Keystart

Helping West Australians access home ownership
About Keystart

- Established by the WA Government in 1989 in order to assist Western Australians into affordable home ownership
- Non-listed public company. Sole shareholder is the WA Government
- Has generated a profit every year since inception and these dividends are used by the Housing Authority for social housing purposes
Regulated by the Australian Securities and Investments Commission Act 2001
Operates under the National Consumer Credit Protection Act 2009
Self-sufficient commercial entity – never required financial assistance
Objectives

- Assists with social objectives under the Affordable Housing Strategy 2010-2020
- Reduces the demand for social Housing and rental stress
- Assists those on lower income brackets into home ownership with special Shared equity housing programs
- Transitional program
- Successful education of borrowers into home ownership
Keystart’s Role

- Accessible and affordable finance is an integral part of the affordable housing debate.
- Keystart’s role is to provide a home ownership option to people who do not meet the lending criteria of the major financial institutions.
- Keystart does not compete with the banks, its purpose is to offer the opportunity of home ownership to a market segment that is not being catered for.
Keystart provides a stepping stone that allows clients to move from private or public rental into home ownership.

Interim solution – ultimate goal is for borrowers to transition to a mainstream lender once they have sufficient equity in the property.
Keystart’s policy and market niche is as a low entry-cost lender focussed on assisting credit worthy applicants into buying or building a home.

The eligibility barrier is overcome with lower deposit requirements and shared equity loan products for specific market groups.

Keystart’s loan products do not require Lenders Mortgage Insurance (LMI) and there are no ongoing monthly account keeping fees.
Keystart plays an instrumental role in achieving broader Government social and economic objectives.

Strong supporter of the residential construction industry which employs thousands of people and is an important contributor to the wider economy.

Strong stringent upfront assessment process resulting in a default rate at one third of the private sector.
Barriers to Home Ownership

- The deposit gap is arguably the greatest barrier that intending first home buyers need to overcome.
- Many households can service a home loan but find it difficult to save the initial funds that are required.
- Keystart’s low deposit requirement (from 2%) means that intending homebuyers can enter the market sooner.
Keystart’s lending activities are currently financed through WA Treasury on a commercial basis.

Keystart’s interest rate is based upon the average of the four major banks standard variable rate and is currently 5.38% pa.

Keystart do not offer any rate discounts or fixed rates thereby positioning itself as an interim and transitional lender.
Key Statistics

- Over 60,000 loans approved since 1989
- Loan value in excess of $12,625 million
- More than 95,000 borrowers assisted into home ownership
- Current loan portfolio value - $4.2 billion
Key Statistics – 2014/15 FY

- 3,107 new standard loans approved to the value of $1,197 million;
- 313 loans approved for the Social Lending schemes;
- 70.2 per cent were for new construction;
- 29.8 per cent were for established properties;
Keystart borrower profile

- 85.9 per cent were first homebuyers;
- Average household income was $89,003;
- 65 per cent of loans were to households with incomes up to $100,000;
- 69 per cent of loans were for couples and families and 31 per cent for singles;
- 87 per cent of loans were in the well established markets of Perth and Peel.
Keystart’s target market

- Borrowers seeking affordable home loan options
- Permanent residents of WA, 18+
- Those with minimal deposit and who cannot currently meet the criteria of private lenders
- First or subsequent homebuyers
- Borrowers who are purchasing for owner occupation only
Loan Products

- **Standard loan** – A general low deposit loan for eligible Western Australians
- **SharedStart loan** – A shared equity loan for those with limited borrowing capacity
- **Access loan** – A loan for people with disabilities or who care for a person with a disability
- **AHOS loan** – A loan for Aboriginal or Torres Strait Islander people (100% loan or shared equity)
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- **Goodstart loan** – A shared equity loan for Housing Authority tenants
- **Sole Parent loan** – A loan to assist sole parents retain the family home
- **Yawuru loan** – A loan specifically designed to assist Yawuru people into affordable home ownership
Credit Risk mitigation

- Interest rate buffer of 3.0 per cent
- Verified stable employment periods
- Conservative assessment of income and any allowances/overtime
- Stringent documentation requirements and all documents are thoroughly scrutinised for any anomalies
- Other debt commitments cannot exceed 10% of assessable income
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- Full market valuation conducted
- Structural building report required for properties over 25 years old
- Comprehensive risk modelling with a regular review of ‘At Risk’ areas
Questions

Access to home ownership through low deposit home loans.

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www.keystart.com.au