

than the other family.

Thus the extension of user pays principles to services that help meet the special needs of disability conflicts with equity objectives in family policies. Examination is needed, therefore, of the many other ways to raise revenue to pay for services and reduce budget deficits.

Similarly, 'budget capped' services can create inequities between families – services where people eligible for assistance can miss out

because the program is funded to a set dollar level rather than provide for everyone meeting the needs criteria (see ALRC 1996). Accommodation services for people with a severe or profound handicap is one example where eligible people are turned away because the philosophy of entitlement is overridden by imposed budget limitations (Madden et al. 1996:52).

This is in sharp contrast to taxation concessions where everyone eligible receives the

concession regardless of initial cost estimates. It is not hard to imagine the popular and press outcry if a tax concession or pension increase were to be made available to only a proportion of those eligible.

References

ACOSS (1996), *Federal Budget 1996: The ACOSS Response*, Australian Council of Social Services, Sydney.

ALRC (1996), *Making Rights Count for People with a Disability*, Australian Law Reform Commission Report No. 79, AGPS, Canberra.

Baume, P. & Kay, K. (1995), *Working Solution: Report of the Strategic Review of the Commonwealth Disability Services Program*, AGPS, Canberra.

Madden, R., Wen, X., Black, K., Malam, K. & Malliese, S. (1996), *The Demand for Disability Support Services in Australia*, Australian Institute of Health and Welfare, Canberra.

Moylan, J. (Minister for Family Services) (1996), *Budget 1996–97, Strengthening Families*, AGPS, Canberra.

Yeatman, A. (1996), *Getting Real: Final Report of the Review of the Commonwealth/State*

To move or not to move? Some issues facing aged home owners

ANDREW BURBIDGE reports

It has been estimated that by the year 2041, the number of aged people in Australia will have more than doubled and will represent 22 per cent of the population (ABS 1995: 27). Population ageing, and the ever expanding size of our capital cities, are two factors that have engendered a lively debate on the housing circumstances of aged home owners.

Discussions about retirement incomes, for example, raise issues about the wealth tied up in home ownership and appropriate policies for those who are asset rich but income poor (Brotherhood of St Laurence 1994).

Other discussion has centred on a 'mismatch' between the size of housing occupied by many aged people (mostly three-bedroom houses) and declining average household

size and capacity to maintain their homes (Maher et al. 1996). One commentator (a human services consultant) says: 'The real issue is one of Right Sizing of housing . . . Alternative housing that meets the needs of older persons does not exist in sufficient numbers or suitable locations to cater for the rising numbers of people needing to relocate.' (Forbes 1996:3)

Encouraging the aged to move by increasing the supply and diversity of medium density housing has also been seen as having labour market advantages; increasing flexibility and reducing the mismatch between unemployed families and aged households in relation to the location of jobs (Howe 1989).

On the other hand, others have been trenchant critics of

many of the assumptions on consolidation and urban sprawl (Troy 1992, McLoughlin 1991, Alexander 1994). Encouraging small households to move to smaller dwellings, Troy points out, involves substantial economic costs (estimated at between 7–11 per cent of the value of the property being sold) as well as the social costs of relocation.

'Efficiency arguments about the need to encourage/force people to move and relocate to smaller dwellings as their household size falls ignore the distribution of benefits and costs of the moves . . . it would seem that the policy priority should be to find ways of supporting older people in the communities in which they have lived until such time that they need or wish to move to supported accommodation.' (Troy 1996: 33–34)

What help is there for aged home owners who want to stay in their home but are finding it difficult to meet daily living costs? While there are no recent statistics on the numbers involved, anecdotal information suggests that increasing longevity is sometimes combined with a need for extra income to meet repairs and general living expenses. A number of the major home finance organisations were therefore approached to see if they had financial arrangements to assist low income families (such as those on social security because of age or unemployment) and save them the disruption and substantial cost of selling their current dwelling and purchasing something cheaper. Lenders were asked if they made loans which do not have to be repaid until the death of the owner or the home is sold.

Westpac advised that they have Equity Access Loans, but borrowers must be on a salary and able to meet interest and capital repayments. Similarly, the Commonwealth bank will make loans available on the security of a dwelling for a

wide variety of purposes including, for example, the purchase of shares which could perhaps help a family by generating income which more than covers loan repayments. Such loans would not be made to people dependent on social security, however, as the borrower's normal income must be adequate to meet monthly repayments.

However, Bruce Ward of the Department of Social Security's Financial Information Service provided information about a loan option that has assisted over 5000 pensioner households who need extra income. The Advance Bank's Home Equity Conversion Loan provided up to \$5000 per year (for a person aged 65–74) to a home owner with no repayment of interest or principle required, subject to the loan not exceeding a proportion of the property value (a sliding scale related to the borrowers age). Interest on the annual loans was at the variable home loan rate of interest.

To assist those low income households who wanted to have access to the scheme and thus continue to live in their own homes, the Commonwealth Government met the upfront costs of the scheme (property valuation, stamp duty, establishment fees) for a trial period.

This scheme operated from June 1993 until July 1996. Several changes since then have made it harder for home owners to convert some of their assets into income for living. July marked the end of the three year contract between the Advance Bank and the Commonwealth and

the government has not relet the tender¹.

The head of public affairs for Advance Bank, Mr David Brown, said that in the three years that the scheme had been operating it had lent \$22 million to 5600 pensioners. He said: 'We considered the scheme to be successful. It was always only going to be a niche market, but it proved a popular loan for that market' (Herald-Sun 9/9/1996).

The Commonwealth government subsidy was to offset the cost of independent legal advice to borrowers and to defray loan application fees. The subsidy averaged \$1700 per borrower and cost the Commonwealth \$9.5 million over the three years (Herald-Sun, 9/9/96).

Advance now offers 'Money for Living' at 0.5 per cent above the variable loan rate but upfront costs are substantial – for example, approximately \$1100 for a loan of \$20,000.

A similar alternative, the Seniors Loan offered by La Trobe Home Loans, provided loans at 0.5 per cent below the average variable rate of the major banks and kept upfront charges to the borrower low by deducting some of the establishment costs from the first year's loan. All the finance allocated for these loans was committed within a few months, however, and no additional funds from La Trobe are likely to be available for these type of loans before 1997.

A further potential option, the Commonwealth government's Pensioner Loans Scheme, can provide an annual loan to provide income for elderly

people with assets but little income. However, this scheme provides a 'top up' only until total income equals the maximum rate of pension. While it can assist individuals and families excluded from the pension by the assets test, ordinary home owner pensioners and beneficiaries getting the full rate of payments get no assistance to help meet living expenses from the Pensioner Loans Schemes.

In summary, three broad strategies can be identified for low income owners who would like to get access to some of the equity in their home, but all seem to have some substantial drawbacks. The asset rich, income poor can sell their dwelling and buy something cheaper, but this at present involves substantial costs – particularly the cost of stamp duty. (There is a case for a further review of stamp duty as it amounts to a tax on relocation.)

A second strategy, borrowing against the dwelling to try to generate income which more than meets interest costs, faces the resistance of lenders who seek a steady salary sufficient to meet repayments.

There seems to be a demand for the third option, reverse equity mortgages, but low income borrowers may again have to overcome relatively high up front charges and a shortage of organisations willing to lend.

References

- ABS (1995), Australian Bureau of Statistics, *Australian Social Trends 1994*, Catalogue No. 4102.0.
- Alexander, I. (1994), 'DURD revisited? Federal policy

initiatives for urban and regional planning 1991–1994', *Urban Policy and Research*, vol. 12, no. 1, pp. 6–26.

Brotherhood of St Laurence, (1994), *Adequacy and Equity in Retirement Incomes: Submission to the Strategic Review of Pensions Income and Assets Tests*, Brotherhood of St Laurence, Fitzroy, Melbourne.

Forbes, G. (1996), 'Design for a positive future', in *Proceedings of a Conference: Housing an Ageing Society: The Challenge Ahead*, Transport and Regional Development, and Health and Family Services, Canberra.

Gouge, D. (1996), 'Financial flexibility and older persons' housing', in *Proceedings of a Conference: Housing an Ageing Society: The Challenge Ahead*, Transport and Regional Development, and Health and Family Services, Canberra.

Howe, B. (1989), 'Child Poverty, Inequality and Social Justice', Speech to Brotherhood of St Laurence Child Poverty Policy Review, Melbourne.

Maher, C., Wulff, M., Batten, D., Saunders, E. & Les, M. (1996), *The Housing Circumstances of Older Australians*, Australian Housing and Urban Research Institute, Melbourne.

McLoughlin, J.B. (1991), 'Urban consolidation: a question of density', *Urban Policy and Research*, vol. 9, pp. 148–56.

Troy, P. (1992), 'The new feudalism', *Urban Futures*, vol. 2, pp. 36–44.

Troy, P. (1996), *The Perils of Urban Consolidation*, Federation Press, Sydney.

Note

¹Gouge (1996:16) suggests, however, that the Commonwealth's subsidy through Advance Bank dissuaded other lenders from entering the market. Making the subsidy available for all reverse equity lending bodies (loans to aged people meeting the criteria) would overcome this problem.