

HomeStart research update

December 2011

HomeStart recently commissioned a ground breaking study to analyse the economic impact of the Breakthrough Loan on the individual, and the state.

The research, titled **Breakthrough Loan Social and Economic Impact Study**, was carried out in three stages by Professor Ralf Zurbruegg and George Mihaylov of The University of Adelaide's International Centre for Financial Services.

Professor Zurbruegg explains the research is a world first look at the benefits of shared equity style mortgages (such as the Breakthrough Loan) using empirical methodology.

The results indicate that the Breakthrough Loan has had an overwhelmingly positive impact on customers' lives, as well as the state's economy.

Key findings

91% of participants report some degree of increased feeling of financial security

35-44% of Breakthrough loan customers were able to purchase a larger home or in a better suburb

Breakthrough customers spend \$2158 p.a. more on household renovations than other home owners

Over 3 years (2007-2010) the Breakthrough Loan program has generated close to \$94 million in income for the state, and 830 jobs (person years of employment)

First home buyers make up 71% of the Breakthrough Loan portfolio

Methodology

The study was conducted in three stages via quantitative and qualitative methods.

Stage 1

Analysis of existing Breakthrough Loan customer portfolio

Stage 2

Draft survey trialled by 13 Breakthrough customers

Survey distributed to our Breakthrough Loan population (1090 customers), responses analysed

Stage 3

Comparison of Breakthrough survey responses to responses from the Household, Income, Labour Dynamics Australia (HILDA) survey, to identify social and/or economic differences in behaviour and spending patterns between the two survey groups.

Determine the value of these impacts to the South Australian economy and community.

Findings

Key areas of difference in spending and behaviour include:

- Breakthrough customers spend more on household renovations than home owners with similar demographics from the general population.
- Breakthrough Loan financing, and moving into home ownership, increases the tendency of customers formally renting to spend more on recreational trips and holidays
 - on average former renters spend \$1129.47 per year more on holidays and recreational trips than current renters from the general population
 - this impact in expenditure is around \$790,000 annually for the current Breakthrough population.
- Sources of income generation include:
 - direct spending on home improvements
 - increased demand for housing

- creation of construction jobs as a result of increase in housing demand
- travel time savings, which subsequently increase potential expenditure on other consumption items.

The Breakthrough Loan contributes to important social impacts relating to home ownership, including:

- lower crime rates
- increased feelings of financial security
- increased educational achievement
- greater sense of being part of a community.

Other benefits expressed by customers include:

- Easier workplace access
- Employment opportunities
- Children access to better school
- Easier school access
- Easier access to public transport
- Easier access to amenities.

How the Breakthrough Loan works

The award winning Breakthrough Loan can boost customers' borrowing power by up to 35%, without increasing repayments, under a shared appreciation arrangement with HomeStart.

A Breakthrough Loan is taken out with a HomeStart Loan. The HomeStart Loan attracts interest and requires loan repayments. The Breakthrough Loan doesn't. Instead, when the home is eventually sold, HomeStart receives a share of the property's change in value over time.

HomeStart's share will depend on the percentage of Breakthrough Loan when compared with the original property value, multiplied by an appreciation factor of 1.4.

While there is no (or negative) appreciation, the Appreciation Factor is 1.0 times. E.g. at 35% Appreciation share HomeStart is responsible for 35% of the depreciation.

Find the full report

To find out more, call HomeStart's research team on 8203 4723. Full versions of the report can be provided on request.



Call 1300 636 878.
Visit homestart.com.au.

Terms, conditions and eligibility criteria apply. Fees and charges are payable. Information correct as at December 2011 and may change without notice. HSF1211
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