

First Home Owners Grant Victoria

Measurement of the change in regulatory burden resulting from the abolition of some administrative requirements relating to the certification of documents provided in support of grant applications.

Analysis conducted by the State Revenue Office, Victoria
March 2013

Table of Contents

Table of Figures presented in this report	4
Abbreviations used in this report.....	4
Executive Summary	5
Regulatory Change Measurement Certificate.....	6
Introduction.....	7
RCM Scope	7
Victorian Grant Administration Model – Approved Agents.....	9
Grant Eligibility in Victoria	9
Grant Rates	10
Grant Payments	11
Evidence Required in support of a grant application	11
Background to the Changes	13
Mapping the Changes	14
Process prior to 1 January 2012 – Approved Agents	14
Process after 1 January 2012 – Approved Agents	15
Process prior to 1 December 2012 – SRO Lodged Applications.....	16
Process after 1 December 2012 – SRO Applications.....	18
Costs of Implementing the Changes.....	19
Data sources	20
Volume of grant applications.....	20
Individual and Joint Applicant Data.....	21
Segmentation of Tasks	22
Application of the RCM methodology - quantifying administrative savings	26
Results for Approved Agents	27
Results for Authorised Persons.....	27
Results – overall changes	28

Table of Figures presented in this report

Figure 1 - Regulatory Change Measurement Certificate	6
Figure 2 - Contract Date between 1 July 2010 and 30 June 2012	10
Figure 3 – Contract Date between 1 January 2010 and 30 June 2010	10
Figure 4 – Contract Date between 1 October 2009 and 31 December 2009	10
Figure 5 – When is the FHOG payable?	11
Figure 6 – Evidence of Identity for AAs prior to January 2012	14
Figure 7 - Evidence of Transactions for AAs prior to January 2012	15
Figure 8 - Evidence of Transactions for AAs post January 2012.....	16
Figure 9 - Evidence Identity for SRO Applications prior to December 2012.....	17
Figure 10 - Evidence of Transactions for SRO Applications prior to 1 December 2012	18
Figure 11 - Average Annual Grant Volumes	20
Figure 12 – Individual and Joint Applicant Data.....	21
Figure 13 – Task Summary.....	22
Figure 14 – Average Annual Savings by Task.....	26
Figure 15 – Summary of Changes for Approved Agents	27
Figure 16 – Summary of Changes for Authorised Persons	28
Figure 17 – Summary of overall change in regulatory burden.....	28

Abbreviations used in this report

AA	Approved Agent/s
AP	Authorised Person/s
FHOG	First Home Owner Grant
FHOG Act	<i>First Home Owner Grant Act 2000 (Vic)</i>
NFC	National FHOG Committee
NFP	Not for Profit
RCM	Regulatory Change Measurement
RRB	Reducing the Regulatory Burden initiative
SRO	State Revenue Office

Executive Summary

1. In Victoria the first home owner grant (FHOG) is available to first home buyers who meet the eligibility criteria, and payable at varying rates depending on the transaction date, whether the first home buyer is buying a new or established home, building a home, and whether the home is located in metropolitan or regional Victoria.
2. The FHOG Act is administered by the State Revenue Office (SRO). However, 85% of annual applications are processed by Approved Agents under administrative arrangements with the SRO. Grant applications are made either:
 - to an Approved Agent, generally at the same time finance is being arranged, or
 - to the SRO after the transaction has been completed.
3. Approved Agents receive applications in a number of ways – for example, if the agent is a bank the application may come via its own Branch (i.e. bank staff) or via a broker (i.e. non-bank staff). In every case, the application must be accompanied by documentation verifying the transaction.
4. To ensure Approved Agents only authorise grant payments in accordance with the statutory criteria, transactional documentation must be certified as a ‘true and correct’ copy of the original documentation. Certain senior staff employed by Approved Agents can certify documents, as can other persons authorised to do so by the *Evidence Act 2008* from time to time, such as police officers, legal practitioners, pharmacists, etc (Authorised Persons).
5. Where documentation is incorrectly certified, the application and all documentation is returned to the applicant to be recertified and re-submitted so eligibility for the grant can be re-assessed. Consultation indicated approx. 55% of grant applications received for processing by Approved Agents were ‘rejected at first review’ due to defects in the supporting documentation, and were returned to applicants. 80% of those defects related to certification.
6. In response to submissions from Approved Agents and, given transactional documentation is already verified by Approved Agents for their own purposes, in January 2012 Victoria abolished the administrative requirement that transactional documentation must be certified where a grant application is lodged with an Approved Agent.
7. Furthermore, as a result of internal verification enhancements effective from December 2012, the administrative requirement that both identity and transactional documents supporting grant applications lodged directly with the SRO must be certified was abolished. Approximately one third of grant applications received by the SRO are ‘rejected at first review’ and returned to applicants with documentary certification defects.

Regulatory Change Measurement Certificate

8. This report examines the impact of the changes introduced in both January 2012 and December 2012 for Approved Agents and Authorised Persons in Victoria.
9. Applying the Victorian Regulatory Change measurement methodology, the report concludes that abolition of the administrative requirements that copies of identity and transactional documents be certified as 'true and correct' copies has resulted in an average reduction in regulatory burden in the range of **\$1,292,000** per year over 10 years as detailed in the Regulatory Change Measurement Certificate below:

Figure 1 - Regulatory Change Measurement Certificate

Cost categories	Businesses (\$000)	NFP	Government Services	Economic activities of individuals	Total by Cost Categories per annum (\$000)
Administrative Costs	-\$1,292	0	0	0	-\$1,292
Substantive Compliance Costs	0	0	0	0	0
Delay Costs	0	0	0	0	0
TOTAL					-\$1,292

Introduction

10. The FHOG scheme was initially developed by the Federal Government to offset the effect of the GST on home ownership. It was introduced on 1 July 2000 as a national scheme, and is currently funded by states and territories and administered under their own, largely uniform, legislation.
11. When the FHOG was introduced, a National FHOG Committee (NFC) (with representatives from all jurisdictions) was established to oversee implementation of the scheme and maintain general uniformity.
12. The Victorian Government's '*Reducing the Regulatory Burden (RRB)*' initiative requires changes in regulatory burden arising from projects implemented in Victoria after 1 January 2010 to be assessed using the *Regulatory Change Measurement (RCM)* methodology, as updated by the Department of Treasury and Finance (DTF) from time to time.

RCM Scope

13. The RCM Manual (see www.dtf.vic.gov.au) currently states that the following types of regulation, sectors of the public and regulatory costs are within the scope of the Government's RRB initiative:

Step 1 - Types of regulation

- state regulation – directly applicable sections of Acts of Parliament (i.e. all legislation), and all statutory rules under the *Subordinate Legislation Act 1994*; and
- the justice system, including court rules and burdens imposed in court proceedings.

Step 2 - Sectors of the public

- businesses;
- not-for-profit (NFP) organisations and volunteers;
- government services – direct Government service delivery that is comparable to services delivered by the business or NFP sectors, e.g. schools and hospitals;
- economic activities of private individuals - activities that help individuals achieve economic outcomes are called economic (income-generating) activities of individuals, and are within scope. Accordingly, some licences (such as forklift or truck or removalist licence, or special employee licences) and accreditation processes are within scope. Regulatory impacts on recreational activities of citizens (such as recreational fishing licences) are out of scope.

Step 3 - Types of regulatory costs

- administrative costs - often referred to as red tape, these are the costs incurred by regulated entities primarily to demonstrate compliance with a regulation or to allow the government to administer the regulation;
- substantive compliance costs - costs that directly lead to the regulated outcomes being sought. These are often capital and production costs; and
- delay costs - are the expenses and loss of income incurred by a regulated entity through (a) an application delay and/or (b) an approval delay:
 - a. An application delay refers to the time taken by a regulated entity to complete an administrative application requirement (such as an application for a licence, registration or permit) that prevents it from commencing its intended operations;
 - b. An approval delay refers to the average time taken by a regulator to communicate a final decision regarding the administrative application (such as notification, agreement or licence) that prevents the regulated entity from commencing its intended operations. This includes the time taken by the regulated entity for re-work of the application.

14. The changes outlined in this report have been assessed as within scope of the RRB initiative on the basis that:
- Step 1 - processing grant applications requires the application of Victorian legislation, namely the FHOAG Act,
 - Step 2 - business (Approved Agents and Authorised Persons) certify documents and process grant applications in Victoria and are affected by the changes,
 - Step 3 - administrative obligations associated with both certifying documents and processing (or re-processing) grant applications have been altered.
15. Measurement is mandatory for regulatory changes within scope of the RRB. However, the RCM Manual also outlines 3 key principles for agencies to apply when measuring a change:
1. Proportionality of effort
 - a. keep the cost of measurement in mind
 2. Indicative nature of estimates
 - b. not necessarily a statistically robust measure
 3. Transparency of assumptions
 - c. all relevant assumptions to be disclosed
16. Under the RCM model, 'Administrative Cost' is to be calculated by multiplying the 'Price' (tariff x time) by the 'Quantity' (population x annual frequency x compliance rate), utilising the formula **AC = P x Q**.

Victorian Grant Administration Model – Approved Agents

17. Because the majority of grants are applied for when an applicant is seeking finance for the purchase of their first home, and to simplify administration of the grant regime, the SRO implemented an administrative regime whereby 'Approved Agents' are authorised to process grant applications for certain categories of transactions. Authorised Agents access data and process applications in the national grants system (also used by the SRO).
18. A list of Approved Agents is maintained on the SRO website (www.sro.vic.gov.au). At December 2012, approximately 120 Approved Agents existed, including the 4 major banks operating in Victoria (Westpac, Commonwealth, ANZ and the National Australia Bank).
19. SRO data indicates that approximately **85%** of annual Victorian FHOG applications are lodged with, and processed by, an Approved Agent. Of that 85%, SRO data indicates 60% are processed by the 4 major banks. The remaining **15%** of grant applications are processed by the SRO.
20. Consultation confirmed banks receive grant applications for processing both from their own Branches and through an extensive network of loan 'brokers' operating in Victoria.

Grant Eligibility in Victoria

21. To qualify for the grant in Victoria, an applicant must be purchasing a home to use as their principal place of residence. This includes:
 - a. Houses
 - b. Flats
 - c. Units
 - d. Townhouses or apartments, and
 - e. Moveable homes relocated onto land in Victoria owned by the applicant.
22. To be eligible for the grant, an applicant (or all applicants where there are joint applicants) must have entered into one of the following transaction types:
 1. a contract of sale or agreement for the purchase of a new, established, or off the plan home in Victoria; or
 2. a contract to build a home on their land in Victoria; or
 3. in the case of owner builders, commenced construction (laying of foundations) of a home on their land in Victoria.
23. Furthermore, in order to receive the grant an applicant must also be able to demonstrate that:
 1. They/spouse/partner have not received a grant in any State or Territory of Australia.
 2. They/spouse/partner must not have owned residential property, either jointly, separately or with some other person prior to 1 July 2000, in any State or Territory of Australia.
 3. They/ spouse/partner must not have occupied for a continuous period of at least 6 months, a residential property in which any of them acquired a relevant interest on or after 1 July 2000 in any State or Territory of Australia.
 4. They are a natural person (not a company) and at least 18 years of age at the time of settlement or completion of construction.
 5. They (or at least one applicant) are a permanent resident or Australian citizen at the time of settlement or completion of construction of the home.

6. They (or at least one applicant) intend to occupy the home as their principal place of residence for a continuous period of at least 6 months, commencing within 12 months of either settlement or completion of construction.
24. Strict criteria are applied to ensure the grant is only paid to home buyers who are entitled to this benefit under the parameters of the Government's first home buyer assistance policies. The SRO operates a compliance program to ensure conditions of the grant have been met (for example, actual residence in the property). Where conditions of the grant have not been met, or where some other reason for ineligibility is identified (for example, prior property ownership), the grant is recalled and must be repaid to the SRO.

Grant Rates

25. Since July 2000 the Victorian government has made available to first home owners a variety of assistance in the form of grants, bonuses and boosts. The most recent types and amounts are:

Figure 2 - Contract Date between 1 July 2010 and 30 June 2012

Conditions	First Home Owner Grant	First Home Owner Bonus	First Home Owner Regional Bonus	Total
Established homes only	\$7,000#	\$0.00	\$0.00	\$7,000
Newly constructed homes in Metropolitan Victoria	\$7,000#	\$13,000*	\$0.00	\$20,000
Newly constructed homes in Regional Victoria	\$7,000#	\$13,000*	\$6,500*	\$26,500

#For contracts entered after 1 January 2010, to qualify for the Grant, the price of the property or construction of the home must not exceed \$750,000.

*For contracts entered between 1 July 2009 to 30 June 2012, to qualify for the Bonus, the value of the property must not exceed \$600,000.

Figure 3 – Contract Date between 1 January 2010 and 30 June 2010

Conditions	First Home Owner Grant	First Home Owner Bonus	First Home Owner Regional Bonus	Total
Established homes only	\$7,000#	\$2,000*	\$0.00	\$9,000
Newly constructed homes in Metropolitan Victoria	\$7,000#	\$11,000*	\$0.00	\$18,000
Newly constructed homes in Regional Victoria	\$7,000#	\$11,000*	\$4,500*	\$22,500

*For contracts entered between 1 July 2009 to 30 June 2010, the value of the property must not exceed \$600,000.

#For contracts entered after 1 January 2010, the price of the property or construction of the home must not exceed \$750,000.

Figure 4 – Contract Date between 1 October 2009 and 31 December 2009

Conditions	First Home Owner Grant	New First Home Owner Boost	First Home Owner Bonus	First Home Owner Regional Bonus	Total
Established homes only	\$7,000	\$3,500	\$2,000*	\$0	\$12,500

Newly constructed homes in Metropolitan Victoria only	\$7,000	\$7,000	\$11,000*	\$0	\$25,000
Newly constructed homes in Regional Victoria only	\$7,000	\$7,000	\$11,000*	\$4,500*	\$29,500*

*For contracts entered between 1 July 2009 to 30 June 2010, the value of the property must not exceed \$600,000

26. The grant is not means-tested nor restricted by the price of the property for contracts entered into prior to 1 January 2010. For contracts entered into after 1 January 2010, the grant is only payable where the price of the property or construction of the home does not exceed \$750,000 (some exceptions apply, for example where a home is on, or to be built on, primary production land). Both the first home bonus and the first home regional bonus ceased to apply for contracts entered into after 1 July 2012.

Grant Payments

27. When the grant is paid will depend on the circumstances, as follows:

Figure 5 – When is the FHOG payable?

Transaction Type	Applying Through	Payment of the Grant
Purchase of a new, established or off the plan home	Approved Agent	At date of settlement by approved agent.
	SRO	Payment will be made to your nominated account by the SRO within 14 days of lodging your application. An application will only be considered after settlement.
Contract to build	Approved Agent	At date of first progressive payment by approved agent.
	SRO	Payment will be made to your nominated account by the SRO within 14 days of lodging your application. An application will only be considered after issue of the Certificate of Occupancy.
Owner builder	Approved Agent	On receipt of Certificate of Occupancy by approved agent.
	SRO	Payment will be made to your nominated account by the SRO within 14 days of lodging your application. An application will only be considered after issue of the Certificate of Occupancy.
Terms contract	SRO	Payment will be made to your nominated account by the SRO within 14 days of lodging your application. An application will only be considered after providing evidence of possession.

Evidence Required in support of a grant application

28. To assist FHOG applicants, the SRO provides a comprehensive FHOG Lodgement Guide available from its website (www.sro.vic.gov.au).
29. The FHOG Lodgement Guide outlines that, under the FHOG Act, grant applicants are required to provide evidence:
- to establish identity and citizenship or permanent residency, **and**
 - that relates to the transaction in respect of which the grant is sought.

30. Within those categories, the **actual documentary requirements vary depending whether an application is lodged with an Approved Agent or with the SRO, and on the type of transaction being undertaken.** This is partly because the Approved Agents' pre-existing processes to ensure applicants for finance meet their internal identity requirements are recognised, and partly because different types of transactions (for example purchasing or building a home) are evidenced by different types of documentation, and completed in different ways.

Background to the Changes

31. Periodic consultation is undertaken by the National FHOG Committee (in which SRO representatives participate) with the major banks, who indicated that incorrect documentation at different times resulted in as many as **70%** of applications being 'rejected at first review', returned to customers to be recertified, resubmitted, and then re-processed.
32. It was argued that this process imposed a significant administrative burden on applicants and on Approved Agents because, in almost all cases, the Approved Agent would *already be* obtaining extensive details of the transaction which the applicant was seeking finance for. In other words, the actual risk of an Approved Agent paying the grant in relation to an ineligible transaction was very low, yet the extensive administrative obligations imposed on Approved Agents were commensurate with a much higher risk.
33. After ongoing discussions the SRO Victoria, through the National FHOG Committee, recommended that jurisdictions consider abolishing certification requirements for all supporting transactional documentation associated with applications lodged via Approved Agents.
34. Removal of the requirement that transactional documentation be certified, and the consequent reduction in the compliance obligation, was implemented in Victoria from **1 January 2012**. It was anticipated this change would provide significant administrative savings for employees of Approved Agents certifying and re-processing documents as well as for Authorised Persons certifying documents for lodging with an Approved Agent for processing.
35. In addition, following the success of this change as well as the SRO's implementation of new internal verification systems and processes, from **1 December 2012** the SRO removed the requirement that both identity and transactional documents supporting a grant application lodged via the SRO must be certified. The SRO estimates approximately one third of annual applications are 'rejected at first review' and returned to applicants with some form of certification defect. It was therefore anticipated this change would provide further administrative savings for Authorised Persons who, prior to the change, would have had to certify **both** identity and transactional documents for SRO lodged applications.
36. Administrative savings to the SRO as a result of this change (for example, time saved returning defective documents and re-processing amended grant applications) have been assessed as out of scope, and are therefore excluded from this RCM analysis.

Mapping the Changes

37. The RCM Manual requires agencies to ‘map’ processes before and after the change in order to identify what has changed, to understand the drivers of the change, and to be better able to identify costs of the change. The RCM Manual states that mapping should be conducted at the broadest level feasible. In this instance, maps have been presented as tables outlining obligations before and after the changes.

Process prior to 1 January 2012 – Approved Agents

38. As noted earlier, different evidentiary requirements apply depending whether a grant application is made to an Approved Agent or to the SRO. Initially the changes only related to applications made via Approved Agents, so this change has been considered first.
39. To satisfy the **evidence of identity** requirements prior to 1 January 2012, the FHOG Lodgement Guide explains that **every applicant and their spouse /partner** must provide a Category 1 document when lodging with an Approved Agent:

Figure 6 – Evidence of Identity for AAs prior to January 2012

Lodging with an Approved Agent – Proof of Identity		
Category 1	Australian citizen	<ul style="list-style-type: none"> • Australian birth certificate issued by Registry of Births, Deaths and Marriages • Australian passport • Citizenship certificate
	Citizen of another country	<ul style="list-style-type: none"> • Current passport • Evidence of permanent residency or permanent residence visa
	New Zealand citizen	<ul style="list-style-type: none"> • Current passport
	<p>Additional supporting evidence is required if an applicant is:</p> <ul style="list-style-type: none"> • Married - a certified copy of your marriage certificate • Divorced - a certified copy of your divorce certificate • Widowed - a certified copy of the death certificate of your spouse/partner, or • Separated - a statutory declaration with the following information: <ul style="list-style-type: none"> ○ the name of your former spouse/partner ○ former spouse/partner's date of birth ○ the date you were married or commenced your domestic relationship ○ the date you separated ○ your former spouse/partner's current address (if known), and ○ a statement to the effect that you do not live together and have no intention of resuming cohabitation. <p>NOTE: Evidence of change of name is required if the name on any of the documents presented is different to the name of the applicant (e.g. change of name certificate, statutory declaration)</p>	

40. Additional identity checks conducted by the Approved Agent for their own purposes were considered sufficient to support proof of identify and, for this reason, only Category 1 documents were required.

41. To satisfy the evidentiary requirements in relation to the **type of transaction** entered into prior to 1 January 2012, the FHOG Lodgement Guide explains the following:

Figure 7 - Evidence of Transactions for AAs prior to January 2012

Lodging with an Approved Agent – Type of Transaction	
A. Contract to purchase a new home	A certified copy of the exchanged contract of sale, dated and signed by all parties
B. Contract to purchase an established home	A certified copy of the exchanged contract of sale, dated and signed by all parties
C. Contract to purchase an 'off the plan' home	A certified copy of the exchanged contract of sale, dated and signed by all parties
D. Contract to Build a Home	A certified copy of the contract to build signed by all parties
E. Owner Builder	A certified copy of evidence of the date for laying the foundations
	A certified copy of the Certificate of Occupancy

42. A 'certified copy' is explained on the SRO website as:

"a true copy of an original document that has been sighted and certified by an authorised person and noted as follows: **'I certify that I have sighted the original document and this is a true copy of it'**. This certification must have the certifier's name, title, registration number (where applicable) and be signed and dated".

An authorised person includes a legal practitioner, Justice of the Peace (JP), Magistrate, notary public, police officer, dentist, veterinary practitioner, pharmacist, Certified Practising Accountant, Member of Parliament, a Minister of religion, medical practitioner and certain officers of the SRO.

43. Certifying a document as a 'true and correct copy' of an original is a serious legal obligation. The process requires the certifier to examine both the original document and the copy, satisfy themselves that the copy is true and correct, write the notation, sign and date the document, and provide their designation. In most cases, the certifier will also initial every page of the document to confirm it is a true and correct copy and to prevent any subsequent document tampering.
44. Under the SRO's arrangements with Approved Agents, a bank Branch Manager is authorised to certify documents. However, a broker is not authorised in Victoria, so grant applicants using brokers generally utilise the services of an Authorised Person to certify their documentation.

Process after 1 January 2012 – Approved Agents

45. The FHOG Lodgement Guide updated by the SRO after the changes took place confirmed that, under the FHOG Act, applicants are still required to provide evidence:
- to establish identity and citizenship or permanent residency, **and**
 - that relates to the transaction in respect of which the grant is sought.
46. To satisfy the **evidence of identity** requirements after 1 January 2012, the FHOG Lodgement Guide explains that **every applicant and their spouse /partner** must still provide a category 1 document when lodging with an Approved Agent.

47. However, to satisfy the evidentiary requirements in relation to the **types of transaction** that has been entered into after 1 January 2012, the FHOG Lodgement Guide explains the following:

Figure 8 - Evidence of Transactions for AAs post January 2012

Lodging with an Approved Agent – Type of Transaction	
A. Contract to purchase a new home	A copy of the exchanged contract of sale, dated and signed by all parties
B. Contract to purchase an established home	A copy of the exchanged contract of sale, dated and signed by all parties
C. Contract to purchase an 'off the plan' home	A copy of the exchanged contract of sale, dated and signed by all parties
D. Contract to Build a Home	A copy of the contract to build signed by all parties
E. Owner Builder	A copy of evidence of the date for laying the foundations
	A copy of the Certificate of Occupancy

Process prior to 1 December 2012 – SRO Lodged Applications

48. Where a grant application is lodged with the SRO rather than with an Approved Agent, proof of **both** identity and of the transaction must be provided. Furthermore, evidential requirements differ because grant applications to the SRO are generally made after the transaction has been completed, rather than as part of the transaction process.
49. The FHOG Lodgement Guide outlines the following **Proof of Identity Requirements** for applications lodged with the SRO prior to 1 December 2012:

Figure 9 - Evidence Identity for SRO Applications prior to December 2012

Lodging with the SRO - Proof of Identity		
<p>Each applicant and their spouse/partner must provide a document for each of the four categories (four documents per person). A single document cannot be used for more than one category.</p> <p>Do not send original documents. Only send certified copies.</p>		
Category 1	Australian citizen	<ul style="list-style-type: none"> • A certified copy of an Australian birth certificate issued by Registry of Births, Deaths and Marriages • A certified copy of an Australian passport • A certified copy of an Australian Citizenship certificate
	Citizen of another country	<ul style="list-style-type: none"> • A certified copy of a Current passport • A certified copy of Evidence of permanent residency or permanent residence visa
	New Zealand citizen	<ul style="list-style-type: none"> • A certified copy of a Current passport
<p>Details of the proof of identity information submitted in the application and contained in certified copies of the preferred documents attached will be verified with the authorities which issued the original documents.</p>		
Category 2 Link between identity and person (photo and signature)	<p>Provide only one certified copy of the following –</p> <ul style="list-style-type: none"> • Current Australian drivers licence • Current passport • Current firearms licence • Proof of Age card issued by Consumer Affairs 	
Category 3 Evidence that applicant resides in Australia	<p>Provide a certified copy for one of the following –</p> <ul style="list-style-type: none"> • Medicare card • Current motor vehicle registration • Current Centrelink or DVA Card 	
Category 4 Evidence of residential address	<p>Provide a certified copy for one of the following –</p> <ul style="list-style-type: none"> • Utilities document (showing current residential address) • Insurance policy showing current residential address 	
	<p>Additional supporting evidence is required if an applicant is:</p> <ul style="list-style-type: none"> • Married - a certified copy of your marriage certificate • Divorced - a certified copy of your divorce certificate • Widowed - a certified copy of the death certificate of your spouse/partner, or • Separated - a statutory declaration with the following information: <ul style="list-style-type: none"> ○ the name of your former spouse/partner ○ former spouse/partner's date of birth ○ the date you were married or commenced your domestic relationship ○ the date you separated ○ your former spouse/partner's current address (if known), and ○ a statement to the effect that you do not live together and have no intention of resuming cohabitation. <p>NOTE: Evidence of change of name is required if the name on any of the documents presented is different to the name of the applicant (e.g. change of name certificate, statutory declaration).</p>	

50. To satisfy the evidentiary requirements in relation to the **type of transaction** been entered into prior to 1 December 2012, the FHOGLodgement Guide outlines the following:

Figure 10 - Evidence of Transactions for SRO Applications prior to 1 December 2012

Lodging with the SRO - Evidence of Transaction	
A. Contract to purchase a new home from a non-associated party	<p>A certified copy of the exchanged contract of sale, dated and signed by all parties and</p> <p>A copy of the transfer of land form signed by all parties</p>
	<p>Additional evidential requirements apply where the purchase is:</p> <ul style="list-style-type: none"> • from a related or associated person • under a nominee contract • from a deceased estate – related parties and/or beneficiary under a will • from a deceased estate – non-related parties
B. Contract to purchase an established home	A certified copy of the exchanged contract of sale, dated and signed by all parties
C. Contract to purchase an 'off the plan' home	A certified copy of the exchanged contract of sale, dated and signed by all parties
D. Contract to Build a Home	<p>Provide a certified copy of the:</p> <ul style="list-style-type: none"> • contract to build dated and signed by all parties • title search showing the applicant/s as registered proprietor • Certificate of Occupancy
E. Owner Builder	<p>A certified copy of the:</p> <ul style="list-style-type: none"> • evidence of the date for laying the foundations • Certificate of Occupancy • title search showing applicants as registered proprietor • documentary evidence of the building costs incurred from construction of the home. The evidence submitted must total an amount equal to or greater than the grant and must not include your own labour costs.

Process after 1 December 2012 – SRO Applications

51. From 1 December 2012, **none of the identity or transactional documents** listed above as required to support an SRO lodged grant application must be certified as 'true and correct' copies of the original.

Costs of Implementing the Changes

52. Approved Agents and Authorised Persons have not incurred systems or communications costs associated with the changes. The SRO publishes all documentation relating to eligibility for the grant, rates of grant available, details of documentation required to support an application, and the grant application form itself.
53. The SRO re-issued all of its publications relevant to these initial changes from 1 January 2012, and they can all be accessed *at no cost* to applicants or Approved Agents or Authorised Persons from www.sro.vic.gov.au
54. The SRO has also updated its publications to reflect the 1 December 2012 changes.

Data sources

55. The data used in this report has been obtained from:
- the SRO,
 - general consultation undertaken via the National FHOG Committee, of which SRO representatives are members,
 - specific consultation with 2 of the 4 major banks operating in Victoria.

Volume of grant applications

56. Data on the annual number of grant applications is published on the SRO website (www.sro.vic.gov.au). Data on the annual value of all Victorian grant payments is also published on the SRO website, categorised by financial year.¹
57. Grant application volumes have varied considerably over recent years, which may in part reflect both fluctuations in Victorian property market conditions and changes in the levels of financial assistance that has been available to first home buyers by the Victorian Government. Due to this historical annual fluctuation in grant volumes, for the purposes of this RCM an average of grant applications over the last 5 years has been used as the base grant volume, calculated as follows:

Figure 11 - Average Annual Grant Volumes

	Year	Established Home	New Home	Total FHOGs	% Established
1	2007-08	31,472	6,630	38,102	83%
2	2008-09	32,957	9,464	42,421	78%
3	2009-10	26,994	18,438	45,432	59%
4	2010-11	16,943	11,675	28,618	57%
5	2011-12	19,057	10,827	29,884	64%
	TOTAL			184,457	
	AVE FHOG PER YEAR			36,891	
	AVE AA PER YEAR (85%)			31,357	
	AVE SRO PER YEAR			5,534	
	AVE ESTABLISHED % PER YEAR				68%

58. Given the varied documentation requirements for different transaction types, application volumes have been allocated 68% to established homes, and the remaining 32% of applications divided evenly between the 4 new home transaction categories (purchase new established home,

¹ This data is captured at the end of financial year point in time, and the data may subsequently alter as grants are recalled as a result of SRO compliance activity. Of note, data obtained from the National FHOG System administrator (not SRO data) in relation to joint applications has been provided by calendar year, so there is some variation in application numbers.

purchase off the plan home, build new home, and owner builder), even though there may be some actual annual variation across these categories.

Individual and Joint Applicant Data

59. For the 2010, 2011 and 2012 calendar years, data obtained from the National FHOG System administrator shows the following annual Victorian FHOG individual and joint applications:

Figure 12 – Individual and Joint Applicant Data

Applicants	2010	2011	2012	Average	Average % of total
1	16,718	14,109	15,767	15,530	48
2	15,875	15,367	17,885	16,376	51
3	100	116	144	120	0.3
4	30	28	26	28	0.08
5	1		1	1	-
6	2			1	-
7		1		1	-
TOTAL	32,726	29,621	33,823	32,057	

60. This split between individual and joint applicants has been applied in the RCM for the purposes of determining the number of identity documents that must be certified per application.

Segmentation of Tasks

61. For the purposes of the RCM analysis, processes relating to grant applications have been identified and split into following tasks:

Figure 13 – Task Summary

	TASK	DESCRIPTION
1	Certification of transactional documents by Authorised Persons for Approved Agent Applications	Includes a legal practitioner, Justice of the Peace (JP), Magistrate, notary public, police officer, dentist, veterinary practitioner, pharmacist, Certified Practising Accountant, Member of Parliament, a minister of religion, medical practitioner, etc. The Authorised Person is required to certify transactional documentation as a 'true and correct' copy (most commonly where the grant application is made via loan broker).
2	Certification of identity and transactional documents by Authorised Persons for SRO Lodged Applications	Includes a legal practitioner, Justice of the Peace (JP), Magistrate, notary public, police officer, dentist, veterinary practitioner, pharmacist, Certified Practising Accountant, Member of Parliament, a minister of religion, medical practitioner, etc. The Authorised person is required to certify identity and transactional documentation as 'true and correct' copies, including satisfying themselves of the documents, and writing the requisite words, their name, authorisation, date etc.
3	Certification of transactional documents by Approved Agent staff for Approved Agent Applications	Certification of transactional documents as 'true and correct' by the Approved Agent's employee (usually Branch Manager or higher level).
4	Review, reject and return of grant application by Approved Agent	The Approved Agent is unable to process the grant application because of documentary defects. The national FHOG system must be updated and all documentation is returned to the applicant (or broker) with directions on how to remedy the defect.
	Review, reject and return of grant application by SRO	EXCLUDED
5	Re-Certification of identity or transactional documentation by Authorised Person for Approved Agent and SRO Applications	Documents are re-certified, or additional documentation is certified, by the Authorised Person. This involves reviewing the copy against the original, writing the requisite words, signing their name, designation, date, and initialling additional pages.
6	Re-processing of the grant application by the Approved Agent	The documentation has been remedied and the application returned to the Approved Agent who needs to re-review the documentation and then re-process the grant application through the national FHOG system.
	Re-processing of the grant application by the SRO	EXCLUDED

Applied Data Assumptions

62. The 120+ Approved Agents were not individually consulted. Consultation data from bank representatives via the NFC was considered to be indicative of general application processing times and application return rates, given more than 60% of total annual applications processed by Approved Agents in Victoria are processed by the 4 major banks. In addition, 2 of the 4 major banks were consulted individually to verify estimates provided to the NFC.
63. In relation to **Approved Agent lodged applications** (Task 1 and Task 3) the following assumptions have been applied:
- Identity documentation was never required to be certified, and is therefore excluded,
 - With the exception of owner builders, one certified transactional document (contract) must be provided per application (irrespective of the number of applicants),
 - Owner builders must provide 2 transactional documents per application (irrespective of the number of applicants).
64. In relation to **SRO lodged applications** (Task 2) the following assumptions have been applied:
- All identity documentation must be certified by an Authorised Person, and **4** categories of identity documentation must be provided by **every** applicant,
 - 51% of total applications are joint applications requiring **two** applicants to provide certified copies of **all 4** categories of identity documents,
 - 0.3% of applications are joint applications requiring **three** applicants to provide certified copies of **all 4** categories of identity documents
 - One third (**33%**) of applications require one applicant to provide **one additional certified document relating to identity** (e.g. a name change, marriage certificate),
 - Except for builders and owner builders, **one certified transactional document** (contract) must be provided **per application** (irrespective of the number of applicants) **in addition to** identity documents,
 - Applicants building a home must provide 3 certified transactional documents per application in **addition to identity documents**,
 - Owner-builders must provide **3 certified transactional documents** per application in **addition to identity documents, and in addition to certified evidence of costs**.
65. In relation to **certification times**, based on extensive SRO experience in certifying documents across a range of staff (ranging from those who certify regularly and those who certify infrequently) and the formal requirements of certification, it has been estimated that it takes:
- 2** minutes to satisfy oneself a one page identity document is a true copy of an original and complete the certification process,
 - 5-7** minutes (with an average of 6 minutes) to satisfy oneself a purchase or build contract is a true copy of an original and certify the purchase or build contract (given purchase or build contracts may run to 25+ pages, the certification notation has to be written, and each page should then be examined and initialled),
 - For applicants building homes, it takes **1** minute to verify and certify each of the Certificate of Title and Certificate of Occupancy;
 - For owner builders, it takes **1** minute to verify and certify each of the evidence of foundations, Certificate of Title and Certificate of Occupancy;
 - For owner builders it takes **5** minutes (in total) to verify and certify the evidence of costs of construction (these are likely to be evidenced from at least **3** sources which each require individual certification).

66. The above estimates reflect the fact that an Approved Agent's representative (like the majority of SRO staff) is familiar with the types of commercial documents being certified, is familiar with the certification process and complies with the legal requirements of that process. Where documents are certified by Authorised Persons, **an additional minute** has been added to the transactional documentation category to reflect the fact that an Authorised Person (such as a pharmacist) will generally not be as familiar with property purchase documentation as an Approved Agent and the process may take slightly longer.
67. In relation to **rejection rates**, consultation with Bank 1 indicated as many **70%** of applications are 'rejected at first review' and returned to applicants due to documentation defects, predominantly relating to certification. Consultation with Bank 2 estimated that around **40%** of applications were 'rejected at first review'. This RCM therefore applies the average between the two and assumes **55%** of Approved Agent applications are rejected at first review. Consultation with both Bank 1 and Bank 2 estimated approximately **80%** of those applications are rejected for reasons related to certification.
68. Actual SRO data shows that **one third** of SRO lodged applications are 'rejected at first review' and returned to applicants for reasons relating to certification. This figure has been applied in the RCM to SRO lodged applications.
69. In the absence of specific data, it has been assumed that approximately 50% of certification is done by Authorised Persons and 50% by Approved Agents' staff.
70. In relation to **processing and rejection times**, both the SRO and Approved Agents use the national FHOG System to process grant applications, so it is assumed times will be similar. Based on SRO experience in undertaking grant processing, **15** minutes has been allowed as the time to 'process' a 'rejected' application in the National FHOG System, including making system updates, packaging the documents to return to the applicant, drafting a letter advising the applicant what actions need to be taken, returning the documentation (by post, or leaving for collection by the applicant or their representative etc). When applications are 'rejected', the **entire application and all supporting documentation is returned**, not simply the defective documentation.
71. In relation to **'re-review and re-processing' time**, the entire application has been returned and requires re-processing. Bank 1 and Bank 2 both estimated that approximately **15** minutes 'application review time' is required to re-review and re-process returned grant applications and documentation. SRO experience is that it takes **between 15-20** minutes to complete this re-processing function depending on the original defect, staff expertise, and the level of data entry and re-processing required. Therefore, an average of **17** minutes has been allocated to this task in the RCM.
72. In relation **remedial certification**, **50%** of the original time has been allocated, given the wide variance in documentation (for example, it could be a 1 page Certificate of Title, or a 25+ page building contract), and the range of people authorised to undertake certification.
73. In relation to **wage costs**, Appendix C of the RCM Manual allows agencies, in the absence of relevant specific wage data (such as actual wage details of Approved Agent employees processing grants) to use Australian Bureau of Statistics data. Recent ABS data indicates that, in 2012, an average wage cost of a full time adult employee to an employer in Victoria across the private and public sector is \$70 per hour. This includes salary and on-costs.

74. Because Bank Managers and Authorised Persons are professional staff and therefore likely to be paid above average wages, a rate of **\$80** per hour has been applied to certification related tasks, and the rate of **\$70** per hour has been applied to processing tasks.
75. For the purposes of **estimating costs over the 10 years**, it has been assumed that some form of FHOG will be available for the **next 10 years**, that removing the requirement to certify identity and transactional documents is permanent, and that approx. **85%** of FHOG applications continue to be processed by Approved Agents.
76. A wage rate growth factor of **3.1%** has been applied for the purposes predicting savings over future years. This figure is the average of the 4 year VPS employee salary increases scheduled in Clause 24 of the Victorian Public Service Workplace Determination 2012 (3.25% in July 2012, 2.75% across 2013, 3.25% across 2014 and 3.25% through to July 2015). It is assumed a similar level of increase would, at a minimum, also occur in the non-government sector.
77. An annual increase in volumes of FHOG applications of **4%** has been applied, capped at year 5. Given historical variances in volumes of applications, which is partly a result of market fluctuations, levels of available financing (reflecting changing interest rates and other factors in the financial sector) and changes to the levels of assistance offered by the government, 4% has been applied because it is the growth rate between the two most recent years of actual data. It is assumed the most recent growth rate is most likely to reflect future behaviours given the first home buyer bonus and first home buyer boost have now been removed, and the FHOG has now been capped to purchases / builds under \$750,000.

Application of the RCM methodology - quantifying administrative savings

78. It is acknowledged that savings to the SRO are also generated by the changes, because the SRO no longer needs to 'reject and return' applications and subsequently 'reprocess' them. However, quantification of these savings has been excluded because they have been assessed as outside of scope, in accordance with the RCM Manual.
79. Applying the RCM methodology to the data, the administrative saving resulting from removing the requirement that identity and transactional documents supporting grant applications must be certified as 'true and correct' has been calculated to be an **average of \$1,292,000 per year over 10 years as follows:**

Figure 14 – Average Annual Savings by Task

	Task 1 (\$)	Task 2 (\$)	Task 3 (\$)	Task 4 (\$)	Task 5 (\$)	Task 6 (\$)	TOTALS (\$)
Year 1	137,972	147,594	118,740	241,452	72,909	273,645	992,311
2	147,941	158,257	127,319	258,896	78,177	293,416	1,064,006
3	158,629	169,691	136,517	277,601	83,825	314,615	1,140,879
4	170,088	181,949	146,379	297,655	89,880	337,342	1,223,294
5	182,376	195,094	156,954	319,158	96,373	361,712	1,311,667
6	188,030	201,141	161,819	329,052	99,361	372,925	1,352,328
7	193,859	207,377	166,836	339,252	102,441	384,486	1,394,251
8	199,868	213,805	172,008	349,769	105,617	396,405	1,437,472
9	206,064	220,433	177,340	360,612	108,891	408,694	1,482,034
10	212,452	227,267	182,838	371,791	112,266	421,363	1,527,977
TOTAL	1,797,279	1,922,608	1,546,749	3,145,239	949,739	3,564,604	12,926,219
AVE	179,728	192,261	154,675	314,524	94,974	356,460	1,292,622

Results for Approved Agents

80. Removing the requirement for supporting documentation to be ‘certified as a true and correct copy’ of the original document where a FHOG application is processed by an Approved Agent means the Approved Agent no longer has to complete the following tasks:
- (i) certify transactional documents as true and correct, and
 - (ii) return defective applications to applicants (or brokers), and
 - (iii) re-process applications where they are returned to the Approved Agent.
81. It is estimated that this change will provide the following savings to Approved Agents:

Figure 15 – Summary of Changes for Approved Agents

	Task by Approved Agent	\$ Average Annual Cost (000)
1	Certify transactional documents (Task 3)	- 155
2	Reject and return FHOG application (and all documentation) (Task 4)	- 314
3	Re-process FHOG application (Task 6)	- 356
		- 825

82. As noted earlier, there are no systems changes or communication costs offset against these saving, on the basis that all systems costs are met by the SRO and all FHOG guidance material and information is available free of charge from the SRO.

Results for Authorised Persons

83. Removing the requirement for transactional documentation to be ‘certified as a true and correct copy’ of the original document where a FHOG application is processed by an Approved Agent means that Authorised Persons no longer have to certify these documents.
84. Additionally, removing the requirement for both identity and transactional documentation to be ‘certified as a true and correct copy’ of the original document where FHOG applications are lodged with the SRO means Authorised Persons no longer have to certify these documents.
85. Additionally, Authorised Persons will no longer have to be approached again by an applicant to re-certify a document, certify an additional document, or remedy a certification defect.
86. It is estimated that these changes will provide the following savings to Authorised Persons:

Figure 16 – Summary of Changes for Authorised Persons

	Task by Authorised Person	\$ Average Annual Cost (000)
1	Certify transactional documents for AA lodgement (Task 1)	- 180
2	Certify identity and transactional documents for SRO lodgement (Task 2)	- 192
3	Remedy certification documentation for AA and SRO lodgement (Task 5)	- 95
		- 467

87. There are no systems changes or communication costs offset against these saving, on the basis that all systems costs are met by the SRO and all FHOG guidance material and information is available free of charge from the SRO.

Results – overall changes

88. Overall changes in regulatory burden as a result of these changes re estimated as follows per annum:

Figure 17 – Summary of overall change in regulatory burden

	Business	\$ Average Annual Cost (000)
1	Approved Agents	- 825
2	Authorised Persons	- 467
		- 1,292