

**Keystart Housing Scheme Trust —**

Mr S.J. Price, Chair.

Mr J.N. Carey, Minister for Housing.

Mr L. O’Sullivan, Chief Operating Officer.

Ms C. Comrie, Chief of Staff, Minister for Housing.

[Witnesses introduced.]

**The CHAIR:** This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available online as soon as possible within two business days. Questions must relate to the operations and budget of the off-budget authority. The chair will allow as many questions as possible. Questions and answers should be short and to the point.

A minister may agree to provide supplementary information to the committee. I will ask the minister to clearly indicate what information they agree to provide and will then allocate a reference number. Supplementary information should be provided to the principal clerk by noon on Friday, 31 May 2024. If a minister suggests that a matter be put on notice, members should use the online questions on notice system to submit their questions.

I give the call to the member for Roe.

**Mr P.J. RUNDLE:** Page 530 refers to how the trust ensures provision of sustainable housing outcomes by assisting affordable home ownership. How many active Keystart loans are there currently?

**Mr J.N. CAREY:** I put on the record that the member for Roe’s upper house member regularly asks me these questions, so it is provided on a regular basis. As of 31 March 2024, the total loans managed is 11 519.

**Mr P.J. RUNDLE:** Of those, what percentage are 30 or more days in arrears?

**Mr J.N. CAREY:** The number in arrears of 30 days is 748 and the number in arrears of more than 90 days is 492. These numbers have been previously reported for the record, but I want Mr O’Sullivan to go through what supports are in place. There has been significant work. We are very cognisant of the 13 interest rate rises. The member would be aware that I announced a change to the interest rate settings for Keystart, which saved Keystart owners thousands of dollars. That was a significant reform in Keystart policy, but I will ask Mr O’Sullivan to talk about the supports.

**Mr L. O’Sullivan:** Thank you, minister. Lenders around the country have experienced increases in arrears. It is the rapidness of the increasing interest rates in the last 18 months that have had the most impact on consumers. Borrowers have found the process quite difficult to adjust to quickly. Keystart is no different from that. I think what is different about Keystart is the majority of our customers are younger and first home buyers, so they do not have significant amounts of savings. We believe we provide a lot more support than mainstream lenders. That level of support includes using a case management approach for customers who are in arrears or experiencing financial hardship. Individual customers work with the same adviser over a period of time for however long that support is required. Unlike other lenders, we provide a number of free financial tools and guides, which includes a free financial coaching service in partnership with Anglicare and the Financial Wellbeing Collective. The aim of that particular financial coaching service is to support customers to build the resilience to handle periods of financial hardship. We offer a free financial counselling service through Relationships Australia. All our customers have access to that free of charge. We have a hardship policy that gives customers time to adjust. Those kinds of adjustments can simply be time, reductions in payments or deferred payments for periods of time. That provides enough support.

**Mr P.J. RUNDLE:** Would the minister be able to refresh me about the interest rates announcement? Are all Keystart customers or clients on the same rate? Is there any differential?

**Mr J.N. CAREY:** Based on his last question, the member may be interested to know that Hon Steve Martin asked about Keystart in greater detail. The data provided to the member was only recently provided, in quite significant detail, to the government as of April this year.

As for the member’s question about the current interest rate, which is 7.85 per cent, the advice is that the majority of Keystart clients—95 per cent plus—are on the same rate. The reality is that some are on a legacy interest rate setting, but I might ask Mr O’Sullivan to give the context of that legacy policy.

**Mr L. O’Sullivan:** There are some products that would be 15 years or older. When there were previous changes to interest rate setting policies, those customers were put on a legacy product. There are various versions of that, but a very small number of customers are on those rates now, which are typically slightly lower than 7.85 per cent.

**Mr P.J. RUNDLE:** How many Keystart homes have been repossessed in 2023–24 and how does this compare with previous financial years?

**Mr J.N. CAREY:** I think it is important to stress that Mr O’Sullivan did go through in detail all the additional support services that are provided to people experiencing hardship—case management, free financial tools, financial coaching services and free counselling services, as well as implementing a hardship assistance policy. The member may think this is naff, but an incredible app has now been launched for Keystart customers, through which they can access to see how much equity they have in their home. Why is that important? If they see how much equity they have in their home, they can make the decision to jump to another lender because, ultimately, Keystart is a transitional lender. That is the main game, as the member knows. Through that phone app, customers can see the equity and then move on and move faster. I will ask Mr O’Sullivan to give some more words, but, in fact, the number is relatively low. I am advised that this financial year, it is 12, but I would ask Mr O’Sullivan to perhaps give some more context.

**Mr L. O’Sullivan:** I can confirm that as at the end of March, 12 homes were managed under mortgagee in possession. There are customers who go through our support process—that process can last weeks, months or years—and reach a point at which they choose to sell their home. We no longer need to take any enforcement action against those customers in terms of mortgagee in possession because they are in a position to sell their property, and they do that off their own bat.

**Mr P.J. RUNDLE:** The second part of my original question was: how does that 12 compare with the last couple of years?

**Mr J.N. CAREY:** I think it is important that Mr O’Sullivan also addresses this, because we have been very focused on all the supports, but we also have clear obligations and financial responsibilities. Of course, I am on the record as saying that no-one wants to see anyone in this type of scenario. The advice is that in the previous financial year, it was 21, but I might ask Mr O’Sullivan to talk about Keystart’s obligations.

[9.20 pm]

**Mr L. O’Sullivan:** Keystart has an Australian credit licence. Under that licence, we have a number of obligations to our regulator, the Australian Securities and Investments Commission. Those obligations include how we assess loans when customers originally apply. We have responsible lending obligations to ensure the loan is not unsuitable for that particular customer. On the ongoing management, we have a number of obligations around collections activities. When a customer experiences hardship, we are obligated under regulatory guides that are quite specific in terms of the level of support. They refer to the recognition of hardship and the supports that are provided to that customer. That hardship can be in many different forms. It is not just financial hardship. Hardship can also be in relation to things like relationship situations, family and domestic violence and health, which all impact on the customer’s ability to service their loan. We have a number of mechanisms that we use to support customers throughout those periods of time. When customers go into arrears, we support those customers for quite a considerable amount of time. That is why the number of customers that we are managing under mortgagee in possession is very low. We have obligations to make sure that if the customer cannot afford the loan over the long term, we do not continue to burden that customer with that particular loan because interest could be accruing, which means that the debt they have continues to grow. We work very closely with customers to help them either make a decision themselves or if we need to, we then take possession of the property. As a result of all the support processes, we very rarely need to go down to that level.

**The CHAIR:** That completes the examination of the Keystart Housing Scheme Trust Authority.