

NHFIC Review Report

The independent Statutory Review of the National Housing Finance and Investment Corporation (NHFIC) Act 2018 Report was [tabled](#) on Thursday 28 October in Federal Parliament. Chris Leptos, AM who conducted the review explained in his forward that it *'sought to achieve two simple outcomes'* acknowledging success and identifying areas for improvement. It makes 25 recommendations for improvement.

On the positive side, the report acknowledges the Affordable Housing Bond Aggregator's (AHBA) considerable success in transforming the community housing industry's access to low cost and long term debt finance. The Review also accepts that the government guarantee should remain in place until there is evidence that a 'self-sustaining market' for social and affordable housing investments has been established. It also proposes sensible ways in which the liability cap should be periodically reassessed, and implicitly recommends that NHFIC's security requirements should be adjusted to allow CHOs to access alternative finance.

Social and affordable housing

The report raises fundamental issues, notably the enormous shortfall in social and affordable housing and the scale of investment (estimated at \$290B over 20 years) to address this. It acknowledges *'the revenues generated by social and affordable housing are insufficient to fund the cost of provision'* and that the *'funding gap needs to be filled by some form, or some combination of, subsidy(ies)'*. It does not buy into the narrative that responsibility for action lies with States and Territory governments and calls for collaboration between them *'meeting the scale of this challenge will require concerted effort across all levels of government'*. This echoes one of the key points in Infrastructure Australia's 2021 [Infrastructure Plan](#)'s ie *'Australia's governments must address the growing shortfall of social housing. Government agencies should work with the sector to harness new investment options and provide high-quality social and affordable rental housing'*. in the right configurations and locations.

The report cautions that its own recommendations to increase participation by the private sector in financing social and affordable housing won't come about from NHFIC's efforts alone noting that, *'In order for NHFIC to be able to successfully crowd in private finance, NHFIC's operations must be supported by other forms of government subsidy, whether at the Commonwealth, State or Territory or local government level.'*

The Affordable Housing Bond Aggregator

The review acknowledges the AHBA's 'considerable early success', but suggests more should be done to encourage private sector involvement to avoid NHFIC becoming the *'lender of only resort'*. The report recommends that NHFIC be given an explicit mandate to 'crowd in' other financiers. It also suggests that acceptance of this recommendation should (1) lead the board to 'consider the impact of NHFIC's security requirements on the ability of borrowers to access finance from other lenders' and (2) NHFIC *'stepping back in some instances from providing construction finance where a commercial lender was willing to finance the construction phase'*.

The report acknowledges the importance of the government guarantee and while ultimately it wants to see a self-sustaining market for social housing bonds it recommends the government extends the guarantee beyond 1 July 2023. Further, it proposes a sensible mechanism for adjusting the liability

cap to avoid the uncertainty caused by the current ad hoc 'process'. It suggests a regular schedule of review that examines the sector's needs for finance.

The report also considers what else NHFIC can do to encourage investor interest in social and affordable housing. Improving the range and availability of information about community housing is we agree important and consistent with the work that CHIA is doing (with NHFIC) on national data and a ESG reporting framework.

The report recognises that *'a uniform national regulatory system is necessary for attracting private investors at scale to the sector, and thus growing the social and affordable housing market in Australia'*. While the comments on regulation weren't included in the recommendations, they should encourage more action from States and Territories to respond to the separate review of National Regulation.

The report also recommends lending to non registered not for profits. It isn't clear why this might be necessary or desirable and seems to be inconsistent with the need for more and better data and strong regulation.

National Housing Infrastructure Fund (NHIF)

The NHIF comes in for some criticism, although also recognition that *'in contrast to the AHBA, the implementation of which benefited from an extended policy development period, the NHIF had a much shorter policy lead in time. Also, where the design of the AHBA was informed by established models overseas, the NHIF is a relatively novel policy concept'*.

It makes some minor administrative / communications suggestions and holds out the possibility of more far reaching reform if these suggestions do not have an impact. Two possible future reforms the review sets out are broadening the definition of critical infrastructure to include, for instance, new social and affordable housing and increasing the proportion of the NHIF that can be contributed through grants or project equity.

Research and Data

The Review suggests *'narrowing and deepening'* NHFIC's research mandate to focus on *'its core purpose of increasing private investment in social and affordable housing'* while also continuing its broader role in producing housing supply and demand data.

It makes two specific proposals *'(i) research that is aimed at stimulating private finance in social and affordable housing; and, (ii) improving the quality and availability of data on the social and affordable housing sector.'*

While sorting out the research remit of NHFIC vis a vis other government agencies is a rational proposal, it would be disappointing if NHFIC lost the ability to examine broader affordability pressures. It would have been good to see the review considering the option to create an improved version of the Housing Supply Council within NHFIC.

First Home Loan Guarantee Scheme

On the First Home Loan Guarantee Scheme (FHLDS), the review acknowledges there has been strong demand from eligible households. It also sounds a note of caution about whether it might contribute to higher prices and recommends that *'additional data be collected to evaluate the effectiveness of the FHLDS'* and that if the scheme is expanded that it *'could be more precisely targeted to those that most need the assistance'* .

The government is expected to respond to the report at the release of the Mid-Year Economic and Financial Outlook in early December 2021.