

Carter urges NZ banks to consider shared equity schemes

Hon Chris Carter

16/03/2007

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Housing Minister Chris Carter today urged New Zealand banks to consider introducing shared equity products similar to that announced by the Adelaide Bank in Australia yesterday.

The Adelaide Bank has announced a scheme in which up to 20 per cent of the purchase value of a new home can be funded by an "equity finance mortgage". In effect this mortgage sees the Bank take a 20 percent share in the equity of a home.

"This scheme seems to be broadly similar to the kind of shared equity scheme the Labour-led government is considering introducing in New Zealand, although the Adelaide Bank appears to be taking a larger share of the profits when a house is sold," Mr Carter said.

"I would urge New Zealand banks to also consider offering shared equity products here. They have considerable potential to assist modest income first-home buyers to access high priced metropolitan housing markets.

"Clearly, these schemes need to be carefully sized and targeted to prevent them pushing up house prices. This has been achieved in other countries because it isn't modest income first-home buyers driving up prices. They lack the capacity to do so."

Mr Carter said if private providers introduced shared equity products alongside the scheme being developed by the government, the number of young households that could be assisted in to homeownership would be significantly increased.

"Many of our banks have made phenomenal profits from the housing boom over the past five years. Exploring these schemes would be a good way to demonstrate their social responsibility."

Details of the Adelaide Bank's product can be found at: www.efm.info/

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