Public assistance in the purchase of housing

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This article discusses aspects of assistance by the Housing Corporation in the purchase of housing and relates them to social security policy and legislation. The discussion leads to the conclusion that the Corporation's assistance is largely determined by considerations of financial expediency rather than the attainment of defined social goals. Prior to its publication, this article was received by and warmly commended by the National Housing Commission.

I. INTRODUCTION

The principal object of this paper is to consider the extent to which financial assistance by the Housing Corporation in the purchase of housing is compatible with the range of benefits available under the Social Security Act 1964. The findings of the Royal Commission on Social Security therefore provide the main reference point for the discussion. The paper is divided into three parts. Firstly, the respective prescriptions of ministerial control in the Housing Corporation Act 1974 and the Social Security Act 1964 are compared. Secondly, the lending criteria of the Corporation are examined in the light of the goals of social security policy endorsed by the Royal Commission. Thirdly, general trends in government policy are identified and, to some extent, criticised.

II. MINISTERIAL CONTROL[1]

The Housing Corporation was established under section 3 of the Housing Corporation Act 1974 as the successor to the State Advances Corporation of New Zealand. Section 20(1) of the Act requires the Corporation to implement government policy:

> In the exercise of its functions and powers under this Act or any other enactment, the Corporation shall give effect to the policy of the Government in relation to those functions and powers, as communicated to it from time to time in writing by the Minister.

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1 Much of the information obtained was supplied in an interview with Mr Stevenson, Divisional Director of Lending in the Housing Corporation.

Besides the general control exercised by the Minister of Housing indicated in section 20(1), a number of other provisions make express reference to ministerial direction. For example, one of the functions of the Corporation laid down in section 18(2)(d) is "[t]o make loans for any purpose that are for the time being approved in writing by the Minister".[2]

The extent of ministerial control is considerably enhanced by the failure to set out in the Act the criteria which need to be satisfied to qualify for a loan. The Act differs, in this respect, from the Social Security Act 1964. The criteria for benefits under the latter Act are, for the most part, clearly laid down in the Act itself. Consequently any modification of the criteria can only be achieved through an Act of Parliament. Adjustments to the criteria for loans from the Housing Corporation can however be made by a simple direction from the Minister. Another distinction between the two Acts is that there is no appeal authority comparable to the Social Security Appeal Authority[3] constituted under the Housing Corporation Act 1974. An applicant whose loan application has been refused by a district office of the Corporation only has the option of sending the application to head office in Wellington with a request that the decision be re-considered.[4]

What is the significance of the distinctions? The main advantage of the high degree of ministerial control over the Corporation from the government's point of view is flexibility. This facilitates tight budgetary control over the Corporation's spending. Where, during the course of a given financial year it appears that the Corporation will overstretch the budget allocated by the government at the commencement of the financial year, the criteria can simply be adjusted by the Minister to ensure that the Corporation remains within the prescribed limits. This advantage to the government is a disadvantage from a prospective borrower's viewpoint. The flexibility creates a lack of certainty as to the criteria which will be applied at any one time. Not only are changes made from year to year but also may be effected several times during the course of one year. For example in 1978 loans for existing houses were extended to families with at least three children or at least two children if the family benefit was capitalised.[5] In August 1978 families with two children were excluded from eligibility for existing houses. In January 1979 similar restrictions were placed on loans for new housing.[6]

A second disadvantage is that the high degree of ministerial control leaves the Corporation open to political manipulation. This has been a long standing

2 Section 18(2)(d).

3 Section 12A Social Security Act 1964.

4 Interview, Mr Stevenson, supra n.1.
Ownership) Act 1964.

5 *Report of the Housing Corporation of New Zealand for the year ended 31 March 1979* New Zealand Parliament. House of Representatives. Appendix to the journals, 1979, B.13:7. Capitalisation of the family benefit is provided for in the Family Benefit (Home

6 Ibid. 8.

criticism of successive governments' housing policies. The Report of the Commission of Inquiry into housing in 1971 stated:[7]

> It was suggested to us that politics play too great a part in housing; and we accept that the suggestion has some element of truth. Ultimate political control there must be. It is inseparable from control of the purse strings. But objective and rational financial planning is not promoted when issues such as State Advances loan limits and lending policies have to be ventilated primarily be means of clamour from pressure groups and a barrage of criticism of the Government. Nor can we ignore the belief testified to in some evidence that the proximity of a general election can affect the generosity of the State Advances Corporation in considering loan applications. We do not say that the belief is necessarily well founded, for we got no solid evidence on the point. What we say is merely that the system unfortunately gives room for such a belief.

The National Housing Commission was established in 1972,[8] on the recommendation of the Report,[9] to act as an independent advisory body to the government. However the Commission does not appear as yet to have had any significant impact on government policies.

A third disadvantage is the absence of public discussion on the desirability of the Corporation's lending criteria before they are introduced. If embodied in a statute, any changes would be subject to parliamentary scrutiny in full view of the public eye. Under the present system strong public opposition to changes in lending criteria can only be expressed once they are in force. The changes in criteria for home improvement loans in 1980 provide an example of this. On 6 August, the Corporation announced that from 1 August only those applicants whose weekly income was less than $230 (plus $10 for every dependent child) would qualify for a home improvement loan.[10] The reason for the limit was that explained above. The Director of Lending in the Corporation was reported as saying: "As the Corporation's budget is strictly limited, an immediate curb on lending for the scheme is necessary."[11] The scheme had proved more popular than anticipated. The decision brought a storm of public protest.[12] Consequently on 12 August the Minister of Housing stated that the newly imposed income limit had been revoked.[13] The series of events illustrates the facility with which changes can be made. Although the Minister's change of heart was welcomed, if the proposed adjustment had been publicly aired, for example by introducing a Bill into Parliament, the decision would probably not have been implemented in the first place. As things stand it seems that the public can only express its view after a policy change has taken place.

There is an argument that the Corporation should be in the same position as other lending institutions which are able to adjust their lending criteria at

7 *Housing in New Zealand Report of the Commission of Inquiry* New Zealand Parliament. House of Representatives. Appendix to the journals, Vol. 4, 1971, H.51: para 36.
8 Under the National Housing Commission Act 1972.
9 Ibid. para 36.
10 *The Evening Post,* Wellington, New Zealand, 6 August 1980, p.1.
11 Idem.
12 E.g. ibid. 2 (editorial comment).
13 *The Evening Post,* Wellington, New Zealand, 12 August 1980, p.1.

will. However the Corporation can be distinguished from other institutions in that it operates to assist people, not to make a profit. Consequently it draws on public money and effectively subsidises successful applicants in their undertakings. The Corporation's lending policies have important implications for many individuals. For instance they may determine whether an individual can afford to purchase a home, a highly desirable goal in this society.[14] It is therefore submitted that the Corporation should be fully responsible to the public. At the very least this implies some measure of public consultation in drawing up policy.

The absence of an appeal authority possibly means that applicants have fewer procedural safeguards than applicants for social security benefits under the Social Security Act 1964. The activities of the Corporation do, however, come within the Ombudsman's jurisdiction.[15] Applicants may also have recourse to their local Member of Parliament if they have a complaint. But these avenues are also available to social security applicants.

Finally, the differences mentioned above between the Housing Corporation Act 1974 and the Social Security Act 1964 are an indication of a basic difference in approach. This point is further developed under the next heading.

III. HOME FINANCE

In order to be eligible for a loan to finance the purchase of a home, an applicant must firstly be a first homeseeker or someone who has not owned, sold, or held an interest in housing during the past five years.[16] Secondly, the applicant must come within the prescribed income limits which are no more than $230 per week (plus an allowance of $10 for every dependent child) for a new home, and no more than $180 (plus the $10 allowance for every dependent child) for an existing home. In order to determine eligibility, the Corporation uses the income of the main income earner i.e. the higher income of husband, wife, or partner. Thirdly, an applicant must be able to meet the deposit requirement which is twenty per cent of the Corporation's value of the property. This is reducible to twelve and a half per cent for an applicant with dependants intending to buy a new home. Fourthly, the Corporation must be satisfied that total outgoings on the house will not exceed thirty per cent of gross income for a one income family, or thirty-five per cent when there are joint incomes.

The maximum loan is $24,000 for a new house and $17,500 for an existing one. The interest rate is nine per cent reviewable every three years. However for those with dependants, there are concessional interest rates, but there are income restrictions on obtaining a concessional rate. In addition there is a low start mortgage repayment scheme open to all applicants. The Corporation usually lends over a standard term of 30 years.

14 See discussion of home ownership under the third heading ("Home Finance").

15 See s.13 Ombudsmen Act 1975.

16 The information on home finance is taken from the Corporation's pamphlet *Loans for housing* (Wellington, 1980).

A number of points can be made in relation to the criteria used. Firstly, it appears that families with joint incomes are much better off than single income families in terms of coming within the prescribed income limits. A single income family earning $210 per week with, say, 2 children, would be precluded from acquiring a loan for an existing house. However, a joint income family where both spouses earn $200 per week, with 2 children, would qualify for such a loan, yet they are earning $190 per week more. The justification for this apparent discrepancy is that where there is a joint family income there is no guarantee that the situation will continue, [17] for example a young couple saving to buy a house before they have a child where it is anticipated that they will be reduced to a single income family. In any case it would be administratively very difficult to ensure that an applicant did have a partner who was earning enough to take them outside the prescribed limits. Taking however the presumption that there is no guarantee that a two income family will continue to be so, there appears to be an inconsistency in the Corporation's approach regarding the limit on the total outgoings on the house. A joint income family is allowed up to thirty-five per cent of the main earner's gross income. A single income family is only permitted thirty per cent.

Secondly, the higher income limit allowed for the purchase of new homes and the higher loan available for such a purpose are a recognition of the price differential between new and existing homes.[18] This recognition represents in part the government's wish to keep at a reasonable level the building of new homes,[19] and is also a conscious concession to the building industry.[20]

Thirdly, the maximum loan and income levels are the same for the whole country despite the fact that the cost of housing tends to be much higher in urban than in rural areas. It was suggested to the Housing Commission of Inquiry that there should be a Wellington differential.[21] The arguments put forward against a differential were firstly that it might prove an undesirable precedent for other sectors of the economy; secondly the demand from other districts for similar treatment; thirdly the encouragement it would give to entrenching cost differences; fourthly it might have the effect of causing the cost of housing in Wellington to rise.[22] Nevertheless the Report did recommend that loan limits be increased in Wellington.[23] This recommendation has never been accepted by government. In the writer's view it would be more realistic in granting loans to allow for different costs and values in different districts.

To what extent can this assistance be described as a welfare benefit? Both the Housing Commission[24] and the Royal Commission on Social Security[25] saw

17 Interview, Mr Stevenson, supra n.1.
18 *Report of the Housing Corporation of New Zealand for the year ended 31 March 1980* New Zealand. Parliament. House of Representatives. Appendix to the journals, 1980, B.13:5.
19 Idem.
20 Interview, Mr Stevenson, supra n.1.
21 Supra n.7 para. 47.
22 Idem.
23 Ibid. para 48.
24 Supra n.7, 55.
25 *Report of the Royal Commission of Inquiry Social Security in New Zealand* (Government Printer Wellington, 1972) 66.

the government's role in housing as a part of social welfare. The Report on Social Security attempted to evaluate the "values, principles and aims which ought to form the basis of our social security system."[26] The Report mentions four possible goals of social security policy:

(i) to maintain life and health;
(ii) to belong and participate;
(iii) to be equal in economic well-being;
(iv) to have continuity or security of economic status.[27]

The Report endorsed (i) and (ii) as beng "essential principles on which we consider our social welfare system and its administration should be based."[28] Need and degree of need were stressed as the primary test and criteria of help to be given by the community irrespective of what contributions had been made.[29] "Need" could be determined by one of two ways: firstly by presuming need in relation to certain classes of people in the community, and secondly by testing an individual's means to see whether he can truly be said to be in need.[30] An example of a benefit available on the basis of presumed need is the family benefit which is universally available to families with dependent children.[31] The presumption is that these families have a lower standard of living than comparable childless families. An example of a benefit which is given on the basis of tested need is the emergency benefit.[32] The Report recognised that state assistance was not always given solely on the basis of need.[33] The example given was universal superannuation. While some need could be presumed in the case of the elderly, the benefit carried some element of reward for those who had in their working lives contributed to the country's productivity and revenue.[34]

In relation to home finance, two questions are raised: what are the criteria of need laid down to qualify for assistance? What is the nature of the "need" being recognised? The income limits seem to point to assistance being given on the basis of tested need. The average weekly wage for 1979 was $180 per week.[35] The figure is probably a little higher now but it would still be well below $230 per week which is the upper income limit for the purchase of a new home. It is difficult to see how those who qualify for a loan earning close to, or even above, the average weekly wage can be described as being in need in comparison with

26 Ibid. 62.
27 Ibid. 62-63.
28 Ibid. 65.
29 Ibid. 56.
30 Idem.
31 See ss. 32-36 Social Security Act 1964.
32 Ibid. s.61.
33 Supra n.25, 56.
34 Idem. The law relating to universal superannuation was contained in ss. 13-15 Social Security Act 1964, now repealed by the Social Security Amendment Act 1976.
35 D. Cropp *Housing Loans Survey 1979* (Housing Corporation Research Report 1980/1) 10.

the community as a whole. However, it is possible to say that they are in need as regards home finance if they would otherwise not be able to purchase a house. If this is the criterion then the income limits may possibly be too low. The National Housing Commission's five yearly report speaks of the "development within the community in recent times of a new class of 'housing deprived' citizens, comprising those households falling outside the criteria for government assistance but without the means to compete successfully for housing finance on the open market."[36]

Although the income limits point to some degree of need being recognised, the applicant is required to front up with a deposit of twenty per cent of the total cost of the house in cash before the loan is approved. Moreover the total outgoings on the house cannot exceed thirty per cent of the applicant's income (thirty-five per cent in the case of a joint income family). In these respects therefore assistance is given only to those with certain financial means and who are not in financial hardship. An indication of the kinds of people assisted by the Corporation is given by the Housing Loans Survey for 1979. The average weekly wage of borrowers for new and existing houses was $175[37] just under the average weekly wage for 1979. The total family income of borrowers was $267 for existing houses and $270 for new homes[38] — well above the average weekly wage. Ninety-five per cent of the sample were in paid employment.[39] The survey acknowledges that the "[s]trict deposit and repayment requirements now make it more difficult for people whose sole income is a Social Welfare benefit to buy their own homes."[40] The current policy is revealed in the Housing Corporation's pamphlet on home finance which states that the Corporation aims to assist "modest income earners."[41] In other words the assistance is not intended for low income earners or those without an income. They are precluded by the Corporation's requirements.

Why is the government prepared to spend a considerable amount of money on a sector of the community which has certain financial means? Firstly, the policy is not simply aimed at assisting the borrower but consists of a broader policy of ensuring that there is an adequate housing stock. This benefits the community as a whole by preventing a housing shortage. Secondly the policy is also aimed at supporting the building industry which is seen as an important source of employment.[42] Thirdly, the policy must be related to the value placed by the community on home ownership. New Zealand is a society with a relatively high level of home ownership. Seventy per cent of homes are owner-occupied.[43] This reflects

36 National Housing Commission *Housing New Zealand Five Yearly Report* (National Housing Commission, Wellington, 1978) 6.
37 *Housing Loans Survey 1979* op. cit. 9.
38 Ibid. 10.
39 Ibid. 9.
40 Idem.
41 See the Corporation's pamphlet *Loans for housing* (Wellington, 1980).
42 *Report of the Housing Corporation* (1979), supra n.5, 6.
43 D.C. Thorns "Housing Needs Characteristics Constraints and Choices". Paper presented at the National Housing Commission seminar *New Zealand's Changing Housing Needs* (Wellington, 1980) 3.

the importance placed on home ownership. Thorns writes that home ownership is seen as desirable for three reasons:[44] as an investment; as an indicator of positional status and as a means to psyche-gratification: "Houses can provide opportunities for the expression of individualism and independence and an outlet for creative energy in changing the shape, size and decor of the house."[45] Thus home ownership is closely tied to the cultural values of our society such as those of accumulation, independence and privatism. Davey states: "The overwhelming preference for home-ownership in New Zealand can be backed up by evidence from many studies and has become an article of faith in political terms."[46] However Davey notes that over the recent past home ownership has perhaps become less attractive. This is due to the fact that it is less promising than it used to be as an investment. This factor is combined with "social change, which is allowing and promoting a greater variety of life-styles, [leading] to more acceptance of long-term renting."[47]

The preference for home ownership has strongly influenced government policy. Rowley, writing about Labour's housing policy from 1972-5 states:[48]

> The Labour Party's stated aims in housing did not demonstrate any fundamental idiological difference from those of National. Both were essentially rooted in a New Zealand mythology of home-owning entrepreneurship — aided by the State . . . .

Nevertheless government policy has never elevated home ownership to the status of a "right". This has been emphasised by the National Housing Commission:[49]

> There is a widespread belief that ownership of one's home is a right. Whilst it could be claimed that the individual has some right to be housed, in fact the right is more correctly described as one of shelter, and that of ownership as one obtained only by the ability and willingness to pay for it.

Despite the reference to "ability and willingness to pay for it," the fact remains that the government does provide considerable financial assistance to modest income earners through the Housing Corporation. Further, the role of the Corporation "is one of the major reasons for the early and sustained high level of home ownership."[50]

How does this policy square with the principles of social welfare outlined by the Social Security Royal Commission? Is the assistance intended to enable borrower's "to belong and participate" in society? Although given the preference for home-ownership an argument might be made that it is necessary to belong and participate in society, government policy only grants assistance to those who can afford it. A universal "need" for home ownership is therefore not recognised

44 Ibid. 1.
45 Ibid. 2.
46 J. Davey "Research on Housing Need". Paper presented at the National Housing Commission Seminar *New Zealand's Changing Housing Needs* (Wellington, 1980) 2.
47 Idem.
48 E. Rowley "Housing" in R. Goldstein (ed.) *Labour in Power Promise and Performance* (Price Milburn, Wellington, 1979) 81.
49 National Housing Commission pamphlet *The Price of Home Ownership* (Wellington, 1979).
50 Thorns, op. cit. 11.

— it is not a "right". Consequently government assistance is perhaps better described as a reward than a recognition of need. As such it is inconsistent with the approach to social welfare advocated by the Royal Commission.

In what way are these "modest income earners" more deserving than the rest of the community? One response to this question would be to assert that this group is not being seen as more deserving, but that since the government cannot afford to offer home ownership to everyone the lines have to be drawn somewhere, and the Corporation's requirements do just that. Another response is that this group is being rewarded for aspiring to one of the most important capitalist values: self-help.[51] The value of the reward lies in the fact that home ownership is seen as an important indicator of social status. Whatever view is taken, home finance by the Housing Corporation cannot easily be reconciled with the principles of social welfare explained above. The National Housing Commission has stated:[52]

> It is important that the tendency to consider housing subsidies in isolation from general social welfare policy, be avoided. What is required is an overall strategy for social welfare policies, of which housing subsidies form a part.

If this is done the present policy on home finance will have to be substantially re-considered in the light of the issues which have been raised.

IV. TRENDS IN GOVERNMENT POLICY

The first feature of government policy has been the continued emphasis on home ownership. The National Housing Commission has questioned this:[53]

> Home ownership is fairly heavily subsidised with little assistance for those providing or occupying private rental accommodation. The extent to which assistance favours one group of people in the community at the expense of others needs to be considered.

The future of the rental market must play a vital part in any such consideration. Thorns states the issues:[54]

> [W]hat is to be the future structure and shape of the rental market. Is it to become a residual, an area where the principal occupants are transient single person households with all the attendent instability that this pattern produces or are new forms of renting to be devised which will offer an attractive alternative as a long range housing option for those who do not wish or who are unable to become home owners. Probably the central issue in such an option is that of investment return from ownership which is absent in rental and which over the past decade has contributed substantially to owner-occupier's income. In changing economic circumstances the assured gains of home ownership of the past may well become less certain and lead to a re-assessment of the alternative tenure systems.

The future of the rental market may soon require urgent consideration. Concern has been expressed recently about an increasing shortage of rental accommodation in inner-city areas where rental accommodation for young workers and students,

51 George and Wilding *Ideology and Social Welfare* (Routledge and Kegan Paul, London. 1976) 118.
52 *Five Yearly Report* supra n.36, 131.
53 Idem.
54 Thorns, op.cit. 13-14.

old people, immigrants and transients, has been available.[55] There are a number of reasons for this: industrial expansion; roading development; the buying of city properties by the more monied people (an increasing trend). Government housing policy such as housing improvement loan schemes have also meant that properties previously rented are being bought for owner occupation and lost to the rental market.

The second trend is the gradual withdrawal of support from the building industry. In 1978 the government extended loans for existing houses to non-preferential groups.[56] In 1979 the government did not specify the number of loans which could be made for new and existing houses.[57] This meant that for the first time the number of loans for existing houses exceeded the number of loans for new houses. However an interest free building suspensory loan of $2,500 was introduced for those wishing to build new houses. In 1980 two further important changes have been made from 1979. First an income restriction has been imposed for those wishing to purchase new homes, albeit higher than the income restriction for existing houses. Secondly, the building suspensory loan, although raised to $4,000, is no longer available to those borrowing from the Corporation. The government has been quite open regarding its intentions in this respect. The Report of the Housing Corporation 1980 states:[58]

> [T]raditionally, successive Governments have supported the building industry through policies designed to encourage home building, so recognising strong demand for houses, the need to add to the building stock, and the importance of the building industry as a major employer. However, completions of new houses have continued to decrease . . . . The price differential favouring existing over new housing has grown as high as $12,000. The consequence has been that the Government and official debate has concentrated on the implications of a policy that has a primary objective of maintaining the building industry as opposed to the social objective of housing people to their best advantage.

The outcome of the "debate" is that loans for new housing are no longer being given the same preference as in the past. However, some concessions are still made. Despite warnings that the policy will result in a shortage of builders,[59] it looks as if the trend is likely to continue. Both the 1979 and 1980 Reports of the Housing Corporation state that though government sources at present fund about two thirds of new construction, the intention is to reduce this figure to forty-five per cent.[60]

The third feature of the Corporation's lending policy is the marked decrease in the number of family benefits capitalised under the Family Benefit (Home Ownership) Act 1964. In the 1979-80 financial year, 1,236 fewer capitalisations were made than in the previous year. The decrease can be principally attributed to the reluctance of government to raise the income restriction from its current low level. Capitalisation is not approved if the income to be taken into account

55 See *The Evening Post*, Wellington, New Zealand, 18 July 1980, p.17.
56 *Report of the Housing Corporation* (1979) supra n.5, 7.
57 *Report of the Housing Corporation* (1980) supra n.18, 7.
58 At p. 5.
59 *The Evening Post*, Wellington, New Zealand, 23 July 1980, p.3
60 At p.5. (1978 and 1980 Reports).

exceeds $125 a week for a one-child family, increased by $5 a week for each additional child.[61] The $125 figure is $55 less per week than 1979's average weekly wage ($180). Moreover, the applicant's assets are also taken into account. The Report of the Housing Corporation for the 1979-80 financial year comments on the fact that the income limit has not been adjusted since March 1978 and suggests that it might be appropriate.[62] However no such adjustment has been made for the current financial year. The problem is said to be that "an increase in the number capitalised can translate up to ten times in demand on loan moneys and a significant increase in the number of those granted eligibility for capitalisation can place severe strains on the corporation's funding."[63] In other words, the provision for capitalising the family benefit has proved too effective and is not matched by the government's commitment to housing expenditure. Not only are fewer people eligible but as the 1979 Loan Survey states: "Although capitalized Family Benefit is counted as part of the deposit, it appears that those eligible to capitalize were not normally able to raise the additional cash to meet the total deposit requirement."[64]

The failure by the government to raise the income limits so as to at least keep pace with the rate of inflation demonstrates a lack of commitment to the scheme. However the numbers capitalising the benefit are still fairly significant. Last financial year, one in five applicants for first homes capitalised the family benefit.[65] The numbers are bound to drop this financial year. Unless adjustments are made the next year or so, the provision for capitalisation will be virtually superfluous.

The drop in the number of family benefits capitalised can in part be related to the fourth trend in government policy — that of extending Corporation loans to couples without children and also to single persons without dependants. On 1 April 1977 these two groups were made eligible for loans for new homes.[66] In 1979 and 1980 a completely open policy has been in force and these groups have been eligible for loans for existing and new housing. This policy has been accompanied by a sharp rise in the number of couples without children and single people without dependants acquiring loans from the Corporation. In the 1979 Loan Survey fifty-seven per cent of the sample were in these categories compared with only twenty-seven per cent the previous year.[67]

The fifth trend is the policy towards encouraging the private sector to play a more dominant role in home finance. The only important Corporation scheme

61 At the end of 1980 (after this paper was written), the Minister of Housing announced an increase in the maximum income limit to $160 per week plus $10 for each additional child. The new limit came into effect on 4 February 1981. The increase indicated a re-commitment by the government to the scheme. However, it should be noted that the $160 figure is still $20 below the maximum income limit for a loan for an existing house. Further, 1981 is an election year — therefore whether the increase indicates a change of heart in the long term, remains to be seen.

62 Supra n.18, 9.

63 Idem.

64 Supra n.35, 24.

65 Supra n.18, 9.

66 Ibid. 8.

67 Supra n.35, 7.

in this respect is the mortgage guarantee policy introduced on 1 April 1977.[68] Through it, private mortgages by approved lenders can be guaranteed up to ninety per cent of the approved value of a property at no cost to either borrower or lender.

V. CONCLUSION

In the writer's view, both the lending policies of the Housing Corporation and the manner in which it operates reflect an essentially pragmatic approach to financial assistance in the purchase of housing. Certainly, the value placed on home ownership in the community is recognised, as are the associated benefits to the building industry although this industry is no longer being given the same kind of priority. But there has been no step towards recognising home ownership as a universal right. Therefore the degree of assistance seems to have been influenced primarily by the amount of money available and not by the achievement of defined social goals. The flexibility of the lending criteria and the relative frequency with which they are adjusted point to a lack of commitment to a fixed policy. Moreover the Corporation prescribes the income limits and other criteria not by reference to the question of whether those earning above those limits can afford to purchase a home without any assistance, but simply to ensure that the Corporation spends no more than the amount allocated.[69] It was suggested that the Corporation and the Minister of Housing exercise an unhealthy degree of discretion which tends to create uncertainty and circumvent public participation in the decision-making process.

The issue of whether the Corporation's assistance can be described as a welfare benefit was discussed in relation to home finance. This particular form of assistance was shown to be aimed principally at the so-called modest income earners i.e. those who have enough resources to meet the Corporation's deposit and outgoings requirements. If a welfare measure is defined in terms of creating greater economic equality,[70] home finance falls outside the definition. It serves rather to reinforce existing inequalities between low income earners and non-earners who cannot meet the Corporation's requirements and those who are able to do so by virtue of their higher economic status. There appears therefore to be a discrepancy between the basis on which assistance is given for the purchase of housing and other areas of social welfare where assistance is given on the basis of need. Although the basis of assistance can possibly be seen as one of reward, it is suggested that a better view is that the Corporation's policy is the result of a pragmatic outlook i.e. the government does not have limitless funds so the line must be drawn somewhere and it is not thought to be overly significant where it is drawn.

It is submitted that this pragmatic approach has two serious defects. First, it fails to take into account the Corporation's role in maintaining the high level

68 *Report of the Housing Corporation* (1979) supra n.5, 12.
69 Interview, Mr Stevenson, supra n.1.
70 Jones "The Rule of Law and the Welfare State" (1958) 58 Columbia L.R. 143, 154.

of home ownership. The Corporation cannot be seen as simply offering a helping hand to a number of unfortunates. Rather, it has played a decisive part in shaping the housing market.[71] In these circumstances the long term implications of the Corporation's policies require careful consideration. This is particularly important at the present time when the heavy subsidisation of home ownership compared with other kinds of tenure such as private rental accommodation, is being brought into question.[72] Secondly, the pragmatic approach has led to housing being considered in isolation from general social welfare policy when the need is for a comprehensive and rational social policy in which housing is but one element.

71 Thorns, op.cit. 11.

72 *Five Yearly Report* supra n.36, 131.