

information sheet

A REPORT ON HOME LOAN SCHEMES How are they performing for borrowers?

In 1998 the Home Finance Advisory Committee (HFAC) identified a lack of documented information about issues and concerns of people accessing Homeswest home purchase and finance schemes such as Keystart and GoodStart. A preliminary survey was undertaken and reported on in December 1998. However, it was recommended that further qualitative and quantitative data be collected in order to conduct a more sophisticated critique of the home purchase and finance schemes. The committee subsequently commissioned a further piece of research which has resulted in the report *Home Finance Advisory Committee Research Report: Report to the Home Finance Advisory Committee and Keystart*.

The Project methodology included

- Statistical data collection and analysis
- Telephone interviews with Financial Counsellors
- Focus Groups with stakeholders
- Report on findings and recommendations.

Quantitative Data Analysis of Homeswest Home Finance Schemes

The Report provides a summary of data for a range of home loan schemes. In the last decade Keystart has financed 31,976 home loans with 5,979 loans being approved in the last financial year. Approvals under other programs for the last financial year were, 294 GoodStart loans, 52 under the Aboriginal Home Ownership Scheme and 73 under the Access Home Loan Scheme.

Qualitative Data Analysis – Interviews with Financial Counsellors

Telephone interviews were conducted with financial counsellors who work in areas with the highest number of Keystart borrowers.

While the majority of respondents felt the Keystart scheme generally performs well for their clients there were a number of comments about: clients not being fully aware of their financial obligations; aggressive marketing; and clients not having savings to draw on in times of need.

The most common circumstances that lead to clients experiencing difficulty with their loan are unemployment and relationship breakdown. In most cases, clients were experiencing problems with a number of debts and the Keystart loan was one factor in a range of complex issues.

The inability of Keystart clients to make provision for land and water rates was raised by a number of respondents.

While most applications for Safety Net Assistance work well, the following issues were raised: lack of consistency amongst retailers; assistance being offered too late; the process taking too long; and financial counsellors not being informed of the outcome.

The majority of respondents described their relationship with Keystart as being good. In relation to retailers, responses varied and seemed to be related to individual staff members of the retailers.

Recommendations

The following recommendations were the outcome of a focus group discussion on the draft report with stakeholders including Keystart, Shelter, retailers, community organisations and financial counsellors.

1. Further investigation be conducted into the reasons why financial counsellors in country areas seem to be seeing a higher proportion of borrowers with Keystart loans.
2. Give consideration to Keystart and retailers providing more support and information about Keystart home finance schemes to financial counsellors in country areas.
3. Consideration be given to raising financial counsellors' awareness of the Safety Net scheme and the differences between the Consumer Credit Code and Safety Net.
4. Financial counsellors be informed of any changes to the Safety Net scheme.
5. Financial counsellors be informed of the benefits to clients of using Safety Net rather than the Consumer Credit Code.
6. Recommend that Keystart and retailers take safety net negotiations to the end of all possibilities for the benefit of clients.
7. That retailers meet with financial counsellors to discuss Safety Net policies and procedures as there seems to be a need to take some of the subjectivity out of current arrangements and standardise procedures.
8. Information about Safety Net policies and procedures be made available to financial counsellors following above meeting.
9. Financial counsellors to be informed of the outcome of Safety Net applications by telephone or letter. A copy of the letter sent to the borrower/client would be sufficient.
10. Retailers to refer borrowers to financial counsellors earlier.
11. Financial counsellors to work on their public image in an attempt to have borrowers seek timely assistance following a referral from retailers.
12. Recommend that Shelter WA work with financial counsellors to produce and distribute an information sheet to provide information to borrowers in an attempt to have them think about their financial responsibilities prior to taking out a loan.
13. Information sheet to include information listed in section 5.5 above as well as an explanation of joint and several liability and co-borrower obligations.
14. Information sheet to be enclosed with other notes sent to people who make telephone or email enquiries about Keystart loans. Information on borrower obligations could also be included on Keystart web page.
15. Ministry of Fair Trading to be considered as a possible agency to distribute the above mentioned information sheet.
16. Key stakeholders including those participating in the focus group discussion be asked to provide input into what would be useful information to include on the information sheet.
17. Keystart to monitor loan accounts for which overtime and child maintenance have been part of the assessed income.
18. Recommend that the idea of providing borrowers with the option of including a payment towards land and water rates in loan payments as with GoodStart scheme be discussed further.
19. Recommend that counter information be provided where possible.
20. Recommend that information about debt consolidation be included in information sheet produced by Shelter WA.
21. Recommend that information about loan payments in the early part of home loan and static land values be included in information sheet produced by Shelter WA.
22. Recommend that a six monthly mailing of account statement and information brochures is adequate for the majority of customers and a labour intensive review is not necessary.
23. Training of retailer staff in customer relations and mediation was agreed to be worthwhile and consideration should be given to conducting this training as soon as possible.

The HFAC is using the report to guide the committee's work. If you would like a copy of the report or any further information please contact Erin Gauntlett at Shelter WA on Tel: (08) 9325 6660 or email at sheltwa@opera.iinet.net.au

