MEDIA RELEASE

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Community housing sector welcomes interest rate protection for HAFF Round 3 projects

Australian Community Housing (ACH), the national peak body for Community Housing Providers, has warmly welcomed new interest rate protection announced today by Housing Australia and the Australian Government for eligible Housing Australia Future Fund (HAFF) Funding Round 3 projects.

Mark Degotardi, chief executive officer of Australian Community Housing, thanked the Government and Housing Australia for asking the sector what was holding projects back, and then acting on the answer.

"This is a major and very welcome decision," Mr Degotardi said. “Interest rate volatility has emerged as one of the biggest risks to HAFF 3 delivery, and this new product could make the difference between many projects proceeding or becoming unviable.”

"It is also a strong example of effective collective advocacy. ACH argued firmly for a practical, program-level solution, drawing directly on the expertise and experience members shared through our consultation and detailed submission to Housing Australia. The announcement reflects many of the key points we put forward, including that it covers commercial bank lending and not just government-backed loans," Mr Degotardi said.

ACH set the problem out plainly in its submission to Housing Australia in July. Building affordable homes takes years. In that time the price of bricks, timber and tradies moves around, and housing providers plan for that. What providers cannot control, or protect themselves against, is where interest rates go next.

Providers borrow to build. If interest rates rise while the homes are going up, the repayments rise but the government funding does not, because it was locked in years earlier when the project was approved. And unlike a private developer, ACH said, a not-for-profit cannot simply charge more rent, because below market rent is the entire point.

Under the change, Availability Payment estimates will be adjusted in line with benchmark interest rate movements for eligible Round 3 projects with senior loan financing, including Affordable Housing Bond Aggregator lending and commercial lending.

ACH argued for precisely this kind of solution, saying interest rate risk was a market-wide risk individual not-for-profit providers were not best placed to carry, and that it should be handled across the program rather than provider by provider.

"Providers no longer have to pad their applications with contingency to guard against something they cannot control, and every dollar of padding is a dollar not spent on homes," Mr Degotardi said.

"This means more homes for the same public money, and it means the families waiting on them are closer to getting the keys.

"There is important detail still to work through, and we will keep engaging with Housing Australia as the product is implemented. But this is genuinely excellent news for HAFF 3 delivery."

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Mark Degotardi is available for interview.

About Australian Community Housing

Australian Community Housing is the national peak body for Community Housing Providers (CHPs). ACH members collectively manage and own around 149,000 social and affordable homes across the country. Our sector works to ensure that everyone in Australia has a home that is safe, secure and affordable, while also building stronger, more connected communities.