completion dates. This is because they became the source of major pressure during the pandemic given that they can blow out beyond the control of the parties to the building contract.
			We also acknowledge that 24(2) provides capacity for Housing Australia to adjust timeframes in responses to circumstances of the case.



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