

# **Experiences of debt among Housing New Zealand tenants and applicants**

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## **Insights from the Housing Pathways Longitudinal Study**

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# 1. Executive summary

## 1.1. Purpose

- 1 This report describes the findings from the Housing Pathways Longitudinal Study on tenant and applicant experiences with debt. The findings are intended to assist Housing New Zealand to better understand:
  - why tenants and applicants get into debt
  - the factors that help and hinder the prevention and management of debt
  - the characteristics of tenants and applicants who get into debt and do not manage debt well
  - the ways in which Housing New Zealand could better assist tenants to avoid or manage debt.

## 1.2. Background

- 2 Tenant debt to Housing New Zealand has risen since 2009, with an increase in the proportion of tenants in debt and the average amount of debt. In response, a debt work programme was implemented, including several initiatives to reduce debt.
- 3 This report describes qualitative insights into tenants' and applicants' experiences of debt, using Housing Pathways Longitudinal Study data from interviews in three locations (Porirua, South Auckland, and Christchurch), across two waves of interviews (2009/10 and 2012/13). A total of 269 tenants and applicants were interviewed at Wave One, and 263 at Wave Two (including second interviews with 161 of the Wave One participants). This report uses some data from Wave One interviews, but focuses primarily on Wave Two. Participants from South Auckland are more heavily represented, as they were asked specific questions about debt.

## 1.3. Impact of debt on tenants and applicants

- 4 Tenants and applicants described their experiences with different types of debt, including debt to Housing New Zealand, debt to utility providers, debt for fines, debt to mainstream financial institutions, debt to 'fringe lenders', credit card debt, hire purchase debt, and student loan debt. Around a quarter of the South Auckland participants had no debt at the time of the interview.
- 5 While some tenants and applicants were unconcerned about their debt, others described negative impacts, including:
  - being unable to secure a rental property in the private market
  - struggling to afford basic living expenses
  - being unable to meet the costs of tertiary study and giving up that study
  - debt forming a barrier to the achievement of home ownership aspirations.
- 6 Debt had a worse impact if repayment rates relative to income were high, and if there was an effect on a tenant or applicant's credit rating. Debt to Housing New Zealand, student loans, and fines tended to be low impact, due to reasonable repayment rates and a minimal impact on credit ratings, while debt to 'fringe lenders' and some finance companies tended to be problematic due to the length of the repayment term and high repayment rates. The impact of credit card and hire

purchase debt varied, but higher debts tended to have a significant negative impact, while smaller debts were manageable. Insolvency and debt that had been referred to collection agencies had the additional impact of negatively affecting tenants' and applicants' credit ratings, but some described a positive impact of insolvency, where it had forced creditors to make arrangements, and had provided a mechanism to repay debts and make a fresh start.

#### **1.4. Tenant and applicant circumstances**

- 7 Some aspects of circumstances make a difference to how likely tenants and applicants are to get into debt, and how effectively they are able to manage their debt. Housing New Zealand can consider circumstances as potential leverage points for addressing tenant debt, possibly through:
- identification of tenants and applicants whose circumstances make them more likely to have problems with debt, and provision of appropriate support to them.
  - development of ways of mitigating the effects of circumstances, or encouraging circumstances associated with debt avoidance and management.
- 8 The following tenant and applicant circumstances were identified as factors that can affect tenants' and applicants' likelihoods of getting into and managing debt.
- The ratio of income to expenses can be low, leaving little room for error and raising the likelihood of debt.
  - Unexpected expenses can shock the household budget and create debt.
  - Children can be expensive and unpredictable, and their needs can be prioritised over other expenses, raising the likelihood of debt.
  - Some families and communities can place demands on tenants and applicants to provide support. Borrowing to help family and community can be a source of debt. Immigrants and Pacific Island tenants and applicants can be more exposed to those obligations.
  - Having access to support from family, community groups, social welfare, or workplaces can help tenants and applicants in times of need, assisting them to avoid or manage debt.
  - Access to budget advice and advocacy services can help with the management of debt and household finances.
  - Changes in circumstances can influence debt by decreasing income, increasing IRR, causing a gap in income, changing the income source, or creating confusion over how rent is paid. Relevant changes include: getting or losing a job, changing working hours and income, illness, starting or stopping tertiary study, entering or leaving a relationship, and changing who pays the rent.

#### **1.5. Tenant and applicant attitudes and practices**

- 9 Some personal attitudes and practices are associated with differences in tenants' and applicants' likelihoods of getting into debt and being able to manage debt. Housing New Zealand could consider assistance to tenants to develop attitudes and practices that help them to avoid and successfully manage debt.
- 10 The following attitudes and practices were identified as factors that can affect tenants' and applicants' likelihoods of getting into and managing debt.

- Tenants may or may not prioritise Housing New Zealand expenses over other expenses, although most said that they did. Debt to Housing New Zealand sometimes occurred when tenants prioritised other expenses over rent.
- Financial literacy and an aversion to, or comfort with, debt can influence willingness to get into debt. Higher financial literacy and an aversion to debt can provide the motivation and know-how to avoid and manage debt.
- Effective management of tight household finances can help with the prevention and management of debt. Strategies that tenants and applicants used included: levelling a variable income, levelling expenses or prepaying or putting money aside for future expenses, stockpiling food, finding cheap deals, rationing or going without, paying detailed attention to budgeting, and reducing budgeting effort using Assignment of Benefits (AOBs)<sup>1</sup> or automatic payments.
- Literacy with Housing New Zealand processes can influence tenants' likelihoods of getting into debt to Housing New Zealand. Confusion about processes sometimes caused debt.

## 1.6. Housing New Zealand policies and processes

- 11 Some Housing New Zealand policies and processes have assisted tenants to avoid and manage debt, while others have caused difficulties. A number of the difficulties that were described related to some quite recent changes to processes, and many of those issues have been, or are being addressed by Housing New Zealand's debt work programme. Housing New Zealand processes directly influence tenant debt, and can be considered to be key leverage points for addressing that debt.
- 12 The following Housing New Zealand policies and processes have influenced tenant debt.
- AOBs appear to be highly effective in preventing rent debt and maintaining debt repayment arrangements. AOBs are popular with the tenants who use them, and they are associated with more reliable rent payments and debt repayments.
  - Fast follow-up on rent arrears helps to prevent tenant debt mounting up to unmanageable levels, while slow follow-up has in some cases contributed to large debts building up over time, without the tenant being aware of it.
  - The speed of processing of IRR changes of circumstances information affects rent and IRR debt. In some cases, the tenant has waited weeks or months for their new assessment, and then been charged a large backdated rent increase which they had not anticipated and struggled to repay.
  - The clarity of requirements on tenants, relating to damages and property vacation, may affect tenant debt. A number of tenants were unclear on their obligations, and thought that they had been unfairly charged for damages.
  - Debt repayment arrangements can be more easily kept when the level of repayment takes into account tenants' circumstances. Most Housing New Zealand arrangements have been achievable, but there are a few exceptions.
  - A number of tenants raised issues with communicating with Housing New Zealand about their debt and IRR reviews. Effective and responsive communication is needed to help tenants understand and resolve debt.

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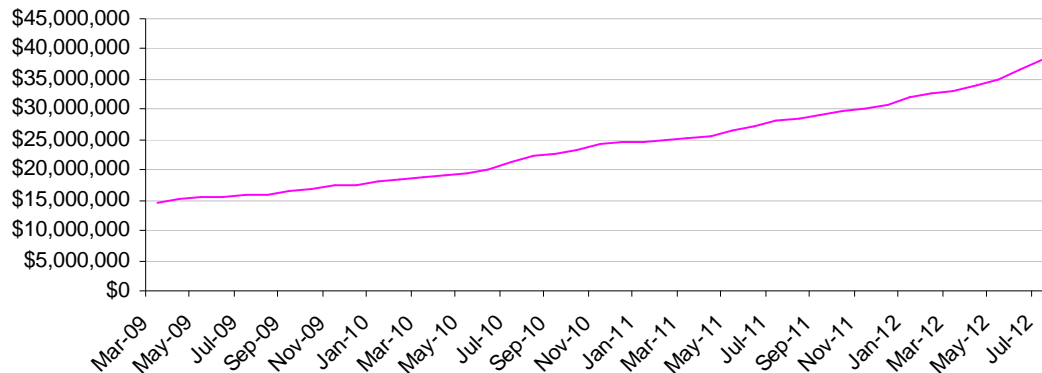
<sup>1</sup> Where a tenant's rent payments (and where applicable, debt repayments) are withdrawn directly from their benefit or superannuation, and the tenant receives the remainder in-hand.

## 2. Introduction

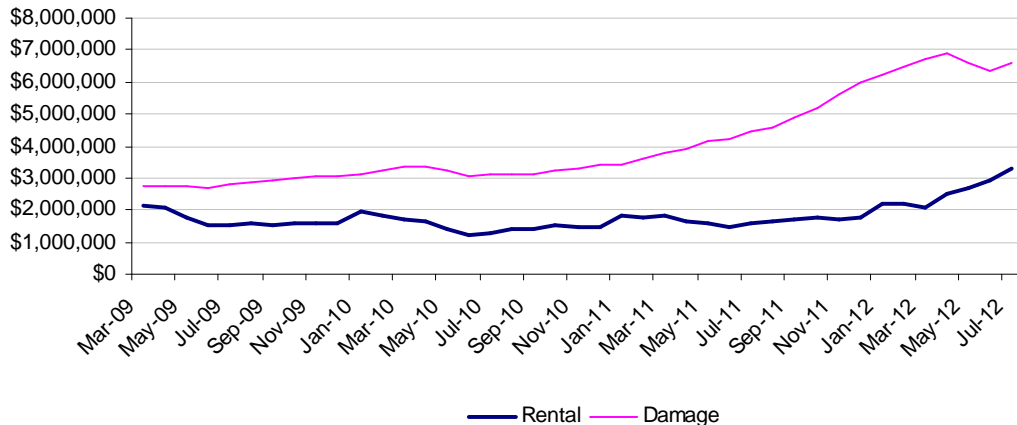
13 The purpose of this report is to describe the impact of debt on a sample of Housing New Zealand tenants and applicants, and the factors that contribute to debt.

### 2.1. Debt to Housing New Zealand

14 Housing New Zealand has found that there has been an increase in the amount of tenant debt since 2009 (Figures 1 and 2), with an increase in both the number of tenants in debt, and the average amount owed by tenants who are debt.<sup>2</sup>



**Figure 1** Growth in IRR debt between March 2009 and July 2012. Source: Housing New Zealand (2012)



**Figure 2** Growth in rental and damage debt between March 2009 and July 2012. Source: Housing New Zealand (2012)

15 There are three main components of debt to Housing New Zealand.<sup>3</sup>

- Income related rent debt (IRR debt): the difference between the IRR that the tenant paid, and the actual IRR that they would have been charged if they had provided change of circumstances information to HNZC promptly. Tenants are expected to pay back the rent that they should have been charged.

<sup>2</sup> Housing New Zealand (2012) Detailed Analytics on Composition of the Debt Book, Appendix A, Housing New Zealand Board paper, 15 November, 2012.

<sup>3</sup> Excluding unpaid bond debt, which comprises only a very small proportion of the debt balance.

- Rent debt: unpaid rent.
- Damage debt: unpaid damages costs that have been charged to tenants.

For all types, debt can be current (owed by current tenants), or vacated (owed by former tenants). Vacated debt is more challenging to recover.

- 16 Several changes in Housing New Zealand policies and processes are thought to have contributed to the increase, including the following.
- Changes in Housing New Zealand's debt-related processes and responsibilities, with the rate of debt collection declining in 2011 and 2012.
  - Changes over time in policies on forgiving rent debt that results from tenants not completing their IRR forms and then being charged (but not paying) market rent.
  - Changes in practices in assessing the liability for damage debt when tenants vacate their properties. In the past, Housing New Zealand regularly absorbed the tenant's liability for damages within maintenance expenditure.
  - A growth in fraud investigations, resulting in higher rates of detection of IRR fraud. This debt is mostly vacated debt, because tenants are usually issued with a 90 day notice when fraud is established.
- 17 In response, Housing New Zealand put in place a debt work programme comprised of:
- an immediate tactical response that aimed to reduce rent debt to 7% of the monthly rental income by June 30, 2013
  - a medium term work programme that has been addressing identified issues with Income Related Rent (IRR) processes, repayment arrangements, and debt collection
  - a longer term optimisation workstream that is linked to the wider goal of recalibrating the service delivery model, and that will include a focus on prevention of tenant debt and identification of at-risk tenants.

## 2.2. Debt research

- 18 To inform the debt work programme, a request was made to the Customer Intelligence, Research and Forecasting team (CIRF), for information that could inform Housing New Zealand's understanding of:
- why tenants get into debt
  - the factors that help and hinder the prevention and the management of tenant debt
  - the characteristics of customers who fall into and do not manage debt, and who could benefit from appropriate tailored services
  - how Housing New Zealand could help tenants to avoid and manage debt.
- 19 CIRF is addressing this request using two approaches, as follows.
- Customer segmentation to identify customer characteristics associated with debt. A preliminary segmentation has been completed as a demonstration of concept, and this work may progress to a larger scale in the future.



- Analysis of data from the Housing Pathways Longitudinal Study to provide in-depth qualitative insights into tenants' and applicants' experiences of debt.
- 20 This document describes the debt-related findings from the Housing Pathways Longitudinal Study, and refers to the customer segmentation where relevant.

### 2.3. The Housing Pathways Longitudinal Study

- 21 The Housing Pathways Longitudinal Study is a Housing New Zealand research programme that establishes an evidence base about how housing pathways and life circumstances influence outcomes for Housing New Zealand applicants and tenants. It is described in more detail in Appendix A.
- 22 Data for the study is collected in three waves of interviews, over the course of six years. The first wave was in 2009-10, and the second wave was in 2012/13. At each wave, a sample of tenants and applicants in three locations (Porirua, South Auckland, and Christchurch) are interviewed.

#### Use of the Longitudinal Study in the debt research

- 23 This research uses Housing Pathways Longitudinal Study data to provide in-depth qualitative insights into Housing New Zealand tenants' and applicants' experiences of debt, focusing on:
- the characteristics of tenant and applicant debt
  - the impacts of debt on tenants and applicants
  - tenant and applicant circumstances that affect their likelihood of getting into debt and their abilities to manage debt
  - tenant and applicant attitudes and practices that affect their likelihood of getting into debt and their abilities to manage debt
  - the role that Housing New Zealand has played in preventing or contributing to debt.
- 24 The research methodology and characteristics of the sample of tenants and applicants are described in Appendix B.
- 25 Verbatim extracts from the interviews are interspersed throughout the report, and biographical details are provided at the end of each quotation, as follows: household composition, age, ethnicity, and length of tenure in the Housing New Zealand property or application status for those who had not been tenants. Household composition is indicated using the prefixes and suffixes in Table 1.

**Table 1** Shorthand for describing household composition

Prefix	Definition	Suffix	Definition
Sole	Sole adult	wC	With child/ren
Coup	Couple	wGC	With grandchild/ren
MultiA	Primary tenant shares the house with at least one other adult who is not their partner, child, or parent	wGGC	With great-grandchild/ren
		wAC	With adult child/ren (18 or over)
		wE	With elder/s

## 3. Findings

### 3.1. Debt characteristics

26 A preliminary customer segmentation has been developed, which analyses Housing New Zealand tenant debt by tenant characteristics, including income source and amount, age and household composition.<sup>4</sup> This data is shown in Appendix C. The main findings are as follows.

- Rent debt tends to be more prevalent among under 55 year olds, and among tenants with children in their households. Tenants who do not receive wages or salary (their income is solely from a benefit) are less likely to have rent debt than tenants who earn a salary. Among 18-54 year olds who receive a salary, rent debt appears to decrease as income increases.
- IRR debt does not appear to have the relationship with age that rent debt has, but there is a marked difference associated with income source. Tenants who earn wages or salary are more likely to have IRR debt than tenants whose income is solely from a benefit. Tenants on higher salaries are also more likely to have IRR debt. There may be a relationship between household composition and IRR debt; households headed by a couple are more likely to have IRR debt.
- Damage debt is more prevalent among under 55 year olds, and among tenants with children in their households. Unlike rent debt and IRR debt, there is no clear association between income source and damage debt.

27 Debt to Housing New Zealand among Wave Two Housing Pathways Longitudinal Study participants also showed some associations with income source, age, and household composition. Data is shown in Appendix D.

- Just over a quarter (27 percent) of tenant participants had debt to Housing New Zealand at the time of their Wave Two interviews. Most of the debt was rent debt (13 percent) and damages debt (13 percent). A few participants had IRR debt (4 percent) or written off debt (1 percent). None had bond debt (Table 12, Appendix D).
- Among the tenant participants who had debt, the average amount of debt was \$544. For rent debt the average was \$366, for damage debt, \$478, and for IRR debt \$894. These averages are skewed upwards by a few tenants who had high levels of debt (Table 13, Appendix D).
- Similar to what was found in the segmentation, tenant participants with children in their households were more likely to have rent or damages debt, but not more likely to have IRR debt (Table 14, Appendix D).
- Age appeared to be associated with debt: only 4 percent tenant participants 65 years and older were in debt, while 22 percent of 51-64 year olds had debt, and 30-36 percent of younger tenants were in debt (Table 15, Appendix D).
- There appears to be a relationship between ethnicity and debt, with 40 percent of tenant participants who identified as Pacific peoples in debt, compared to 16 percent for NZ European/Pākehā, and 30 percent for Māori. When the presence or absence of children in the household is taken into account, the difference between Pacific peoples and other ethnicities is still present, with 43 percent of

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<sup>4</sup> Findlay, I. (2013) Tenant Housing Needs Segmentation Framework – Current debt as at 31 July 2012. Prepared for Housing New Zealand Corporation, 25 June, 2013

Pacific households with children in debt, as compared to 26-30 percent for Māori and NZ European/Pākehā households with children (Table 16, Appendix D). The reason for this difference is unknown, but it might be related to the number of children in the household (with Pacific households tending to have more children), or to language and culture. English as a second language, and cultural differences, were identified by the expert panel on the Wave Two South Auckland interviews as barriers to understanding Housing New Zealand processes.<sup>5</sup> Other studies have also highlighted issues with debt among Pacific peoples, and have proposed several exacerbating factors, including aggressive targeting of Pacific communities by fringe lenders, high levels of deprivation, a need to borrow to meet cultural and social obligations, an unwillingness to question or complain about debt terms and conditions, and a need for consumer education about debt.<sup>6</sup>

- With only 11 participants paying Market Rent, it was not possible to detect an association between rent type and participant debt. But analysis did show that there was debt among market renters and among tenants receiving an IRR subsidy (data not shown).
- In line with the segmentation results, income source appears to have an association with debt among study participants, with a greater prevalence of debt among tenants who received wages or salary (Tables 17 and 18, Appendix D). Notably, none of the tenants who received NZ Superannuation as their main income source had any debt to Housing New Zealand, consistent with the finding that participants 65 years and older had a lower prevalence of debt (Table 15, Appendix D). Case studies and the findings from the analysis of interview responses have shed some light on the factors underlying this association between income source and debt (sections 3.3.1.5 and 3.3.3.1).
- To test the theory that some of the participants who opted out of the study or could not be found at Wave Two might be tenants or ex-tenants who did not wish to speak with us because of debt issues, the debt characteristics of tenant and previous tenant interviewees at Wave Two were compared with those of tenant and previous tenant participants who were not interviewed at Wave Two. There was no clear association between being interviewed and the likelihood of having debt, but there was a difference in the average amount of debt per tenant and previous tenant. The average amount of debt for non-interviewed tenants and previous tenants was five times that for interviewed tenants and previous tenants (data not shown). This was skewed upwards by some very high debts among a few tenants and previous tenants who opted out of the study, moved away, or were unable to be contacted at Wave Two.

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<sup>5</sup> Smith, L., Laing, P., and Knox, A. (2013) Housing Pathways Longitudinal Study: initial insights from Wave Two research undertaken in South Auckland. Prepared for Housing New Zealand Corporation, May 2013.

<sup>6</sup> Anae, M., Coxon, E., Lima, I., Atiga, L., and Tolley, H. (2007) Pacific consumers' behaviour and experience in credit markets, with particular reference to the 'fringe lending' market. Auckland Uniservices Limited. Prepared for the Ministry of Consumer Affairs, July 2007.

Signal, L., Lanumata, T., Bowers, S. (2012) Punching loan sharks on the nose: effective interventions to reduce financial hardship in New Zealand. Health Promotion Journal of Australia 23(2): 108-111

### 3.2. Impact of debt on tenants and applicants

28 Tenants and applicants described their experiences with a number of different types of debt, including:

- debt to Housing New Zealand for rent arrears or damages
- debt to utility providers
- debt for court fines
- debt to mainstream financial institutions such as banks, finance companies, building societies or credit unions
- debt to 'fringe lenders', including cash loan companies
- credit card debt
- hire purchase debt
- student loan debt.

29 Car loans were fairly common, reflecting the high cost of purchasing a car, and the necessity of access to transport for work, education, or medical care. One tenant said: *we had issues with our vehicle so we knew that was our main priority especially taking my husband to work and everything else.* (CoupwC, 41-50 years, Māori, tenancy length 2 - 10 years)

30 Some tenants and applicants described debt that was being collected by Baycorp, and a small number said that they were, or had been, insolvent.

31 Among the 79 South Auckland participants who were asked specifically about their debt, just over a quarter said that they were not in any debt to Housing New Zealand or other agencies, with no outstanding bills, loans, or hire purchases.

32 Some tenants and applicants described the impacts of debt on their households, including the following experiences.

- Due to the financial strain and in some cases, a bad credit rating, some had been unable to secure a rental property on the private market (a factor precipitating their entry to Housing New Zealand), while others talked about how they would like to rent a property privately, but could not currently consider it. One exited applicant who was living in cheap, but very poor condition housing said: *Once my bills are all paid I'm going to go back and get me another house. ... like a private rental ... Otherwise it's, I would just be right back where I started like broke as a joke. But I'm getting there.* (SolewEwC, 18-30 years, Māori, exited applicant)
- Many tenants and applicants talked about their aspirations to buy a home, but said that debt was a barrier to obtaining and being able to service a mortgage.
- Some tenants and applicants struggled with basic expenses as they had very little money left over after their debt repayments.
- One tenant described how debt was preventing her from studying:

*I can't study until I'm debt free really 'cause ... they wanted me to take time off work to go up to Auckland and stuff for seminars and I just, I can't afford that at this moment. ... I just want to be able to get all my debts out the way and then*

*maybe go and study full time. (SolewC, 31-40 years, European, tenancy length <2 years)*

- One tenant said that stress about her debt to Housing New Zealand had been a contributor to her decision to move out of her Housing New Zealand property. However, it had not been the main reason for her decision, and she would probably have moved out for other reasons anyway. This tenant's debt was later forgiven as it had been due to slow processing of her IRR review. Some of the previous tenants who we could not contact at Wave Two had high debts to Housing New Zealand, and we cannot exclude the possibility that their debt was related to their exit.
- Some seemed unconcerned about their debt, mentioning it almost as an afterthought. Different types and amounts of debt had different impacts, and were related to tenants' and applicants' concern or lack of concern about their debts. One conversation went as follows.

**Researcher:**

*So at the moment you've got no outstanding debts or loans, or anything?*

**Participant**

*No.*

**Researcher**

*That's good, actually that's quite common we've found a lot of...*

**Participant**

*Oh actually I think I've got a student loan outstanding from about five years ago.*

*(SolewACwGC, 51-64 years, European, exited applicant)*

33 Repayment rates relative to income, and credit rating effects were the two main factors that were associated with differences in the impact of the debt on tenants and applicants. This related to debt type in the following ways.

- Debt to Housing New Zealand, student loans, and fines tended to be seen as low impact, due to their reasonable repayment rates, and low or no impact on credit ratings. There were two exceptions to this, where tenants had been ordered to repay debt to Housing New Zealand at a rate of \$100/week. In both cases this had caused significant hardship (see section 3.3.3.5).
- Debt to fringe lenders and some finance companies tended to be problematic due to the length of the repayment term and the high repayment rates. The impact of credit card and hire purchase debt varied, with some tenants and applicants saying that they were managing this debt well, and others describing their struggle to pay. The differences in experience were often related to the level of debt. Debts of several thousand dollars had a significant impact, while smaller debts were manageable.
- Insolvency and debt referred to a collection agency had the additional impact of negatively affecting tenants' and applicants' credit ratings. However, tenants and applicants who had been insolvent also talked about the positive side of the experience. Their insolvency had forced their creditors to make arrangements, and had provided them with a mechanism to pay off their debts and make a fresh start. Two examples were:

*I went under solvency two years ago, I was twelve and a half, thirteen and a half thousand dollars in debt, so I went under solvency, cleared myself completely away, no debts at all, I'm debt free. (Coup, 51-64 years, European, tenancy length 2 - 10 years)*

*[O]nce these finish then I've gotta go to MoneyShop and pay them. And then, but they can't touch me at all because of that bankruptcy. (SolewC, 31-40 years, Māori, tenancy length 2 - 10 years)*

### **3.3. Factors that contribute to tenant and applicant debt**

34 The factors that contribute to tenant and applicant debt have been categorised into three main themes, as follows.

- *Tenant and applicant circumstances*: household circumstances that make a difference to how likely tenants and applicants are to get into debt, and how effectively they are able to manage the debt that they have. While the impacts of circumstances are moderated by attitudes and behaviours, all have some element of being outside of their control.
- *Tenant and applicant attitudes and practices*: attitudes and practices that are associated with differences in tenants' and applicants' likelihoods of getting into debt and successfully managing debt. Attitudes and practices are affected by circumstances, but also influence the likelihood that circumstances will lead to debt.
- *Housing New Zealand policies and practices*: policies and processes that directly influence tenant debt with Housing New Zealand.

35 Figure 3 illustrates these themes, and the following sections of this report describe these factors in more detail.

Figure 3 Factors that influence tenants' and applicants' abilities to avoid and manage debt



### 3.3.1. Tenant and applicant circumstances

- 36 This section describes household circumstances that make a difference to how likely tenants and applicants are to get into debt, and how effectively they are able to manage the debt that they have. The impacts of the circumstances are moderated by tenant and applicant attitudes and behaviours, as described in section 3.3.2, but all have some element of being outside of the control of the tenant or applicant.
- 37 Housing New Zealand can consider these circumstances as potential leverage points for addressing tenant debt.
- Housing New Zealand could identify tenants and applicants whose circumstances make them more likely to have problems with debt, and provide appropriate support to them.
  - Housing New Zealand could develop ways of mitigating the effects of circumstances, or encouraging circumstances associated with debt avoidance and management.

#### 3.3.1.1. Relative means versus expenses

- 38 Some tenants and applicants described precarious financial situations, where they were only just making ends meet. This put them at risk of debt, as they had little or no spare funds to draw on when unexpected expenses arose. One tenant said: *I only get like twenty seven dollars in hand, ... I have to pay for bus, train for the kids. And then whatever's left yeah is what I buy food with.* (SolewACwC, 41-50 years, Māori, tenancy length <2 years)
- 39 Some who were living in private rental properties described particular difficulties due to the high rent, relative to their income. Several were paying between half and two thirds of their income on rent.<sup>7</sup>
- 40 Some described situations where they had gone into debt, or were at risk of going into debt to meet the running costs for their housing. This had a relationship with housing condition, as follows.
- Cold uninsulated houses were associated with high winter heating costs, and in some cases, debt to utilities. One applicant who was in debt to an electricity provider said:  
  
*[I]t was so cold, like we were running up the power from the heater and 'cause it was damp it was just like the heat would just go out the window literally, just go out the window. And 'cause my son suffers from eczema ... so he literally has to be in a warm house.* (SolewEwC, 18-30 years, Māori, exited applicant)
  - Some applicants and previous tenants in South Auckland had struggled to pay high water rates and suspected that the high costs were due to leaky pipes.

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<sup>7</sup> Definitions of housing stress vary, but a number of studies categorise a low income household as in housing stress if they spend more than 30% of their gross income on housing. For example: Yates and Milligan (2007) *Housing Affordability: a 21<sup>st</sup> century problem*. Prepared for the Australian Housing and Urban Research Institute, September 2007. Leggatt-Cook (2007) *Housing demand, supply and affordability in the Auckland region: a review of current trends and drivers*. Prepared for the Auckland Regional Council, May 2007.

By comparison, IRR is set at between 25% and 30% of net income.



This was not a problem for Housing New Zealand tenants, who did not have to pay water rates.

- 41 Transport was also a necessary, but difficult to manage expense for some. Fuel costs, vehicle repairs and maintenance, and servicing of vehicle loans were all mentioned as significant expenses, but unavoidable if they needed their vehicles to get to work, or to transport their children.

### 3.3.1.2. Unexpected situations

- 42 Unanticipated expenses were sometimes associated with getting into debt, or with struggling to pay debt back. Unexpected expenses that had led to debt included:

- vehicles breaking down and needing repairs
- vehicle accidents
- unpaid bills due to disputes with, or the death of a partner.
- funeral expenses

One tenant said: *Yeah, 'cause it's like when we know that it's getting closer to once our bills are all paid off, you can always guarantee there's just one thing that always pop up. (CoupwC, 41-50 years, Māori, tenancy length 2 - 10 years)*

- 43 One tenant described how she worked to make unpredictable expenses associated with her children's schooling predictable: *I budget during the holidays, I always ask the schools beforehand how much it's going to cost and then by the time it comes up I've got that money, so I go and pay it. (SolewC, 18-30 years, Māori, tenancy length 2 - 10 years)*

### 3.3.1.3. Providing support to family or community

- 44 Some tenants and applicants had more issues than others with their families or communities requesting help from them. Nine tenants and applicants said that they had borrowed to help family or community for one or more of the following reasons.

- To give money to family members in need.
- To give a family member access to a loan by acting as a guarantor for it.
- To contribute to family funeral expenses.
- To travel overseas to visit sick family members or attend funerals or other family events.
- To donate to their church.

- 45 There is an ethnic and cultural dimension to this issue, with two facets, as follows.

- Expenses associated with travelling overseas for family events were more prevalent among tenants who had immigrated to New Zealand.
- Pacific tenants and applicants described the cultural obligations on them to give to church and family. Of the nine who had borrowed for their church or family, six were Pacific people. One said:

*My family called me up and said my uncle was about to return to Samoa and asked who had some money to give him. So if I gave him my shopping money, my son won't eat. It hard for me to say sorry I've got no money. ... That's what is*

*so difficult about the Samoan way of life for us Samoans. (SolewC, 51-64 years, Pacific, tenancy length <2 years)*

These issues may contribute to the finding that a higher proportion of Pacific tenants were in debt to Housing New Zealand (section 3.1). Other research has identified borrowing to meet cultural and social obligations as a practice that puts Pacific peoples in greater risk of debt.<sup>8</sup>

- 46 These circumstances can be mitigated by tenant and applicant practices, although some found it harder to say no than others. One of the Pacific tenants said that they had learned to say no: *[T]here were quite a few loans that I made under my name for other people, for other family members, they never paid a dollar back so I've learnt my lesson to never do that again. (MultiA, 18-30 years, Pacific, tenancy length 2 - 10 years)*

#### **3.3.1.4. Children**

- 47 Housing New Zealand tenants with children in their households are more likely to have debt to Housing New Zealand, especially rent arrears (section 3.1). As described below, expenses associated with children can create a more precarious financial situation, can be unexpected, and can be prioritised above other expenses.
- 48 A few tenants and applicants described extra, and sometimes unanticipated expenses associated with looking after their children. These expenses included transport to get their children to and from school and recreation, heating to keep the house warm enough for the children's health, feeding teenage boys, and school- or sports-associated expenses such as uniforms and trips away.
- 49 These tenants and applicants placed a high priority on their children's needs, and some said that they were unable to save, or had sacrificed other things to pay for their children's education, food, recreation, and heating. For some, this had contributed to debt. One tenant said: *[W]e've been struggling over the years trying to put mortgage away, we get to a certain mark and then it gets, it comes out 'cause of the kids' education. (CoupwACwCwGC, 41-50 years, Māori and European, tenancy length 2 - 10 years)*

Another tenant said: *I try my best to prioritise my house, to pay for our rent, but I know for a fact some weeks I just don't have enough to pay for our rent, it's either I pay for the roof over our head or feed my kids. So if I can, I pay half rent and then whatever's left feed the kids (CoupwC, 18-30 years, Pacific, tenancy length 2 - 10 years)*

#### **3.3.1.5. Changes of circumstances and gaps in income or welfare support**

- 50 Changes of circumstances were often associated with tenants getting into rent arrears or IRR debt. Changed circumstances included changed income levels, changed sources of income, and changes to which household member paid the rent. In some cases, debt that arose from a change of circumstance was associated with an administrative delay or error by Housing New Zealand or Work and Income, and in other cases with a mistake made by the tenant.

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<sup>8</sup> Anae, M., Coxon, E., Lima, I., Atiga, L., and Tolley, H. (2007) Pacific consumers' behaviour and experience in credit markets, with particular reference to the 'fringe lending' market. Auckland Uniservices Limited. Prepared for the Ministry of Consumer Affairs, July 2007.

- 51 This association between changes of circumstance and rent arrears partially explains the segmentation finding that tenants were less likely to have rent debt if their only source of income was a benefit (section 3.1). Working tenants were often in precarious employment, working variable hours and moving in and out of jobs and on and off a benefit. They experienced more frequent changes of circumstances than those who were not working. The other factor that may contribute to this finding is AOBs, which assist tenants to pay their rent more reliably (section 3.3.3.1).
- 52 In a number of cases of changes in circumstances, tenants experienced gaps in their income due to benefit stand-down periods, delays in processing their benefit applications, and their own confusion about processes for applying for benefits. These gaps were usually resolved with backdated benefit payments, at which point the Housing New Zealand rent arrears were paid back.
- 53 The following sections describe some examples of tenants getting into rent arrears or IRR debt when their circumstances changed, or they had a gap in their income.

*Change of circumstances - increased income and IRR debt*

- 54 Four tenants described situations where they had gotten into debt to Housing New Zealand because their IRR had increased, and the increase had been backdated. Reasons for backdated increases in IRR included slow processing of IRR reviews by Housing New Zealand in late 2012 and early 2013 (discussed in section 3.3.3.3), and tenants not following Housing New Zealand processes in informing Housing New Zealand of their change of circumstances.
- One example of IRR debt due to an increase in household income and slow processing of an IRR review by Housing New Zealand is described in case study five. In this case, the tenant's family assistance was discontinued (presumably due to overpayment) at the same time that they were required to pay back the debt. This made their financial situation very tight, and they had difficulty paying their rent and repaying debt as a result.
  - A second, similar example of IRR debt due to slow processing was found, where the tenant's IRR Change of Circumstances forms were lost by Housing New Zealand in late 2012. The tenant was charged market rent while their IRR review was pending; this was refunded, but there remained a \$1700 debt for eight weeks of backdated increased IRR while the tenant had been working.
  - Two tenants described getting into IRR debt because they had not notified Housing New Zealand of their increased income. Both appeared to lack awareness of correct processes in notifying Housing New Zealand, although they may have learned from their experiences.
  - One previous tenant said that they had informed Housing New Zealand when they had started working, and had been told by Housing New Zealand that their rent would increase at a future date. They moved out into a private rental at the time that the rent was due to increase, and were then notified of a debt of over \$2000 for a backdated increase in IRR.

*Change of circumstances – variable working hours and income amounts*

- 55 A number of the tenants who had wages as a source of household income worked (or had earners in their households who worked) variable, and in some cases unpredictable hours. This meant that their household incomes fluctuated, sometimes unpredictably, and fluctuations were associated with IRR debt when income increased, and rent arrears when it decreased. Those on variable incomes also

needed to pay greater attention to budgeting, and were more prone to missing rent payments, dishonouring rent payments, and paying the wrong amounts.

- One tenant described how they and their adult son paid half of the rent each. The tenant was on a benefit, and their payments were consistent, but their son's payments were variable because sometimes he received wages and other times he received a benefit. The tenant's Housing New Zealand records show a history of fluctuating IRR charges due to frequent changes of circumstances, and fluctuating rent account balances, with the account sometimes in credit, and sometimes in arrears.
- One tenant described how they worked variable hours, receiving only a retainer during periods of the year where business was slow. They found it hard to pay the rent during periods when their income was from the retainer only. This tenant had regularly gone into rent arrears during these slow periods, but was always able to pay the arrears back once business picked up. It did not appear to have occurred to them that, instead of going into arrears, they could put money aside or credit their rent account, in anticipation of the slow periods.

*Change of circumstances - illness and gaps in benefit support*

56 Several tenants described situations in which they had been unable to pay their rent due to gaps in benefit support related to illness or disability. These situations included gaps in support due to stand-down periods, delayed processing of medical certificates, and changes in benefit entitlements. The tenants described difficulties in communicating with Work and Income, but there may also be some issues with their understanding of Work and Income processes.

- Case study four describes a situation where a tenant left her job due to illness, and was put on a stand-down period before receiving a benefit. This situation, and her benefit entitlements were resolved, but prior to resolution she developed rent arrears while she had no income.
- Two tenants receiving the Sickness Benefit described getting into rent arrears when Work and Income lost their medical certificate details, and discontinued their benefits. In both cases, the situations were resolved, and the tenants were back-paid their entitlements, repaying the arrears to Housing New Zealand in the process.
- One tenant said that when their Disability Benefit was discontinued, they were told by Work and Income that their Housing New Zealand rent would continue to be paid automatically (from their other benefit). However, their AOB was discontinued and they had gone into rent arrears as a result. This tenant said:

*[T]hey said to me, "No, no, just your Domestic Disabilities Benefit's been cut, but we'll still pay your rent." I didn't get that. ... And so we've become three weeks behind... if they had've let me know then I would've just known to take the payments over (CoupwEwC, 18-30 years, Māori, tenancy length <2 years)*

*Change of circumstances – moving between study and a benefit*

57 Three tenants described how they had missed rent payments when they had moved between a benefit and a student allowance. They all complained about slow processing of their applications by Studylink, and two complained of mistakes being made by Studylink. A review of their Housing New Zealand records confirmed that all went into arrears when they transferred from a Benefit to a Student Allowance.

- Case study six describes a tenant's experience with transferring between a Benefit and a Student Allowance. Despite no change in her income level, rent arrears developed when she moved onto a Student Allowance, and built up further during the course of her study (primarily because of an incorrectly set-up automatic payment). She accused Studylink of *mucking up* her payments, but seemed to be unaware of her own mistake with her automatic payment. When she went back on a benefit, she set up an AOB to pay her rent, and her payments became much more reliable. The positive impacts of AOBs are described in more detail in section 3.3.3.1.
- One tenant had just started studying for the first time, and was confused about the process for transferring onto a Student Allowance. Her benefit had been stopped, but her Student Allowance had not started, and she had missed several rent payments, getting several hundred dollars into arrears. She said:

*I've just started with the Wānanga, apparently Work and Income have stopped my benefit. I don't know anything about Student Allowance and that, but I got informed about that yesterday. ... And then I contacted StudyLink and they actually couldn't find me on their books, because I've never gone through that before. ... So now I'm going to be behind in my rent this week, but the guy on the phone at Housing New Zealand said it's alright because I've notified them. (Sole, 41-50 years, Māori and Pacific, tenancy length <2 years)*

- Another described not being able to pay the rent when she transferred from a Student Allowance to the Unemployment Benefit Student Hardship, as she had no income during a delay in processing, and there was possibly a mistake in the amount that she was granted. She said:

*[M]y studying had stopped and then I had to wait a few weeks before it, I got money again from StudyLink. 'Cause you have to transfer from the student allowance when your studying stops to the student hardship. Where for StudyLink it takes ages. And I dunno why because they're just so slow. I mean, I'm having to pay my girls' schooling now, \$1600. Yeah because of StudyLink, they didn't grant me the full-time care for them. Which I'm still trying to figure that out, figure out why not. (CoupwC, 18-30 years, Māori, tenancy length 2 - 10 years)*

#### *Change of circumstances – relationship break-ups and gaps in benefit support*

58 Relationship break-ups were a commonly mentioned change of circumstance. Break-ups can affect rent payments directly, by forcing a change of who pays the rent (described below), but can also affect rent payments more indirectly, via effects on overall household income and benefit eligibility.

- One tenant had split up with her partner and then been unable to pay her rent while she met the requirements to prove eligibility for the Domestic Purposes Benefit, and then waited for approval. Housing New Zealand were helpful, and once her benefit was approved, arrears were paid back in full.

#### *Change of circumstances – changing who pays the rent*

59 Several tenants described situations where rent payments were missed due to changes to, or confusion about who was paying the rent.

- One tenant went into arrears when their partner stopped working and there was a delay in transferring the automatic payments. The debt was small and was quickly resolved.

- One tenant had been in arrears in a previous private rental property. She had wrongly assumed that the rent was being paid from her partner's benefit.
- One tenant had gotten into debt in a previous private rental property when they split from their partner, who had stopped paying the rent.

### 3.3.1.6. Access to support from family, community, social welfare, or workplaces

60 Access to support for living costs makes a difference to how well tenants and applicants cope when money is tight. Access to support reduces the risk of tenants and applicants getting into debt or defaulting on their debt payments, by supplementing their income or food. It also sometimes provides an emergency lifeline when unexpected expenses arise, such as car repairs.

61 Six tenants and applicants talked about the food packages they had received from family or from community groups, and one was a regular volunteer at, and user of, their local soup kitchen.

62 Five tenants and applicants talked about how their family had given them monetary assistance when money was tight, either gifting or loaning the money.

63 Three tenants mentioned assistance that they had got from their workplaces. This took different forms.

- One tenant had a partner who could get loans from their workplace, repayments for which would then be deducted directly from their wages.
- One tenant was able to buy cheap food products from their workplace.
- One tenant had an employer who was accommodating when they got sick, allowing extra leave and modified working hours, so that they could keep their job.

64 Six tenants talked about accessing food grants, additional support, and recoverable assistance from Work and Income. Some were highly literate in the processes for accessing this support. One tenant said:

*I go twice a year for food grant and I make sure I always ask them, there's a hundred, "Can I get all of it?" And they always tell me, "Oh we'll give you sixty, leave forty you'll be coming again." And I said, "No, I'm asking for the whole hundred so I can buy it in bulk and then I come and divide it out." ... And they give it to me (Sole, 51-64 years, Māori, tenancy length 2 - 10 years)*

65 Two tenants had been ordered to repay rent arrears at the rate of \$100 per week. This is described in more detail in section 3.3.3.5, and one of these situations is described in case study five. Both had struggled under this arrangement, but one had been able to meet the repayments, and the other had not. In describing how they coped, the tenant who had kept to the arrangement mentioned considerable support from family and community, while the other did not mention any such support, and said that some weeks they had chosen not to meet the arrangement so that they could feed their children. This may demonstrate the difference that this support can make in times of severe financial hardship.

### 3.3.1.7. Access to budget advice and advocacy services

66 Several tenants said that they had accessed budget advisory services, and had found them helpful. The services had helped them to learn to manage their budgets,

and had provided advocacy to help with restructuring debt. One tenant said: *I see a budgeter so it can be worked out. And they also help me make agreements with the finance company. So they understand why I can only afford so much.* (SolewC, 41-50 years, Pacific, tenancy length <2 years)

### **3.3.2. Tenant and applicant attitudes and practices**

- 67 This section describes tenant and applicant attitudes and practices that are associated with differences in their likelihood of getting into debt and successfully managing existing debt. Tenant and applicant circumstances influence and moderate the effects of attitudes and practices, as described in section 3.3.1, while attitudes and practices influence how likely it is that circumstances will lead to debt, or prevent effective debt management.
- 68 Housing New Zealand can consider attitudes and practices to be potential leverage points for addressing tenant debt. Housing New Zealand could assist tenants to develop attitudes and practices that are associated with avoiding debt or managing debt well.

#### **3.3.2.1. Decisions on prioritising different expenses**

- 69 At Wave Two, South Auckland tenants and applicants were asked how they prioritised household expenses. Many acknowledged a 'best practice' of prioritising rent first, and then paying for utilities and food, and most also described putting this into effect.
- 70 A few exceptions to this existed. For example:
- one prioritised essential medications above all other expenses
  - one prioritised food for the children above rent
  - two described situations where they had prioritised payments on high interest loans, and had not had enough money left over to pay the rent
  - one described not having enough money to pay for rent, arrears, and food, and choosing to pay half of the rent so that there was money left to feed the children.
- 71 One of the tenants who had prioritised loan repayments over rent described the rationale behind this. They believed that Housing New Zealand would be more likely than the loan companies to agree to an arrangement for repayment. They said:
- I actually made the gamble, eh? Knowing that I could lose my house. But it was either that or the companies that I was paying was gonna come take my stuff. Which I had just brought me a new washing machine. And yeah, I actually, that was my fault though 'cause I should've actually put my house before my things, but I just had this feeling that I'm sure I can talk to Housing and see if I can pay it off, a little bit at a time.* (CoupwC, 18-30 years, Māori, tenancy length 2 - 10 years)
- 72 Views on the priority of food as an expense differed. Most tenants and applicants prioritised it after rent and utilities, and described practices such as stockpiling food (section 3.3.2.3), or accessing support (section 3.3.1.6), to ensure that they could eat when they didn't have enough money to buy food. The extent to which tenants and applicants have support, or know about available support for food may therefore influence their decisions on prioritisation when money is very tight.

### 3.3.2.2. Financial literacy and attitudes to debt

73 Most of the tenants and applicants who spoke about debt seemed to be aware of the risks of debt, and took a cautious approach.

- Some described an aversion to debt. For example, one said: *I have no debt, I pay all my bills and then whatever's left is what I live on. That's one thing I try and impress on all my children. Don't get in debt.* (Sole, 51-64 years, European, tenancy length 2 - 10 years)
- Some were selective about the types of debt that they were comfortable with, and avoided certain types of debt. One said that they would only ever borrow small amounts that they knew they could pay back, and another said that they didn't normally borrow, but they had been loaned money for a single household item, from a family member. One couple had only borrowed money to get work-related licenses as part of a plan to improve job security. Several were comfortable with hire purchases for household items, but avoided other types of debt. One said:

*I owe money at the moment on the washing machine and stuff ...but I stay away from loan sharks 'cause the word interest freaks the shit out of me. ...I get me one thing that I want, when I've paid it off I get me the next thing. I always make sure it's interest free otherwise I won't go near them.* (SolewACwC, 31-40 years, European, tenancy length >10 years)

74 A few tenants appeared to be comfortable with debt, or to lack an awareness of the risks of debt. Two described taking out recent hire purchases, despite having had past problems with debt. One described their rationale as follows:

*I'm trying to pay [the hire purchases] off so I don't have to pay them anymore, but it was good having them because when my credit rating was terrible, just getting stuff from them helped me re-establish my credit rating and now my credit rating's quite high ... I was sick of buying second hand stuff, because second hand stuff ... just seems to last only three months and die and then you're back at WINZ again asking for another advance. And I just thought, maybe I'll just spend a little bit extra and get a proper fridge and then because it's under that contract, so if it breaks down while you're still paying the HP, they'll fix it.* (SolewACwC, 41-50 years, Māori, tenancy length <2 years)

75 The following three factors appeared to influence tenants and applicants' attitudes to and literacy about debt.

- Learning experiences: several tenants talked about past unpleasant experiences with debt, and said that they had learned from those experiences, now living debt-free, or being very selective about debt.
- Language and culture: a few tenants who had immigrated to New Zealand said that they had been unfamiliar with New Zealand financial institutions and practices when they arrived, and had gotten into debt because they didn't understand its implications.
- Upbringing and knowledge: one tenant said that she had never had an opportunity to learn about debt when growing up, and got into trouble with debt as a result. She said:

*I was bankrupt. My husband he came from a family where his parents didn't speak much English ... And for me, growing up... there was never anything on*



money. So when we grew up and when I met my husband and people were like, “Oh do you want some credit, do you want some credit?” And we’d just be like, we would in the end borrow to pay the credit that we’d got, and yeah just really bad decisions. ... [the Housing New Zealand house has] given us a fresh start and a new hope and I mean we’ve learnt so much. And we live credit free, everything is off Trade Me or layby or cash and that’s how we live now. ... I wish that, well not someone had told us, but I wish we knew earlier on about things. I think it should be taught in schools and, we just felt like big people, like “Oh wow, we can do this now,” but you know, oh well. (CoupwC, 31-40 years, European, tenancy length <2 years)

- 76 Budget advisory services (section 3.3.1.7) appeared to be influential on tenant and applicant attitudes to and literacy about debt, with several talking about how much they had learned from those services.

### 3.3.2.3. Practices in avoiding debt through household financial management

- 77 Tenants and applicants who were interviewed at Wave Two in South Auckland were asked how they managed their household finances when money was tight. A number of strategies were described, as follows.

- Levelling out a variable income. For example, a school employee described annualising their pay from the school.
- Levelling out expenses or prepaying or putting money aside for future expenses, by:
  - paying the same regular amount for power throughout the year, building up a credit in summer to offset winter power costs
  - at the end of each school term, prepaying rent and other bills that will be due during school holidays (when they don’t work)
  - finding out what fees their children’s school will charge in advance, and putting money aside for that.
- Putting a small amount of money aside each week, in case of unexpected expenses.
- Stockpiling food, so that there will be something to eat when money is tight. One tenant said: *I stock up quite a bit. ... so that’s just something I won’t get for when we’re up on bills, I just won’t get food ‘cause there’s, we can survive on what’s in there.* (SolewC, 18-30 years, Pacific, tenancy length 2 - 10 years)
- Saving rather than borrowing to buy non-urgent household items, such as blankets.
- Finding cheap deals on food and household items. One tenant said: *It’s like a shop, normal supermarket sort of thing, but they sell food that’s near the use by date, yeah I go there sometimes. Because it’s the only way I can bulk up the pantry. ... Like you can get three or four things for probably something that’ll cost you twenty dollars at the shop for five dollars* (SolewACwC, 41-50 years, Māori, tenancy length <2 years)
- Rationing, using less, or going without. For example:
  - going without a landline phone
  - going without a car
  - eating less food or stretching the available food to meet needs
  - micro-managing power consumption and using less power

- going without medication

Tenants and applicants did not generally feel that they were being harmed by these rationing activities, but it should be noted that there could be negative health impacts from rationing food or going without medication or heating.

- Paying detailed attention to the household budget and juggling payments. This was a typical comment: *I try to pay my other bills in small amounts every fortnight once I received it. For example, if I got the bill last week then I paid half and then the rest will be next week. In that way I can save some money for the kid's shopping.* (CoupwACwC, 75+ years, Pacific, tenancy length <2 years)
- Reducing budgeting effort with automatic payments and AOBs. Many tenants and applicants talked about how they reduced their effort by paying their rent and other regular bills by automatic payment or AOB. Whatever they had left after those payments was what they lived on.
- Two described innovative ways in which they gained a small supplement to their income, helping them to make ends meet. One held a garage sale, and the other baked cakes for a small fee, for friends and family.

- 78 One tenant exemplified effective practices in managing household finances. Despite being on a variable income, she had never been in rent arrears. She had annualised her pay to ensure that she received the same amount throughout the year, paid detailed attention to budgeting, and avoided debt completely, saying: *My theory is if I can't pay for it in cash then I don't get it.* (MultiAwGC, 51-64 years, European, tenancy length >10 years)

#### 3.3.2.4. Literacy with Housing New Zealand processes

- 79 Related specifically to debt to Housing New Zealand, are issues with tenants' literacy with Housing New Zealand processes. Tenants have variable levels of knowledge about:
- how to inform Housing New Zealand of changes of circumstances
  - annual rent review processes and IRR calculations
  - Housing New Zealand's expectations for the condition in which a property should be left upon vacation

- 80 Newer tenants especially, tended not to have a good knowledge of processes for informing Housing New Zealand of changes in circumstances. One had emailed Housing New Zealand via the website, and then gotten into IRR debt when there was no response. They said:

*I went online and did a contact us email and said, "Look, I've got a job, here's my client number can you sort this out I've got this form to fill out and make sure I do it right?" and nothing ever happened and I just carried on doing my thing ... I've still got debt with Housing New Zealand for rent arrears ... I had been working for a few months and they hadn't been getting full rent* (SolewC, 31-40 years, European, tenancy length <2 years)

- 81 Some tenants were unsure about how their IRR related to their income. One thought that her IRR would only increase if her partner's pay rate increased, not realising that it would increase when her partner worked more hours at the same rate (case study five). Another was confused about what would happen if they started working,

thinking that their rent would increase immediately to market rent, even if they were working part time and on a low income.

- 82 Case studies two and three describe situations where tenants were charged damages debt upon vacation of their Housing New Zealand properties, and felt that they had not had enough information on the condition in which they were supposed to leave the houses.
- 83 Some tenants were very knowledgeable about Housing New Zealand processes. Often these were longstanding tenants, with tenancy durations of 10 years or more.
- 84 There is a relationship between language and culture, and literacy with processes. English as a second language and cultural differences were thought by the expert panel on the Wave Two South Auckland interviews to be barriers to understanding Housing New Zealand processes,<sup>9</sup> and some Pacific tenants expressed confusion about their communications with Housing New Zealand. This may contribute to the finding that a higher proportion of Pacific tenant participants were in debt to Housing New Zealand, compared to other ethnicities (section 3.1).

### **3.3.3. Housing New Zealand policies and processes that influence tenant debt**

- 85 This section describes some Housing New Zealand policies and processes that influence tenants' likelihoods of getting into debt and their abilities to manage debt. Tenants have found some policies and processes to be very helpful, while others have caused difficulties. A number of the difficulties that tenants described related to some quite recent changes to Housing New Zealand processes, and many of those issues have been, or are being addressed by Housing New Zealand's debt work programme (section 2.1).
- 86 Housing New Zealand processes directly influence the levels of tenant debt, and can be considered to be key leverage points for addressing that debt.
- 87 In addition to the information in this section of the report, the case studies (section 4) describe some specific situations of tenant debt to Housing New Zealand.
- 88 The following sections describe the Housing New Zealand policies and processes that influence tenants' abilities to avoid and manage debt, including:
- AOBs
  - the speed of follow-up on rent arrears
  - the speed of processing IRR changes
  - processes for property vacation and establishing damages debt
  - debt repayment arrangements
  - communication with Housing New Zealand and pressure on front-line staff.

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<sup>9</sup> Smith, L., Laing, P., and Knox, A. (2013) Housing Pathways Longitudinal Study: initial insights from Wave Two research undertaken in South Auckland. Prepared for Housing New Zealand Corporation, May 2013.

### 3.3.3.1. Rent payments using an Assignment of Benefit (AOB)

- 89 Some tenants pay their Housing New Zealand rent (and where applicable, their debt repayments) via an AOB. Payments are withdrawn directly from their benefit or superannuation, and tenants receive the remainder.
- 90 Many of the interviewed tenants had AOBs in place, and those who spoke about them were unanimously positive. The AOBs made life easier because they didn't have to worry about budgeting to pay the rent, and they said that they were never or almost never in arrears because of their AOBs. Some typical comments were as follows:
- I don't worry about paying my rent because when I get my money, the rent has already been taken out. (SolewGC, 51-64 years, Pacific, tenancy length 2 - 10 years)*
- I signed a form to say to go from WINZ straight to them. ... so whatever I get just go hard with whatever the needs for the house. (CoupwC, 31-40 years, Māori, tenancy length <2 years)*
- 91 Evidence from Housing New Zealand records supports the tenants' claims that AOBs help them to avoid rent arrears. Tenant participants with AOBs in place paid their rent more consistently, and several examples were found where tenants who moved on and off a benefit paid their rent consistently via AOB while on a benefit, and less consistently when not on a benefit (for example, case study six).
- 92 In effect, AOBs force tenants to prioritise rent above other expenses. AOBs are likely to be a contributor to the somewhat counterintuitive finding that tenants on a benefit are less likely to be in debt to Housing New Zealand than tenants who get part or all of their income from salary or wages (section 3.1). Issues with changes of circumstances may also contribute to this finding (section 3.3.1.5).
- 93 There is no equivalent to an AOB for tenants who are on a student allowance, and this is associated with some instances of tenants getting into debt when they move into tertiary study (section 3.3.1.5).
- 94 Two tenants described situations where they had gotten into rent arrears when their IRR had increased, but their AOB had not increased to meet the new payment amount. In both cases the tenants were annoyed, but their debt was small, and arrangements were made that resolved the debt quickly.

### 3.3.3.2. Speed of follow up on rent arrears and transparency of account balances

- 95 While a number of tenants expressed irritation that Housing New Zealand were fast to follow up on rent arrears, but slow to do other things, occasionally the opposite had occurred, and Housing New Zealand had been slow to follow up on unpaid rent. These cases were sometimes associated with debt increasing to a level that became difficult for the tenant to repay. Below are two examples in which follow-up on rent arrears was slow.
- Case study six describes a situation that occurred in 2012, in which the tenant set up an automatic payment for her rent, but set it up to pay fortnightly rather than weekly, meaning that she only paid half of her rent. This situation persisted for seven months, until payments ceased altogether, at which point and Housing New Zealand followed up with the tenant. By this time the tenant was almost \$1000 in arrears.

- One tenant described a situation that occurred in 2009, where their rent had increased, but their AOB had not increased to meet the new payment amount. This was not detected by the tenant or by Housing New Zealand until six months later. The debt that was created was under \$200, and was resolved fairly quickly with an arrangement actioned via AOB.

96 In the situation described in case study six, it is not known why Housing New Zealand did not follow up more quickly with the tenant. The Area Manager responsible for this tenancy said that during 2012 new processes were being embedded, and debt specialists were not resourced well enough to cope with their workload. Housing New Zealand has been addressing this issue, and the debt team are now better resourced, area staff receive debt reports, and there is a clear expectation that Tenancy Managers are responsible for the debt in their portfolios. These changes makes it less likely that this problem will occur in the future.

97 Tenants who are especially vigilant about their rent payments, or who use AOBs to pay their rent, have been less affected by Housing New Zealand practices in following up on arrears. Some tenants were especially careful, checking their own accounts to see that payments had gone through, and frequently calling Housing New Zealand to check the status of their rent payments.

### **3.3.3.3. IRR Change of Circumstances processing**

98 As described in section 3.3.1.5, changes of circumstances can be associated with rent arrears when a tenant's income decreases, and IRR debt when their income increases. Prompt processing of IRR changes can help to prevent debt, by reducing IRR quickly when the tenant's income decreases, and increasing it quickly when their income increases. Prompt processing requires tenants to communicate their changes of circumstances and provide documentation quickly, as well as fast processing of that information by Housing New Zealand.

99 Housing New Zealand is aware that in late 2012 and early 2013 there were some delays in IRR review processing, and losses of tenants' IRR review information. Measures have been put in place that mean these delays are now less likely to occur. Several tenants had experienced delays and other problems with their IRR reviews during this period, including the following examples.

- Case study five describes a situation in which a tenant's IRR review was delayed while information was lost by Housing New Zealand. Once the review was completed, the outcome was a \$60/week increase in the tenant's IRR. The increase was backdated to the date at which the review should have been completed, creating a debt of just under \$800. The tenant had followed advice from Housing New Zealand, and paid a little extra on top of her normal rent while she waited for the review to be completed, but this did not cover the large increase in her IRR.
- Another tenant was in a similar situation. This tenant's IRR review forms were lost twice by Housing New Zealand in late 2012, and after a delay of six weeks the review was completed and the tenant was assessed as owing around \$1700, for a large increase in IRR that was backdated to the date at which the review should have been completed. The tenant did not seem to understand that the debt related to an increase in her IRR while she had been working, instead thinking that the market rent that she had been charged while waiting for review completion had not been refunded (it had been).

- Another tenant experienced a delay of 18 weeks in the processing of her IRR review, in 2012-2013. During this time, she was charged market rent, which was later refunded as the delay had not been her fault. She described this as stressful, and a contributor to (but not the main reason for) her decision to move out of Housing New Zealand housing. She said:

*I was already upset because I lost two grandmothers just Christmas and it was too much, and then I was having a hard time with Housing 'cause apparently they were charging me three thirty rent and I was only making about four thirty a week. ... I filled it out, I sent it. They sent it back saying that they didn't receive it or, and then another letter came saying that it was too late that they needed a new one. And to make things worse, with work, they didn't give me the papers until about three weeks later and by the time I sent it to them, they said, "No it's not good enough."* (MultiA, 18-30 years, Pacific, tenancy length 2 - 10 years)

- 100 One example was found of a possible delay in IRR review processing that occurred earlier than the 2012-2013 period. A previous tenant said that they had informed Housing New Zealand of their change of circumstances when they started working in 2009, and had been told that they could start paying an increased IRR at a future date. When the increase was due, they moved out of Housing New Zealand housing, and at that point were told that they owed over \$2000 for a backdated increase in their rent. Housing New Zealand has no record of the communication with the tenant about the change of circumstances, so we cannot verify that they informed Housing New Zealand promptly, but records confirm that a large IRR debt was established at property vacation.
- 101 The above examples demonstrate the effects on tenants of slow processing of IRR change of circumstances information. Specifically, the effects have included:
- stress
  - creation of debt over large backdated IRR increases
  - confusion about what level of rent they should pay, and what their debt is for.
- 102 Another issue with IRR processing was raised by one tenant. This tenant did not receive their IRR review forms in the post in early 2013, and believes that they were stolen from their mailbox. They filled in a second set of forms, which were processed promptly by Housing New Zealand. During the delay, the tenant was charged market rent, and after the IRR review was completed, all but one week of the market rent was refunded. Housing New Zealand argues that charging one week of market rent was fair as it was the tenant's fault that the information was not received, while the tenant argues that the theft of their mail was not their fault, saying: *[S]ometimes the kids they play with that and I miss a lot of my mail. ... [Housing New Zealand] point out that's my fault but I said, "I can't believe that one 'cause it's a mistake of my mailbox."* (Sole, 41-50 years, Pacific, tenancy length <2 years)

#### **3.3.3.4. Damages debt and property vacation processes**

- 103 When discussing damages debt, a number of tenants expressed dissatisfaction, believing that they had been unfairly charged. Some factors contributing to perceptions of unfairness are described below. Others were happy with Housing New Zealand processes; in particular, they appreciated being able to pay for damages gradually over time. One tenant said: *[T]hey allow you to make payments, to be able to pay for those bills, the damages to the house and stuff. Especially if*

*you don't earn heaps or something like that, it's pretty good. (SolewC, 18-30 years, Māori, tenancy length 2 - 10 years)*

104 Some tenants described situations in which they felt they had been unfairly charged for damages. Case studies one, two and three describe three such situations. The reasons that tenants gave for thinking that charges were unfair varied, and could encompass one or several of the following.

- Some tenants thought that they had been charged for damages that were actually fair wear and tear.
- Some tenants said that they had not been given sufficient information, at property vacation, about the condition in which they should have left the property. Case studies two and three illustrate this perception. While pre-vacation inspections may have been carried out in these cases, we do not know what was communicated to the tenants, or whether they were provided with Housing New Zealand's moving-out checklist.
- Some tenants disagreed with Housing New Zealand's assessment that the damage was their fault, believing that it was not. One had a large debt for damage caused by a fire that was deemed to have been started by her faulty extension cord. But she was not able to see the evidence for that. She said:

*When the guys come round to inspect it, I don't know why, but someone took the extension cord that was burnt and I asked Housing Corp why, and I wanted it brought back because they'd charged me for it. And I said on what grounds? And they said well because it was your fault because your extension cord caught on. And I couldn't find the extension cord to show them it. 'Cause the guy who'd come had taken it. ... But I got charged anyway which I felt was really, really unfair. (SolewACwGC, 51-64 years, European, tenancy length >10 years)*

- Some tenants had made what they considered to be improvements to their properties, and were dismayed that, at property vacation, their improvements were deemed to be damages. One said:

*And so we, they weren't wallpapering, the wallpaper was hanging. ... So they didn't really do anything for us. We put up the fence, we put up a garage, we put up a shed, we painted it inside. Put in a little parking pad and that, and we had to take the whole bloody lot down, the whole damn lot. ... And I said, "That's stupid, because the next person might like a fence, and they might like a garage." ... like I know that when you move out of a Housing New Zealand home you have to leave it how you found it, or how you moved in. But as I said to one of the guys that came round, I said, "I have been here eighteen years, how do I leave it how I found it?" (CoupwACwC, 31-40 years, European, tenancy length >10 years)*

105 Some tenants did not dispute the fact that they had been charged damages, but were uneasy about the level of the charges, feeling that Housing New Zealand costs are high. This was more prevalent among tenants who had personal contacts who were able to do carpentry work cheaply. One said: *\$168 a window. No bro. (laughter) My mate will do it for a box. (laughter)* (SolewC, 18-30 years, Māori and Pacific, tenancy length 2 - 10 years). On the other hand, one tenant thought that Housing New Zealand charges were very reasonable and that Housing New Zealand must get very good deals from their contractors to get those prices.

- 106 Two issues related to damages debt were raised about property inspection processes. Some tenants were sceptical of the fairness of property inspections, believing that they may have been charged for damages caused by previous tenants (for example, case study one). And one of the Area Managers who reviewed the case studies suggested that cases in which high damages are established at property vacation raise questions as to how the damage became so extensive without being dealt with earlier via the inspections process. Could Housing New Zealand take more preventative action, and could inspections and tenant education early in term of the tenancy contribute better to minimising debt at vacation?
- 107 Also contributing to some of the dissatisfaction were perceptions that Housing New Zealand policies on forgiving damages have changed. Some tenants said that they were now being charged for things that they had not had to pay for in the past. One tenant said that because of this, they were avoiding getting their windows fixed: *I've got broken windows that I haven't been able to fix 'cause they're quite expensive, but if I go through Housing Corp. it'll be even more expensive. ... in the past it used to be free.* (SolewACwC, 41-50 years, Māori, tenancy length <2 years)
- 108 Tenants with damages debt were often unclear about what their damages debt was for, sometimes saying that they had requested clarification from Housing New Zealand, to no avail, and sometimes giving the interviewers information that turned out to be inaccurate (see case studies one, two and three). This confusion may be a contributor to their dissatisfaction, and several tenants said that they would like an improved response when calling to dispute their debt or to ask for clarification about what their debt is for.
- 109 In the course of the Wave Two interviews, one exceptional situation was found in which correct Housing New Zealand processes were not followed at property vacation. The tenant was unfairly charged for damages as a result (case study one). Since that time, Housing New Zealand has introduced new processes for establishing damages at vacation that include checks by several staff members. If these processes had been in place in the situation described in case study one, the erroneous damages charges would have been detected and rectified.

### 3.3.3.5. Arrangements

- 110 A number of tenants talked about the arrangements that they had made with Housing New Zealand for paying back their debt. Most were very happy, and positive comments about arrangements outweighed negative comments, roughly three to one. As described below, a repayment arrangement at a rate that is appropriate to the tenant's situation is key to enabling tenants to manage their household finances and sustain their tenancies.
- 111 Tenants talked about how helpful it was to be able to repay debt gradually. They compared this favourably to having to repay debt immediately in private sector rentals, and for some it had been a life-line in enabling them to sustain their tenancies. Many of the positive comments related to repayment arrangements of around \$10 per week. One tenant said: *They looked after me, they really did. I got behind in my rent, and they were really, really good. ... they didn't, "You got ten days to get out, blah, blah," she was really nice, and we just added ten dollars...* (CoupwACwC, 31-40 years, European, tenancy length >10 years)
- 112 Two tenants described being required to repay their debt to Housing New Zealand at a rate of \$100 per week. Both had found this very difficult to sustain, and had experienced significant hardship as a result. Both of these arrangements had been



made (and sealed via the Tenancy Tribunal) in early 2013, and they may have been influenced by new Housing New Zealand guidelines on the maximum length of repayment terms. Since then, Housing New Zealand has identified that repayment guidelines need revision, and has been developing a debt calculator to determine appropriate repayments, based on tenants' levels of debt and income. The draft calculator was tested on one of the cases described below, and returned a repayment amount of approximately \$30/week.

- Case study five describes a situation where a tenant was ordered to repay rent arrears of around \$1000, at a rate of \$100/week. She did not manage to keep to this arrangement. The extra \$160/week that she had to pay for arrears and increased rent made it very difficult to make ends meet, and caused hardship for the family. To make matters more difficult, her family assistance was also discontinued during this period.
- Another tenant was in a similar situation, having been ordered to repay arrears of around \$1700 at \$100/week. The arrears related to a backdated IRR increase for a period in which the tenant had been working, but by the time that the debt was established, the tenant was no longer working, and was paying a lower IRR of around \$120/week. Repayments of \$100 per week on top of rent nearly doubled her housing costs. The tenant kept to the arrangement, but only with considerable help from family, friends, and community.

113 Tenants often expressed a different perception to Housing New Zealand about the purpose of Tenancy Tribunal mediation. Housing New Zealand often uses mediation as a means to formalise debt repayment arrangements and to ensure that the tenant's view is heard. But some tenants described the process of being taken to Tribunal as intimidating; like being taken to court. This was evident in case studies two and six, and also among a number of the tenants who were interviewed. Some tenants thought that their debt issues should have been resolved through less formal channels. The Housing New Zealand Area Managers who commented on the draft case studies pointed out that less formal processes have proved to be ineffective in dealing with debt, and that some tenants need to receive a clear message that rent must be paid and arrangements must be honoured.

114 Housing New Zealand has developed a new process to allow arrangements to be sealed without formal mediation, in cases where the arrangement is already agreed. This requires the mediator to speak with the tenant to clarify the arrangement, but it circumvents the need for a formal mediation session involving all parties. This may assist in addressing some tenants' concerns, while still sending a clear message and creating a formal legal agreement.

115 In most of the cases examined, Tenancy Tribunal mediation appeared to work well for tenants, providing an opportunity to present their side of the story, and in several cases, resulting in a reduction of their debt to Housing New Zealand (for example, case studies three and four). In one case, mediation did not appear to be effective in eliciting the tenant's side of the story, and it contributed to a repayment arrangement that was unaffordable for the tenant (case study five).

#### **3.3.3.6. Tenant accounts in credit**

116 In the course of this research, a number of instances where tenants were unknowingly in credit with Housing New Zealand for long periods were identified. This usually occurred because the tenants had continued their debt repayments after their debt had been paid off. One of the Area Managers who provided feedback on the draft case studies said that front-line staff no longer receive reports about

which of their tenants are in credit, and as a result, are not detecting these situations.

### 3.3.3.7. Overarching issues with communication and pressure on front-line staff

- 117 For a number of tenants communication with Housing New Zealand about debt or IRR review had been problematic. Communication difficulties contributed to the following issues.
- Tenants were often confused about how their debt had arisen. They did not know, or gave the interviewers wrong information about what damages they had been charged for, or they did not understand how their arrears had risen so high.
  - Some tenants had found it difficult to get a response from Housing New Zealand when they disputed their debt, followed up on IRR processes, or asked for clarification of what their debt was for. One said: *[I]t's gone worse ever since they've closed the offices. It's so hard getting a hold of people, tenancy manager, debt department, income related rent, it's so hard.* (CoupwC, 18-30 years, Pacific, tenancy length 2 - 10 years)
  - Some tenants talked about how they had been charged for futile call-outs when a contractor arrived and they were not home, because Housing New Zealand had not told them that a contractor would call.
- 118 The Customer Intelligence, Research and Forecasting team is developing a report on Housing Pathways Longitudinal Study participants' experiences of communicating with Housing New Zealand, and this report will discuss these issues in more depth.
- 119 Possibly related to the communication difficulties, feedback from Area Managers has drawn attention to the pressure that Tenancy Managers are under in trying to meet the demands of Housing New Zealand processes and the demands of customers. Tenancy Managers can struggle to do their jobs under current conditions, and any effort to improve Housing New Zealand's quality of service delivery needs to take account of the pressure that front-line staff are under.

## 4. Case studies

120 The following case studies describe six tenants' experiences with debt to Housing New Zealand. They are not representative of the wider population of Housing New Zealand tenants, as they were chosen to illustrate situations where tenants reported problems with debt. Some of details have been changed to protect anonymity.

### 4.1. Case study one - vacated debt and unexpected damages costs

121 This tenant is a sole parent with three children, who works part-time in a low-wage job. In late 2011 she transferred from her old Housing New Zealand property to her current property, so that she could be closer to her work.

122 After vacating her old property, she was charged just over \$2000 of damages for work done on the property in December 2011, March 2012 and April 2012. The tenant disputed these charges, and at the time that this case study was first drafted, still owed \$2000. No Tenancy Tribunal processes had been initiated, and the tenant had not been called back in response to requests for clarification. As a result of this experience, she has become dissatisfied with Housing New Zealand's communication, and distrustful of inspections processes.

123 In response to the draft version of this case study, Housing New Zealand has identified that some damages were wrongly charged to the tenant, and has reversed those charges. In recent months, Housing New Zealand has also developed new processes for dealing with damages at vacation. If those processes had been in place at the time that this tenant vacated, the errors would not have occurred.

124 The measures that Housing New Zealand has put in place are encouraging, but a question remains as to why this large debt that remained disputed and unpaid for nearly a year, was not followed up in Housing New Zealand's recent push to decrease debt.

#### What happened?

125 In late 2011, the tenant transferred to a new Housing New Zealand property. In early 2012, she was charged just over \$2000 for damages. Housing New Zealand records show that this included material and labour charges of just over \$300 incurred in December 2011, with the remainder for work carried out in March and April 2012. The charges included almost \$700 for ground maintenance and lawn mowing carried out more than two months after the tenant left the property.

#### Communication between the tenant and Housing New Zealand

126 Housing New Zealand records show that the tenant received a notice of unpaid damages in early 2012, with a further damages statement produced a month later. An arrangement for a weekly repayment was made in April, but this happened before the final damages costs were incurred in late April, so the tenant may not have been made aware of the full charges until later. Records show that the next contact with the tenant was in July 2012, when she was advised of the full amount of her damage debt. She called Housing New Zealand to request clarification, and was told by a Debt Specialist that her previous Tenancy Manager would call her to

discuss it. In August, she called Housing New Zealand again, to say that she had heard nothing, and that she would be stopping her repayment until she heard back. Sometime during the next few days she received a letter and following that, called to ask why she had been charged damages up to April 2012. The next recorded contact was in early October, when the tenant advised that, at the final inspection, she had only been aware of damage to the doors, and she disputed the lawn mowing and garden tidying charges incurred in March, pointing out that when she left in 2012, the lawns had been mowed and the garden was tidy. In late April 2013, the tenant called again, to dispute the charges.

- 127 In May 2013, when this case study was first drafted, there was still around \$2000 of debt outstanding, as the tenant had made no repayments since August 2012. There has been no application to the Tenancy Tribunal, and there is no record of the previous Tenancy Manager returning the tenant's calls.

### **The tenant's perspective**

- 128 When we interviewed the tenant for the Housing Pathways Longitudinal Study, she said that she was surprised at how high her damages bill was, and that she had been trying to contact her previous Tenancy Manager about it. She was disappointed that she had not received a response. She said: *I tried to get in touch with my case manager for that region and because I thought my bill was really high. And so she never contacted me back*

- 129 When asked what was one thing that Housing New Zealand could do better, the tenant said: *Answer their messages, be real people ... being a worker myself I do understand that people do get swamped and it gets busy and things do go awry but I just don't think that they care enough really to respond.*

- 130 She described how she has become distrustful of the inspections process, fearing that one-day, when she moves out of her current property, she will be billed for small damages that already existed, but were not noticed in the initial inspection.

*I think that the inspections that they do, prior to moving in are fraudulent and once you move in you can't really assess a house until you've been in it for a certain amount of time. ... I think they're that hard pushed and they walk through and they go, "Yeah, yeah, yeah, yeah." And forget things like that little piece of plaster, that's not on the tenancy agreement, so am I going to be done for that? ... I'm sure that's half of what some of my bill is from my move out, because the pre-inspection before I moved in wasn't done properly, or up to standard. And so now I'm being blamed for things that their previous tenant had done*

### **Housing New Zealand perspective**

- 131 The Area Manager responsible for this tenancy made the following comments.

- Tenancy Managers are under enormous pressure from the demands of Housing New Zealand processes and the demands of customers. They get a rough deal and can struggle to do their jobs under these conditions. Housing New Zealand needs to improve its quality of service delivery, and efforts at improvement must take account of the pressure that front-line staff are under.
- Some Housing New Zealand processes were not correctly followed in this case, including the following.

- Damages that should have been coded as *not* attributable to the tenant, were coded as attributable to the tenant, resulting in \$700 of unfair charges for grounds maintenance and lawn mowing two months after she had vacated.
- The old tenancy ended two weeks after the new one began, so the tenant was charged rent on two properties at once. There are notes indicating that the Tenancy Manager had requested the return of the old property's keys to no avail, but charging the tenant for two properties at once was morally wrong, given the high needs of Housing New Zealand tenants.
- The Tenancy Manager did not respond to requests to contact the tenant.
- Housing New Zealand is aware that there was a performance issue with this Tenancy Manager, and has dealt with it.
- The tenant's debt has now been adjusted down to just over \$1000. The miscoded charges have been reversed, and the extra rent charged at transfer has been used to credit her damages account.
- These events occurred just before and during the change to Housing New Zealand's new service delivery model. In the new model, the responsibility for following up on the tenant's debt was given to a Debt Specialist, but for this tenancy, the debt amounts had already been established by the Tenancy Manager, prior to the change to the new model. If the tenant had transferred when the new model was in place, the Debt Specialist would have been responsible for establishing damages. The new processes for communication between Debt Specialists and Tenancy Managers at property vacation would have allowed detection and resolution of the erroneous damages charges.

### **Synthesising the perspectives**

- 132 This is a case in which Housing New Zealand processes were not correctly followed, and damages were incorrectly attributed to the tenant as a result. The tenant has become mistrustful of Housing New Zealand as a result of the misattributed debt, and the lack of follow up in response to her phone calls.
- 133 Encouragingly, Housing New Zealand has since dealt with the performance issue that caused the problem, and has put in place processes that will mitigate against this occurring in the future.
- 134 However, a question remains as to why this large debt that remained disputed and unpaid for nearly a year, was not followed up in Housing New Zealand's recent push to decrease debt. Are there other tenants in similar situations, whose cases are not being addressed, and if so, how can these tenants be identified?

## 4.2. Case study two - vacated debt, clarity of requirements, and Tribunal processes

- 135 This tenant is a sole parent who has been housed by Housing New Zealand for over 10 years. In 2011 his health deteriorated suddenly and he required a transfer to a wheelchair-accessible house. Housing New Zealand responded to this need by providing a transfer.
- 136 Shortly after vacating his old property, he received a damages bill of over \$2000. He was not expecting this, as he thought that he had left the house in good condition.
- 137 Housing New Zealand followed standard process by applying for Tenancy Tribunal mediation one week after the final statement of account was sent to the tenant. But the tenant may not have received his final statement of account; he said that the first time he heard anything about damages was when he received a letter about mediation. He found this threatening, and thinks that things could have been resolved less confrontationally, and perhaps at a lower cost to him, if Housing New Zealand had discussed the issues with him more informally. This is an example of a fairly common mismatch between Housing New Zealand and tenant perceptions of the purpose of Tenancy Tribunal mediation. Housing New Zealand uses mediation to formalise debt repayment arrangements and to ensure that the tenant's view is heard, and points out that the outcome of mediation was positive for the tenant, halving her debt. The tenant, on the other hand, views Tribunal proceedings as intimidating and like being taken to court, despite the outcome.

### What happened

- 138 Housing New Zealand records show that the tenant requested a transfer in 2011, just before he was admitted to hospital. Housing New Zealand responded to this request and transferred him promptly to his new wheelchair-accessible property. Nine working days after the transfer, the final statement for his old property was produced and sent to the tenant. The final statement included charges of just over \$2000 in damages. A week later, Housing New Zealand applied for Tenancy Tribunal mediation.
- 139 Mediation took place in mid-December, and the outcome was that the tenant was charged just over \$1000 in damages, a reduction by almost half. An arrangement to pay the debt at \$20 per week was made, which began in late December 2011. The debt was finally cleared in January 2013, but since that time the tenant has continued to pay an extra \$20 per week, and his account is now in credit.

### The tenant's perspective

- 140 The tenant described this experience as *'really upsetting'*. Housing New Zealand sent him a final statement of account a week before applying for mediation, but he may not have received this, as he said that there had been no communication with him, prior to the letter about mediation. He said:

*Next minute I get a letter in the mail saying, I've got to go down to the Courts for tenancy, I've got to go to the Tenancy Tribunal thing. I couldn't understand, it's like, whoa, why? Why do I have to go down? ... why didn't you just ring me and say,*

*“Hey look ... we went into the house and we weren’t happy with it.” Get me back in there to do the best clean up again that I could try and do and then go from there.*

- 141 He also said that he had not been given any information about expectations for how tenants should leave their houses (although Housing New Zealand records show that a pre-vacation inspection was carried out). He suggested that Housing New Zealand should provide a check-list to vacating tenants.

*Cause sometimes their interpretation of what they’ve gone and cleaned to what you’ve gone and cleaned is two different, you’re on two different pages. ... what you can go and get down at the Bunnings or something is 80% cheaper than what they’ve gone and charged you. So, you know, it’s like they need to give you a list, a clean check list, ‘cause they’ve said they’ve gone and brought this person and this person and this person. It’s like, wow, if anything you’re charging for the labour.*

- 142 The events were particularly upsetting, given his illness. He said:

*I just was dumbfounded and I was really upset ‘cause I’ve had not long been out of hospital, come here, then I’ve got to deal with the old house and it was like... That’s my biggie, that’s the most unhappiest thing I’ve ever had with Housing New Zealand*

### **Housing New Zealand perspective**

- 143 The Area Manager responsible for this tenancy made the following comments.

- Housing New Zealand processes were correctly followed in this case, and the tenant had the opportunity to discuss the debt with Housing New Zealand and come to an arrangement at any time during the month between the application for mediation and the date of the mediation itself. In this case, it was ultimately to the tenant’s advantage to go to mediation, as it got his side of the story heard and reduced his debt significantly.
- In regards to getting Tenancy Tribunal processes underway quickly, Housing New Zealand has tried informal channels in the past and found that tenants do not keep to agreements. Where there is a legally binding agreement, tenants are more likely to keep to it, and getting this agreement in place quickly helps to prevent debt accruing to a level that is difficult for them to repay.
- The Area Manager is confident that pre-vacation inspections are almost always carried out in the area. There is a moving out checklist which should be used at pre-vacation inspections, but what was communicated between the Tenancy Manager and the tenant, at the pre-vacation inspection is not recorded, so we do not know what information this tenant received.
- This case raises questions as to how the level of damage to the property got so high without being detected and dealt during the term of the tenancy. It suggests that there may be a need for earlier intervention and more tenant education about how to avoid damages, and what to do about damage when it occurs.
- Until now, the tenant’s overpayment (continuing to pay \$20 per week after the damages have been paid off) was not detected. This is being looked into and any credit will be refunded. When Housing New Zealand moved systems from RENTEL to Kotahi, credit reports ceased, and frontline staff now receive regular reports on tenant debt, but no information on tenants in credit. This is an information gap that is having adverse consequences for tenants.

## **Synthesising the perspectives**

- 144 This case study demonstrates a finding that emerged from a number of interviews, of a mismatch between Housing New Zealand's and tenants' perspectives on the purpose of Tenancy Tribunal mediation. The tenant described being taken to Tribunal as intimidating and like being taken to court, and thought that issues should have been resolved through less formal channels. Housing New Zealand uses mediation as a means to formalise repayment arrangements and to ensure that the tenant's view is heard, and points out that the outcome of mediation was positive for the tenant. While the tenant would have preferred a less formal resolution, Housing New Zealand points out that that less formal processes have proved to be ineffective in dealing with many tenants' debt.
- 145 The tenant says that he did not receive information on Housing New Zealand's requirements for the condition in which his home should be left. Housing New Zealand records state that a pre-vacation inspection was carried out, but we do not know what information the tenant was given. The tenant's hospital stay at the time of transfer may have contributed to confusion, as some of the discussions related to the transfer were carried out with family members.
- 146 A question remains as to how the damages got so high. We do not have sufficient information to answer this question, but records of property inspections prior to the transfer show that some minor damage was present, but higher cost damages were all identified for the first time at the pre-vacation inspection.
- 147 It should be noted that Housing New Zealand responded promptly to the tenant's changed needs, transferring him to a wheelchair-accessible house that he was able to move into straight after he came out of hospital.



### 4.3. Case study three - vacated debt and clarity of requirements

- 148 This tenant has been a Housing New Zealand tenant for more than 25 years. In late 2011 she transferred to a new Housing New Zealand property to get away from a dangerous neighbour.
- 149 While there is no record of pre-vacation inspection occurring before she transferred, a transfer inspection took place shortly before the move.
- 150 After she transferred, she was charged just under \$500 in damages, which she disputed with the help of the Citizens Advice Bureau. Following this intervention, the charges were reduced slightly. An arrangement was made to repay the debt at \$5 per week, and it is now almost cleared.

#### The tenant's perspective

- 151 The tenant felt that there had not been enough clarity from Housing New Zealand on the condition in which she was expected to leave her house. For example, she assumed that, since the house had not been redecorated during her tenancy, it would be fully redecorated after she vacated, and this meant that she need not take picture hooks out of the walls. She believed that she had been charged for the picture hooks, although Housing New Zealand records state that the charges included carpet, rubbish removal, and replacing a missing plug and chain, but do not mention picture hook removal.

*I thought I'd done a good job, but then I was charged for not taking things out the walls. And I'd been in there, it was at least twenty five years, but I'd been in there since they'd redecorated. So I didn't bother to take them out, I thought they'd go in and strip the place and for me being in there twenty five years, there was no damage or anything. There was some, you know, I'd hang photos on the walls and I hadn't taken any of those out and I was charged for all of that.*

- 152 Despite the misunderstanding, she was grateful to Housing New Zealand for the transfer, and felt that she had been treated well: *the treatment that I got and the help coming in here, that was absolutely brilliant.*

#### Housing New Zealand perspective

- 153 The Area Manager responsible for this tenancy made the following comments.
- Pre-vacation inspections are almost always carried out, but in this case we do not know what was communicated between the Tenancy Manager and the tenant.
  - Standard Housing New Zealand processes were correctly followed in this case, and appear to have worked reasonably well. The tenant was able to discuss the issue with Housing New Zealand, and the debt was reduced as a result.

## **Synthesising the perspectives**

- 154 This is a situation where there may have been some misunderstanding between the tenant and Housing New Zealand over requirements for the condition in which the property was left, but subsequent to that, processes worked well. With the help of the Citizen's Advice Bureau, the tenant was able to query her debt, and it was reduced. The arrangement for repayment of the debt also appears to have worked well.
- 155 A contributor to the tenant's misunderstanding about how the property should have been left relates to the fact that the property had not been redecorated for the 25+ years that she had lived there. This led her to assume that it would be fully redecorated after she vacated, and so she need not be too concerned about the condition in which she left it. Housing New Zealand now has a policy that allows the upgrading of houses during tenancies. This policy could therefore have a positive impact on the condition of vacated properties, and the levels of vacated debt.

#### 4.4. Case study four - rent arrears, change of circumstances, and successful mediation

- 156 This tenant is a sole parent who has been a Housing New Zealand tenant since 2002. When we interviewed her at Wave One of the Housing Pathways Longitudinal Study, she described a situation where she had gotten into financial difficulty and rent arrears when she had to leave her job due to illness, and had a stand-down period before she could claim a benefit.
- 157 In late 2007 the tenant moved into work, but had to leave this job a few months later, after her child was born as her health was suffering and she had no maternity leave entitlement. She was put on a stand-down period before being able to claim a benefit, and got into several hundred dollars of rent arrears.
- 158 Housing New Zealand records show that there was prompt follow-up on the arrears and that the Tenancy Manager worked hard to reassure the tenant (who was quite distressed), and put considerable effort into resolving the situation, including offering to go with her to talk with Work and Income. Housing New Zealand followed standard process in taking the case to mediation to get the payback arrangement formalised, and the tenant appears to have understood what was happening and did not feel intimidated. The situation was resolved promptly and the arrears were paid back, in-full, six weeks after the first missed rent payment.
- 159 The tenant was happy with her relationship with Housing New Zealand, saying that she had a *really good relationship* with her Tenancy Manager.
- 160 We interviewed this tenant again three years later, at Wave Two. She and her children were healthy, and she was looking for full-time work. She aspired to home ownership and was eager to move into private rental when finances allowed. She was grateful for the secure base that Housing New Zealand had provided for her and her children.
- 161 Since the Wave Two interview, the tenant has gone into rent arrears again, and this time, after six months of non-payment and repeated attempts to create and enforce arrangements, her debt was written off. It has been raised as a possibility that the pleasant way in which she was treated by Housing New Zealand in 2007/08 may have led her to develop an expectation that she could get into arrears without facing adverse consequences. However, there have also been considerable changes in Housing New Zealand processes and methods of communication with tenants between 2008 and 2013, and these changes may have contributed to the different outcome.

#### What happened?

- 162 In 2007 the tenant moved off the benefit onto a waged job, but then unexpectedly became pregnant. At the time that her child was born she had been in paid work for less than six months, so was not eligible for maternity leave, and had not accrued annual leave. She took a little time off work, returning when her child was two weeks old, despite being unwell. She reports that she was working well over 40 hours per week, and her health suffered badly. She was instructed by her doctor that she was too sick to continue working.

- 163 Feeling that she had no choice, she left her job. Because she had left her job, she was put on a stand-down period before she could claim a benefit. Her rent payments ceased for a period of three weeks. Before the cessation of her rent payments, she had been approximately \$200 in arrears due to underpayment, and by the end of the three weeks, was almost \$700 in arrears.
- 164 Before the cessation of rent payments, Housing New Zealand had already sent the tenant two notices of overdue rent. After the first missed payment, the tenant left a message with Housing New Zealand asking to talk about her debt, and the Tenancy Manager tried to return her call but got no answer. After the second missed rent payment, the Tenancy Manager spoke to the tenant, who agreed to visit the office to discuss. After the third missed payment, the tenant was informed that Housing New Zealand would be applying for Tenancy Tribunal mediation, and the Tenancy Manager visited the property and spoke with the tenant's mother. Housing New Zealand has detailed notes on the content of this discussion, with the main points as follows.
- The tenant's mother explained her daughter's situation, and asked if her rent could be reduced while she was on leave from work. The Tenancy Manager responded that this was not possible, but asked her to get her daughter to contact her to discuss an IRR review.
  - The tenant's mother said that her daughter had asked Work and Income for help with her rent, but had been refused. The Tenancy Manager offered to go with the tenant to talk with Work and Income.
  - The Tenancy Manager explained that Housing New Zealand needed to continue to follow process and go to Tenancy Tribunal mediation, but reassured her that Housing New Zealand wanted to help, and would really like the tenant to make contact.
- 165 The following day, the tenant rang the Tenancy Manager, who reiterated that Housing New Zealand would follow process with mediation, and would keep trying to get help for her through Work and Income. The Tenancy Manager suggested that the tenant should try to pay some extra money on top of her rent towards arrears, and reassured her that Housing New Zealand understood her situation, and was happy for her to call any time if she had any problems. That day, payments to the tenant's rent account resumed; she began paying the rent each week plus an extra \$20 per week towards arrears.
- 166 Mediation occurred in late February, and two orders were written up: one asking Work and Income for full payment of the arrears, and the other, to be used as a back-up if the first didn't go through, ordering rent to be paid plus \$20 per week towards arrears. A few days later, a lump sum was paid into the tenant's rent account, which cleared the arrears. The source of this payment is not specified, but it is likely that it was a lump sum from Work and Income. When we interviewed her, the tenant said: *WINZ wouldn't help me and it got to the point where she said to me that I had to go to a mediation so it made WINZ help.*
- 167 A few days after the lump sum was paid, the arrangement for \$20 per week towards arrears was actioned, and over the next few weeks the tenant's rent account went into credit. It is unclear why the arrangement was actioned after the lump sum had been received, but the credit that it created was eventually paid back to the tenant.

## **The tenant's perspective**

- 168 The tenant described this situation as difficult, and said that she was upset that Work and Income had refused to help until she was given notice by Housing New Zealand.
- 169 She also emphasised that she did not want to leave her job, but had been forced to for health reasons. From her description, it appears that Work and Income interpreted this as a voluntary exit from her job, and as a result put her onto a stand-down period.
- 170 She was very positive about her relationship with her Tenancy Manager, saying: *I have a really good relationship with Tenancy Manager she's been really cool.*
- 171 When we interviewed her again three years later, the tenant was still in her Housing New Zealand home. She and her children were healthy, and she was looking for full-time work. She aspired to home ownership and was eager to move into private rental when finances allowed. She was grateful for the secure base that her Housing New Zealand home had provided for her and her children.

## **Housing New Zealand perspective**

- 172 The Area Manager responsible for this tenancy made the following comments.
- In the years following the events described in this case study, this tenant went into rent arrears again, several times. It might have been better if she had been intimidated by events in 2008. The leniency that she was shown may have encouraged her to push boundaries further as time went on. While Housing New Zealand should listen to what has gone wrong, and provide advice on where to get help, Housing New Zealand should not confuse being a social landlord with being a financial prop for tenants. In the recent push to reduce debt, some tenants have shown blatant abuse of Housing New Zealand's past leniency with non payment of rent. Housing New Zealand is no longer as lenient and does not do tenants any favours by sanctioning non payment of rent.
  - Housing New Zealand was too slow to act, and the tenant needed to be brought into line a lot more quickly to avoid a large debt. The sooner that we identify debt and speak to the tenant, the more likely we are to be able to get full payment straight away and not have to set up arrangements.
  - Under the new service delivery model, more than one staff member is involved if the tenant does not clear rent arrears after their first contact. This model, once working properly, should achieve full payment of arrears as soon as it occurs, rather than delaying proceedings until the debt is so large the tenant can not meet the payments.
  - At times there have been issues with the relationship with Work and Income. At some times the Work and Income Service Centre have had a policy where they would not clear tenant debt until they had a termination notice from the Tenancy Tribunal. This was the situation at the time of this case study. This has changed, and at present there is an excellent relationship between Housing New Zealand and this Work and Income Service Centre, and a number of tenants have been saved from termination of their tenancies by Work and Income providing aid and access to budget advice to help prevent further debt.
  - Tenants need to take ownership. Work and Income provides monetary assistance and Housing New Zealand provides a house and IRR. The tenant

should have asked for an emergency benefit. Under the current model, Housing New Zealand would refer the tenant to an agency that could advocate for her.

- With regards to the tenant's credit, after her arrears were paid, Housing New Zealand process for clearing credits have been ad hoc and time consuming. At the time of the events described in this case study, first a letter would be sent to the tenant advising them of the credit and asking if they wanted it refunded. If their response was yes, the account number would be confirmed, and the Tenancy Manager would then process the refund with Area Manager approval.

### **Synthesising the perspectives**

173 This case study highlights a dichotomy between two possible approaches to tenant debt. Is it better for Housing New Zealand to be understanding of tenants' situations and lenient when the tenant is under severe financial stress, or is it better to get tough on debt, thereby sending a message that debt is unacceptable? Is there a middle ground, where tenants can feel that they are treated fairly, but also have a clear understanding of the importance of not getting into debt?

- In the events described in this case study, the tenant was treated understandingly by her Tenancy Manager, and did not feel intimidated by Tenancy Tribunal procedures. An (ultimately successful) arrangement to pay back the arrears was in place one month after the first missed rent payment. As a result a good relationship was formed between the tenant and her Tenancy Manager, and the tenant was happy.
- In the years following the events described in this case study, this tenant went into arrears on several occasions, and it is the opinion of the Area Manager that a contributing factor may have been the pleasant way that she was treated by Housing New Zealand in relation to her debt in 2008.
- It is impossible to know whether past leniency, or present harder-line processes (or the combination of the two) have contributed to the tenant's more recent debt problems. The Area Manager has direct experience of many incidences of tenants thinking that they are entitled to leniency, and it is quite possible that this is a factor. However, it is also worth noting that the arrears that the tenant incurred in 2007-8 were cleared quickly, while more recent interactions with the tenant did not produce a successful arrangement, and the debt was written off after six months of non-payment and repeated attempts to create and enforce arrangements. Customer records suggest that the tenant has become hostile in her interactions with Housing New Zealand.
- This case study is open to interpretation. It highlights some differences between past and present approaches to debt, but it does not show which approach is more effective. It is also possible that the tenant's circumstances have changed in a way that contributes to the differences in outcomes over time, but we have not examined this as the more recent debt lies outside of the period for which we have interview data.

## 4.5. Case study five - IRR processes, rent arrears, and arrangements

- 174 This tenant has several young children, and has been a Housing New Zealand tenant for around five years. Her partner works variable hours, but has increased his working hours over the last year.
- 175 Several coinciding events contributed to the tenant getting into significant rent arrears in 2012/13, and then struggling to pay the debt back.
- Her IRR increased by nearly \$60 per week – a much larger increase than she was expecting.
  - Processing of her IRR Change of Circumstances information was delayed for two months, while some information was missing. The tenant insisted that she submitted this information on time, and Housing New Zealand records show that she resubmitted it as soon as she was told that it had been lost.
  - Her increase in IRR, once processed, was backdated, resulting in significant rent arrears.
  - An arrangement was made, via mediation, for the tenant to pay the arrears back at a rate of \$100 per week. She finds this unaffordable, but did not think that she could challenge it at mediation.
  - At the same time, her family assistance was discontinued temporarily, due to overpayment, reducing her household income.
- 176 There are other factors, relating to the tenant's circumstances, that may also have contributed.
- Household income is variable, and rent payments are not deducted automatically from wages or benefits. The tenant juggles rent payments between herself and her partner, and has a history of somewhat irregular payment amounts and timing, plus occasional dishonoured payments.
  - The tenant does not appear to have anticipated the effects that her partner's increase in working hours would have on their rent, and did not put money aside in anticipation of increased rent.
  - There is some other household debt to non-Housing New Zealand sources.
- 177 The tenant has worked hard to resolve the situation, and contacts Housing New Zealand frequently to ask about her account balance, and to let Housing New Zealand know when she will next make a payment. When we interviewed her, she was frustrated that she had not been called back on a number of occasions. Housing New Zealand records suggest that follow-up with the tenant has improved since the interview.

### What happened?

#### Rent arrears due to delayed IRR review processing and a big increase in rent

- 178 The tenant juggles rent payments between herself and her partner, often paying part of the rent from her account, and part from his. This is presumably due to his

variable income, from irregular working hours. During most of 2012, the tenant was paying an IRR of just under \$250/week. Housing New Zealand records show that, before her IRR change of circumstances, she was up-to-date with rent payments, although she had fallen behind on several occasions during the year.

- 179 In late 2012, the tenant's rent increased to market rent, due to non-receipt of some of her annual IRR Change of Circumstances information. However, she insists that she sent in all of the information in time. She called Housing New Zealand the day after the increase, to ask about her balance, and says that she was told that some information was missing, and that someone from the IRR team would call her. Housing New Zealand records indicate that the staff member who took the call emailed the IRR team asking them to process her forms as soon as possible, but may not have requested that they contact the tenant.
- 180 A week later, the tenant called Housing New Zealand to say that she had received a letter saying that her partner's income details had not been received. Housing New Zealand call logs record that she said that she had faxed those details through already, but that she would send them again.
- 181 During the next two months, the tenant continued to be charged market rent, and there was some communication between her and Housing New Zealand, with Housing New Zealand sending the tenant notifications of arrears, and the tenant calling Housing New Zealand to say that she had supplied the required information. Debt Specialists and the IRR team were emailed during this period and asked to contact the tenant. While a Debt Specialist did speak with her, there is no record of her being contacted by an IRR Specialist. Market rent was charged for a total of eight weeks, and then the tenant's rent was reduced to an IRR of just over \$300. This IRR change was backdated by eight weeks, and her account was refunded the extra market rent that had been charged.
- 182 During the period that she was waiting for her IRR assessment to be completed, and in accordance with advice given to her by a Housing Advisor, the tenant paid \$250 per week towards rent (minus one dishonoured payment). This was not enough to cover the backdated change to her IRR, resulting in a debt of several hundred dollars.
- 183 In early 2013, she was contacted by her Tenancy Manager, who told her that she was in rent arrears.
- 184 In early 2013, the tenant paid variable amounts into her account, and had some further problems with dishonoured payments. She did not keep up with the rent, and by mid-February her debt reached just over \$2000. The Debt Team were asked to contact the tenant twice during January, but there is no record of any contact from them until the second half of February.
- 185 In late February, following discussions with her Tenancy Manager, the tenant sought help from Work and Income for her arrears, and in early March, paid a lump sum that took her debt down to just over \$1000. She advised Housing New Zealand that she and her husband would begin paying \$350/week between them, to clear the arrears, but their subsequent payments did not reach this target, and she fell further into arrears. Housing New Zealand applied for Tenancy Tribunal mediation.



### Mediation and payback arrangements

- 186 In mid-March, Tenancy Tribunal mediation took place, and the tenant was ordered to pay her rent plus \$200 in arrears fortnightly.
- 187 Since mediation, the tenant has begun to pay the rent and the arrears. There have been a few missed payments, but Housing New Zealand has followed up promptly. At the time that this case study was drafted, the tenant was still in arrears, but her debt had reduced.

### The tenant's perspective

- 188 When we interviewed her, the tenant described considerable difficulty in communicating with Housing New Zealand. She insisted that she had sent all of her IRR review information in on time, and said that she had received no notification that Housing New Zealand hadn't received some information until she called to enquire about progress. She was also disappointed that she had not been called back by an IRR Specialist, when she had been advised over the phone that one would call.

The tenant had not been expecting such a large increase in her IRR, and she had not budgeted for it. She had assumed that her IRR increase would be only a few dollars, as it had been in previous years, and was shocked to discover that it had gone up by almost \$60. She said she didn't understand why it had gone up so much when her partner was still being paid the same hourly rate, but when questioned, it emerged that her partner had been working longer hours. She may not have understood, until it was explained to her at the interview, that longer hours at the same pay rate would lead to an increase in her IRR.

- 189 She also did not understand how her arrears had arisen, given that her market rent had been refunded. She may not have been aware that the change in her IRR had been backdated, or that one of her payments was dishonoured.

*And then the first time I heard back from them was beginning of this year ... "Oh hi, did you realise that you're in arrears of eight, nine hundred dollars?" (laughter) "Oh, how come?" "Oh, because back then we'd been charging you, we've..." Apparently they said they have back paid from the market rent that they have been charging me, but I still have that debt, so I don't know what they back paid.*

- 190 The tenant described the rent increased plus the arrangement for paying back her debt at \$100 per week as very difficult to honour, given her other household expenses.

*I try my best to prioritise my house, to pay for our rent, but I know for a fact some weeks I just don't have enough to pay for our rent, it's either I pay for the roof over our head or feed my kids. ... we are so struggling paying it now, but we have no choice because if I miss one of those payments we're out...*

- 191 When asked whether she was able to put her side of the story across at mediation, the tenant said that she was told that the minimum amount that she was required to pay back per week was \$100, and that when asked what she could afford, she opted to pay \$100 because she thought that it was the lowest amount possible.

*Well they, the girl said that we had to come up, both agree on an amount that was suitable, or affordable for me to pay. And my tenancy manager ... said that working it*

*out from the Housing New Zealand book or whatever they go by, that when you're over eight hundred dollars in arrears it's got to be a hundred or over to pay back.*

- 192 She said that she was not asked to tell her side of the story, other than to state what she could afford to pay back.

*[B]asically it just all started off with the lady that took it, "Okay I'm here, the time is dah, di, dah." And then have the debt management person on the other end, 'cause it was over the phone, and she just said, okay, reason, the amount that was in arrears. And then that was it and then she said to me, what my side was, well basically not my side of the story, but how much I can afford ... "Oh well I can't go any lower than a hundred so it has to be a hundred a week."*

- 193 She also mentioned that during this time she had found it particularly hard to make ends meet, as their family assistance payments were stopped for two months due to overpayment. She said: *So we went two months without family assistance, so fortnightly rent of 600 was a lot for us, we struggled for a very long time.*

### **Housing New Zealand perspective**

- 194 The Area Manager responsible for this tenancy made the following comments.

- IRR review processes have been a significant issue for Housing New Zealand, with delays and some losses of information, and this is likely to have been a factor in this case. However processes have improved: the backlog of reviews has reduced, and procedures have been developed that reduce information loss. The Area Manager is now seeing fewer issues with IRR than were occurring at the time of the events described in this case study.
- The repayment arrangement of \$100 per week is unusually high, and the Area Manager will investigate as to whether a renegotiation of it is warranted. The debt team have guidelines for the level of repayment that is appropriate under different circumstances, but they also have the ability consult with the Area Manager and set lower levels of repayment than those stated in the guidelines. This provision is often used, but may not have been used in this case.
- Based on the tenant's description, the mediation process also appears to have been unusual. It is the mediator's job to ensure that the tenant's voice is properly heard, and it is unclear why it was not, in this case. Either the process was unusual, or the tenant's description of the process may not fully reflect what actually happened.

### **Synthesising the perspectives**

- 195 This tenant was unlucky that her IRR review happened at a time when Housing New Zealand had some problems with IRR processes. Housing New Zealand is aware of these problems, and improvements have now been put in place that make it less likely that tenants will experience the delays and losses of their information that happened in this case. .
- 196 The delay in IRR processing, in combination with the tenant's unawareness of her increased household income and its impact on rent, resulted in significant arrears. This raises a question as to whether it is ethical for Housing New Zealand to backdate large increases in IRR, after a delay in processing that was unlikely to have been the fault of the tenant.

- 197 The arrangement that was made for the tenant to pay back arrears at \$100 per week is very unusual, although it was not the case of this occurring in South Auckland during this time period. It is not clear why arrangements of \$100/week have been made, but it may result from a somewhat rigid interpretation of Housing New Zealand guidelines on repayment levels. In combination with her large increase in IRR, and discontinuation of her family assistance, this arrangement has made it very difficult for the tenant to make ends meet.
- 198 Housing New Zealand has been redesigning the criteria around debt repayment arrangements, and a new repayment calculator is under development. The calculator is designed to provide guidance for staff on repayment levels that will be sustainable for tenants and that will enable repayment of debts within a reasonable period of time. This should make unusually high repayment arrangements, such as that described in this case study, less likely to occur in the future. When this tenant's information was entered into the draft repayment calculator, a repayment rate of \$30 per week was recommended.
- 199 It is clear that, in this case, mediation did not effectively elicit the tenant's position on what level of repayment was affordable for her. It is not clear why not; there may have been a failure in process, or there may have been issues with the tenant's perceptions or understanding of the process.

## 4.6. Case study six - rent arrears, changing income sources, and perceptions of mediation

200 This tenant has been a Housing New Zealand tenant for around three years. She is in tertiary study, and during term time, her income is from a student allowance, and when she is not studying she switches to a benefit. Her income level does not change when she moves between a benefit and a student allowance.

201 She has a history of recurring rent arrears, with the following contributing factors.

- She tends to get into arrears when she switches between income sources then misses several weeks of rent payments.
- When she is on a benefit, she pays her rent through an AOB, and this works well. When an AOB is active, her rent is paid consistently, and she is able to pay off arrears.
- Although she sets up automatic payments for her rent when she is on a student allowance, her payments have been much less consistent during those periods.
- During a period of seven months in 2012 (which spanned Housing New Zealand's transition to the new service delivery model), the tenant paid her rent fortnightly instead of weekly, and was not followed up by Housing New Zealand. This situation was rectified in late 2012, by which time she was in significant arrears.

202 The tenant described dissatisfaction with having to undergo Tenancy Tribunal mediation when an arrangement was already in effect. This was despite having been told by Housing New Zealand that the mediation was simply to formalise the arrangement, and that it was in her best interests as it would allow her to have her perspective heard. She likened Tenancy Tribunal proceedings to court, saying: *I thought oh if I have to I'll face you in court*. This difference between tenant and Housing New Zealand perspectives on Tenancy Tribunal mediation is not unique to this case. Several other tenants described their experiences of Tribunal in a similar way. Housing New Zealand points out that mediation provides a way for the tenant's side of the story to be heard, and in some cases Tribunal involvement is necessary to send a clear message that rent must be paid, and arrangements must be kept.

203 At the time of writing this case study, the tenant was receiving a benefit, and paying her rent plus a weekly amount towards arrears, by AOB. This arrangement was being kept, and her arrears were reducing.

### What happened?

#### Rent arrears when transferring from a benefit to a student allowance

204 The tenant first got into significant arrears in 2010, when her AOB ceased, and she had a change of circumstances. Her rent payments stopped for four weeks, but the situation was quickly resolved, with a new AOB that paid her rent plus a weekly amount towards arrears.

205 Her AOB ceased shortly afterwards, when she started studying and was on a student allowance, and she missed a number of rent payments. Housing New

Zealand worked with her to make an arrangement, which was taken to Tenancy Tribunal mediation and agreed to. Rent payments recommenced after mediation, and arrears repayments began. While the tenant's ensuing payments varied in timing and amount, by 2011, she had cleared the arrears and her account was in credit.

- 206 Just a few weeks later she again missed some weeks' rent. After follow-up from Housing New Zealand, she agreed to an arrangement, but missed several payments, and her arrears built up to just under \$1000. During this time, Housing New Zealand was in communication with the tenant, and the tenant was seeking help from Work and Income. It can be assumed that she was no longer studying at this time. In May 2011, a lump sum to cover her arrears was received from Work and Income, and a new AOB was set up that paid the tenant's rent plus some damage debt that she had incurred. This AOB continued until 2012, and during that time the tenant did not fall into arrears.
- 207 In early 2012, the AOB ceased, and the tenant missed 14 consecutive rent payments. When followed up by Housing New Zealand, she advised that she was again studying and receiving a student allowance. She told Housing New Zealand that she would set up a weekly automatic payment for her rent and arrears, but her automatic payments were received fortnightly rather than weekly, suggesting that she may have made a mistake when setting up the payment. She fell further into arrears, and during the ensuing 7 months there is no record of any discussion between Housing New Zealand and the tenant about her arrears.
- 208 Seven months later, after three weeks of missed rent payments a Debt Specialist attempted to contact the tenant, and a notice of unpaid rent was sent. Automatic weekly payments for rent and arrears then recommenced but were sometimes dishonoured. In late 2012, automatic payments ceased again, and six weeks of rent was not paid. The tenant was no longer studying, and advised a Debt Specialist that she was talking with Work and Income.
- 209 In early 2013 some rent payments and debt repayments were made, but others were missed, creating further arrears. During this time, the tenant went back onto a benefit, and completed an AOB form for her weekly rent plus \$30 towards arrears. The tenant was keen to have her AOB processed as quickly as possible, calling Housing New Zealand about it five times during a period of two weeks, expressing concern about how long it was taking. Her AOB was set up two-weeks after receipt of the form, and the first deduction from her benefit happened the following week.

#### **Arrangements and mediation**

- 210 In early 2013, Housing New Zealand applied for Tenancy Tribunal mediation, to formalise the arrangement for paying back the arrears. Records show that the tenant was informed that the application was being made, and that it was explained that this was to formalise the arrangement. When the tenant called Housing New Zealand to say that she had just received a letter from Work and Income confirming that her AOB payments were about to begin, the Housing Advisor she spoke to advised her that it was still in her best interests to attend mediation as it would give the mediator a chance to hear her side of the story. Housing New Zealand notes say that the tenant seemed happy with this explanation.
- 211 An attempt at phone mediation occurred, but the tenant was not able to answer the phone and could not get through when she tried to call back on the number provided. Because the tenant did not attend mediation, her case was escalated to

Tribunal. However, after this escalation, the tenant's AOB came into action, and the application to Tribunal was withdrawn and arrangements were sealed.

- 212 Since her AOB began, the tenant's rent has been paid in full each week, and an additional \$30 per week has been paid towards arrears. Her arrears are steadily reducing.

### **The tenant's perspective**

- 213 When we interviewed her, the tenant described how she had experienced repeated difficulties paying her rent when she was on a student allowance, and ascribed this to Studylink processes and delays in receiving her student allowance. She talked about how, each time she got into arrears, going back on a benefit and establishing an AOB was what had allowed her to repay her arrears. The AOB appears to be very helpful for this tenant, and she likes that not having to think about making payments.. She said:

*Damn StudyLink bunging up my ... they were holding back and then they decide to pay me, which got my rent more and more behind. Yeah, but now that I'm on this... [AOB] ... it's actually killing my arrears off. ... Yeah, 'cause I don't have to worry about it.*

- 214 We talked to her shortly after she had missed the phone mediation, and her case had been escalated to Tribunal. She referred to Tenancy Tribunal processes as "court", and said that, in her past arrears situations, Housing New Zealand "just wanted to throw me out, but I kept killing the bill, so yeah, no, that's all they did". She said that she had been led to believe that, once the AOB was in place, Tenancy Tribunal proceedings would be abandoned, and she was annoyed that Tribunal proceedings were still going ahead despite the AOB. She did not mention the missed mediation appointment.

*[M]y tenancy manager said that he was, wasn't going to pursue it as long as I signed those papers that go to social welfare. So I signed those and gave it to him, and my, the rent's been, and the extra has been coming out. ...And it's in the tribunal ... he was supposed to pull it out, but he didn't. So to me he's just told me a lot of crap.*

- 215 This is at odds with Housing New Zealand records, which state that the tenant was informed that mediation was going ahead so as to formalise the arrangement, and which suggest that the tenant was happy with this explanation. Her view is consistent with that expressed by several other tenants, in that she thinks of the Tenancy Tribunal as confrontational, likening it to court proceedings.

- 216 The tenant also described difficulties with communication, saying that she had tried repeatedly to contact Housing New Zealand to avert tribunal proceedings, but had not got a response. She said: *I've been ringing them for the last two months. Still nothing. So I've just decided to go to the tribunal and see what happens there. ... They haven't been ringing me back.* Housing New Zealand records show that the tenant has a history of making very frequent calls to Housing New Zealand. During early 2013 some of her calls were not returned, but in the two months prior to the interview, she was visited by her Tenancy Manager, and she spoke with Housing Advisors on several occasions. There was a two and a half week interval between when she signed her AOB form, and when the AOB arrangement was actioned, and she called five times during this interval. This occurred shortly before the interview, and may be related to her dissatisfaction.

## Housing New Zealand perspective

217 The Area Manager responsible for this tenancy made the following comments.

- Normally, when a tenant misses one payment, the Tenancy Manager contacts them to enquire what happened. In this case it appears that there was no contact for a number of weeks. This could be because the Tenancy Manager tried to phone or visit, but got no response and did not document the attempts, or it could be that the arrears went unnoticed due to the major changes in Housing New Zealand processes. Some of the case notes indicate that the tenant has been difficult to contact, so this could be a contributor. The need for Tenancy Managers to document everything, including unsuccessful contact attempts, has been reinforced, since this time.
- From April to September 2012, Housing New Zealand was embedding new processes, and debt specialists were not resourced well enough to cope with all of the debtors in the area. As a result it's likely that many tenants who were going into debt were missed (hence the large increase in arrears, nationally). Nowadays, the debt team is better resourced, area staff receive debt reports, and there is a clear expectation that Tenancy Managers are responsible for the debt in their portfolios. This makes it much less likely that debt such as that described in this case study, will be missed in future.
- While Housing New Zealand processes may have meant the debt was overlooked, it should also be noted that tenants are responsible for their rent, and this tenant should have seen from her bank statements that payments were being missed, or should have had some awareness that she had extra money.
- Ideally, in this case, Housing New Zealand action would include the Tenancy Manager identifying a history of rent arrears due to changes of income source and working on a plan with the tenant around how to best manage this (for example, by paying a little extra each week so to create a credit that could be used when shifting from one income source to another). There would also be some support offered to the tenant, for example, a referral to a service for budgeting and advocacy support, including advocacy with Studylink.
- While tenants may not like Tribunal process, they are necessary in cases where there is a large debt or a history of repeated debt. During mediation the responsibilities of the tenant are clearly explained, as are the consequence of not adhering to those responsibilities. While some tenants will stick to arrangements that are made over the phone, others need to have it clearly explained, by someone other than Housing New Zealand, that they must pay their rent and they must adhere to arrangements, or face consequences. The process is quite robust, and it can be over the phone, meaning that the tenant does not have to go in to the Department of Building and Housing.
- If a tenant does not make an arrangement, is in arrears and does not attend mediation the only option is escalate the case to Tribunal, which is what happened in this case. However once a Tribunal date was granted, the tenant made an arrangement, and set her AOB accordingly. Housing New Zealand then withdrew the application to Tribunal and the arrangement was sealed.

## Synthesising the perspectives

218 This is a case of recurring rent arrears whenever the tenant moves between income sources, and in particular, when she moves on to a Student Allowance and her rent payments are no longer taken care of by an AOB. The tenant has consistently failed

to meet her rent payment responsibilities when she does not have an AOB in place. Given this tenant's history, the Area Manager has suggested that an ideal process would involve working with the tenant on a plan for how to manage her changes in income, and referral to a budgeting and advocacy service. If this were implemented, it would help the tenant to deal with Studylink, and it would challenge what appears to be her expectation that she can accrue arrears while on a student allowance, and then repay the arrears once she is back on a benefit.

- 219 The tenant's view of Tribunal processes is at odds with Housing New Zealand's view. The tenant saw Tribunal as unnecessarily confrontational, despite having had it explained to her that it was normal process to allow formalisation of the arrangement. Housing New Zealand sees Tribunal processes as a means to allow the tenant's side of the story to be heard, and in some cases to provide a clear message to the tenant that rent must be paid and arrangements must be met. Housing New Zealand has a set process that it follows in taking debt to mediation, and in some cases escalating it to Tribunal. While, in this case, escalation was ultimately unnecessary and caused the tenant irritation, this should be weighed up against the advantage of having fast, effective and legal processes in place to formalise debt repayment arrangements, especially for tenants with histories of recurring rent arrears.
- 220 While the tenant was dissatisfied with the communication she had with Housing New Zealand about the Tribunal process, Housing New Zealand records show that she had been visited by her Tenancy Manager, and had spoken with Housing Advisors several times, and the purpose of mediation had been explained to her. Where communication between Housing New Zealand and the tenant had been lacking, was during the earlier period when she underpaid her rent and got into arrears, but this was not the subject of her complaint about communication.
- 221 The tenant seems to be unclear on the reasons for her arrears, blaming Studylink processes, but not acknowledging the contribution of dishonoured payments and incorrectly set-up automatic payments. She may not have been aware that these issues had occurred.



## Tenancy Support Services feedback

- 222 On 19 September, 2013, a workshop was held with managers within the Housing New Zealand Tenancy Support Services team, to gather their feedback on the report, and initial ideas for how the findings could influence Housing New Zealand practice. This section summarises that feedback.
- 223 Overall, the managers said that the findings were consistent with their experiences.

### Working constructively with tenants

- 224 The report highlights that Housing New Zealand needs to be clear about expectations on tenants. Effectively communicating expectations requires working with tenants from the beginning of their tenancies or even at application. It was noted that in future, Housing New Zealand will not be dealing with applicants, when this becomes the Ministry of Social Development's responsibility under the Social Housing Reform Programme changes.
- 225 The report highlights that tenant circumstances are important contributors to debt, and a question was raised as to how much the staff who work with tenants in debt know about tenant circumstances. Some staff felt that resource constraints made it difficult for staff to get a good understanding of circumstances.
- 226 The daily debtor list that staff receive does not segment tenants or distinguish tenants by their debt history. If information on this were available, it might expedite an understanding of tenants' backgrounds, and help in formulating an appropriate response. For example, a small proportion of debtors are recidivist, which is defined as them having broken three or more arrangements or having been referred to Tribunal at least three times in the last 18 months. Identifying these tenants could help to ensure that their situation is addressed appropriately.
- 227 Housing New Zealand has been good at admitting responsibility when mistakes are uncovered, and making good on them.
- 228 Household Action Plans (HAPs) are intended to be used by Housing New Zealand to help high need tenants to manage their household issues before they become problems, helping them to achieve sustainable housing by paying their rent on time and keeping repayment arrangements. The process involves identification of tenants who would benefit from a more proactive approach, establishing a HAP for the household, supporting the success of the HAP, and monitoring, evaluating and updating the HAP. For a number of tenants, HAPs are in place, but they could be more widespread. Once in place, the HAPs are not always supported, used, monitored or updated. There is a cost associated with the establishment and implementation of HAPs, but more use of HAPs should create savings for Housing New Zealand by reducing debt and decreasing the amount of debt follow-up work that needs to be done.
- 229 One thing Housing New Zealand can do is refer tenants to good budgeting services, and help them to avoid budgeting services that are of poor quality.

### Housing New Zealand systems and processes

- 230 The research found a number of cases in which tenants did not know that they were in rent arrears or credit, or had debt but did not understand how their debt had arisen. Questions were raised as to whether rent account balances could be made

more transparent to tenants. For example before implementation of Housing New Zealand's new Service Delivery Model, some Tenancy Managers would send regular rent statements to tenants. It could be a good idea to reinstate this, but Housing New Zealand systems do not currently allow it. Mitigating the effectiveness of this, it is possible that that posted statements could lie unopened, especially if tenants were apprehensive about opening an envelope that could contain a bill or notification of debt. It was suggested that statements could be sent in plain envelopes.

- 231 With regard to the findings from South Auckland, it should be noted that the South Auckland interviews took place near the end of a period during which Housing New Zealand had some significant problems with IRR change of circumstances processes and debt follow-up processes. These problems were identified, and Housing New Zealand has come a long way since this time, in addressing them. Some of the situations described in this report are now much less likely to occur.
- 232 New systems have made it difficult for staff to provide a joined-up service to customers. For example, before the change to the new service delivery model, it was possible for tenant-facing staff to lodge a maintenance job for a tenant. Under the new system, until very recently, this was not easily done. A better system is now in place, but there is further room for improvement.

#### **Future state**

- 233 Workshop participants were asked what they thought would be an ideal future state, with regards to debt. in three years' time. They suggested that:
- tenants in debt would be treated with respect
  - staff dealing with tenants in debt would have sought to understand why they had gotten into debt
  - tenants in debt would have been assisted by Housing New Zealand to sustain their tenancies
  - debt repayment arrangements would be sustainable
  - there would be greater use of and support for HAPs
  - for recidivist debtors, a condition of staying in their tenancies would be that they undertake financial literacy training, as per their HAPs.

## Appendix A: The Housing Pathways Longitudinal Study

- 234 The Housing Pathways Longitudinal Study is a Housing New Zealand research programme that establishes an evidence base about how housing pathways and life circumstances influence outcomes for Housing New Zealand applicants and tenants. The research objectives are to identify and analyse:
- the relationships between housing tenure and life circumstances of Housing New Zealand tenants and applicants that lead to positive and negative outcomes
  - resources and interventions that assist or prevent Housing New Zealand tenants and applicants achieving their housing aspirations.
- 235 A pilot study in 2008 interviewed tenants to gather their perspectives on their housing pathways,<sup>10</sup> and in 2009 a three wave longitudinal study was initiated.<sup>11</sup>
- 236 Data is collected in three waves of interviews, over the course of six years. A sample of tenants and applicants in three locations (Porirua, South Auckland, and Christchurch) are interviewed at three-yearly intervals. Wave One and Wave Two interviews have now been completed for all three locations (Table 2).

**Table 2** Schedule of Wave One and Two interviewing by location

Location	Wave One	Wave Two
Porirua	May 2009	June 2012
South Auckland	November 2009	April 2013
Christchurch	March 2010	November 2012

- 237 The Wave One and Two interviews from Porirua and Christchurch gathered some useful information on tenant and applicant debt, despite the fact that debt was not a focus of those interviews. The Wave Two interviews in South Auckland included a specific focus on debt and its management.

<sup>10</sup> Mackay, J., Laing, P., Pfitzner, F., and Onyando, M. (2009) Results for the pilot for the longitudinal study. Prepared for Housing New Zealand Corporation. April 2009

<sup>11</sup> Laing, P., MacKay, J., Pfitzner, F., Porima, L., Smiler, K., Vailini, R., and Fairbairn-Dunlop, P. (2010) Longitudinal Study of Corporation Tenants and Applicants: initial findings from wave one research undertaken in Porirua. Prepared for Housing New Zealand Corporation.

## Appendix B: Research sample and method

### B 1. Participant characteristics

238 At Wave One, 269 people were interviewed, across three sites (Porirua, South Auckland and Christchurch). Of these people, 183 were Housing New Zealand tenants, and 86 were applicants (Table 3).

**Table 3** Wave One count of participants by location and whether they were an applicant or a tenant at the time of the interview

Site	Applicant	Tenant	Total
Porirua	35	67	102
South Auckland	31	64	95
Christchurch	20	52	72
<b>All sites</b>	<b>86</b>	<b>183</b>	<b>269</b>

239 Wave Two interviews were held with 263 people, including all of the Wave One participants who could be tracked down, and 87 new tenants who were added to the sample. The new tenants had started their Housing New Zealand tenancies after 1 July 2011. Wave Two interviews included:

- 5 applicants who were still on the waiting list
- 27 previous applicants who had exited the waiting list
- 117 Housing New Zealand tenants
- 11 previous tenants who had exited Housing New Zealand
- 87 new tenants who were new recruits to the study
- 16 new tenants who had been applicants at Wave One (Table 4).

**Table 4** Wave Two count of participants by location and whether they were an applicant, exited applicant, tenant, previous tenant, or new tenant at the time of the interview

Site	Applicant <sup>1</sup>	Exited Applicant <sup>2</sup>	Tenant <sup>3</sup>	Previous Tenant <sup>4</sup>	New Tenant <sup>5</sup>	Total
Porirua	3	13	49	1	38	104
South Auckland	1	6	35	3	34	79
Christchurch	1	8	33	7	31	80
<b>All sites</b>	<b>5</b>	<b>27</b>	<b>117</b>	<b>11</b>	<b>103</b>	<b>263</b>

<sup>1</sup> Applicants were on the waiting list for a Housing New Zealand home at both Wave One and Wave Two

<sup>2</sup> Exited applicants were on the waiting list for a Housing New Zealand home at Wave One, and then were not housed and exited the waiting list before Wave Two

<sup>3</sup> Tenants were Housing New Zealand tenants at Wave One and Wave Two

<sup>4</sup> Previous tenants were tenants at Wave One or Applicants at Wave One who became tenants afterwards, and who exited their Housing New Zealand tenancies before Wave Two

<sup>5</sup> New tenants were either new recruits to the study, who became Housing New Zealand tenants after July 2011, and were interviewed for the first time at Wave Two, or were applicants at Wave One, and became tenants between their Wave One and Wave Two interviews.

- 240 This report includes some information from the Wave One interviews, but focuses primarily on Wave Two. Responses from South Auckland tenants and applicants are more heavily represented because the Wave Two South Auckland interviews included specific questions about debt and management of household finances.
- 241 At Wave Two, around a third of tenants were Māori, a third European/NZ Pākehā, and a third Pacific Peoples. The remainder were either Māori and European, Māori and Pacific, or of another ethnicity (Table 5). Participants were fairly evenly spread across age groups with one fifth aged 18-30 years, a quarter 31-40 years, a fifth 41-50 years, a quarter 51-64 years and 12 percent 65 years and older (Table 6).

**Table 5** Ethnicity of participants at Wave Two

Ethnicity	participants	
	number	percent
Māori	82	31%
European/NZ Pākehā	98	37%
Pacific peoples	74	28%
Māori and European/NZ Pākehā	4	2%
Māori and Pacific peoples	4	2%
Other	1	0%

**Table 6** Age of participants at Wave Two

Age	participants	
	number	percent
18-30 years	56	21%
31-40 years	67	25%
41-50 years	53	20%
51-64 years	58	22%
65-74 years	22	8%
75+ years	7	3%

- 242 At Wave two, 13 percent of participants had not been Housing New Zealand tenants, a third had been tenants for less than two years (36 percent), a third for between two and 10 years (33 percent) and a fifth for longer than 10 years (19 percent) (Table 7).

**Table 7** Housing New Zealand tenancy duration of participants at Wave Two

Tenancy duration	participants	
	number	percent
0 years <sup>1</sup>	32	12%
<2 years	95	36%
2-10 years	87	33%
>10 years	49	19%

<sup>1</sup> Includes applicants and exited applicants.

243 Three quarters of participants had children living in their households (Table 8). This included all households in which under 18 year olds lived, including the participant's child(ren), grandchild(ren), great-grandchild(ren), niece(s), nephew(s), or in a few cases children unrelated to the participant.

**Table 8** Presence of children in participant households at Wave Two

Household composition <sup>1</sup>	participants	
	number	percent
Children in household	192	73%
No children in household	71	27%

<sup>1</sup> This was derived from interview data. For most, but not all households this data matched Housing New Zealand administrative records. The most frequent point of difference was where grandchildren living in the house were not listed in Housing New Zealand administrative records (14 households).

244 The great majority of tenant participants (95 percent) were paying income-related rent at the time of their Wave Two interview (Table 9).

**Table 9** Type of rent paid by Housing New Zealand tenant and new tenant participant households at Wave Two

Rent type	tenant participants	
	number	percent
Income-related rent	209	95%
Market rent	11	5%

245 Only 16 percent of tenant participants had wages or salary as a main income source at Wave Two, and most were on a benefit. The largest group (27 percent) were receiving the Domestic Purposes Benefit. A further 21 percent were receiving, as their main income, either the Invalid's Benefit or a Sickness Benefit. NZ Superannuation was the main source of income for 14 percent of tenant participants (Table 10).

**Table 10** Main income source for tenant and new tenant participants at Wave Two

Main income source <sup>1</sup>	tenant participants	
	number	percent
Wages / Salary <sup>2</sup>	36	16%
Unemployment benefit	9	4%
Domestic Purposes Benefit	60	27%
Sickness Benefit	17	8%
Invalid's benefit	28	13%
NZ Superannuation	31	14%
Other benefit <sup>3</sup>	8	4%
MSD supplementary assistance	13	6%
Other income <sup>4</sup>	3	1%
No data	15	7%

<sup>1</sup> Source of the participant's highest income

<sup>2</sup> Wages / Salary includes salary or wages income and self employed income

<sup>3</sup> Other benefit includes widow's benefit, student allowance, emergency benefit, orphans/unsupported child benefit, special benefit, and independent youth benefit.

<sup>4</sup> Other income includes boarder payments, Accident Compensation Corporation, money from trust, and child support.

246 Further to the 16 percent of tenant participants who had wages or salary as their main income source, another 4 percent received wages or salary, but not as a main income source. Three quarters (73 percent) did not receive any wages or salary. These percentages do not sum to 100 because there was no data on income source for 7 percent of tenant participants (Table 11).

**Table 11** Receipt of salary or wages among tenant and new tenant participants at Wave Two

<b>Wages / Salary</b>	<b>tenant participants</b>	
	<b>number</b>	<b>percent</b>
<b>Main income from wages or salary</b>	36	16%
<b>Some but not main income from wages or salary</b>	9	4%
<b>No income from wages or salary</b>	160	73%
<b>No data</b>	15	7%

## **B2. Representativeness of the sample**

- 247 The initial purposive sample was selected to ensure representation of a range of tenancy durations, and of Māori, Pacific peoples, and European ethnicities. Other ethnicities were mostly excluded from the sample due to sample size constraints and low representation in the wider population of Housing New Zealand tenants.
- 248 The sample for the Housing Pathways Longitudinal Study was selected at Wave One to provide a wide variety of respondents, and broadly reflect the demographic characteristics of the wider tenant population. Attrition between Waves One and Two, and addition of a group of new tenants, has changed the composition of the sample.
- 249 In order to ensure the safety of participants and interviewers, two groups of tenants were removed from the initial sample: tenants or applicants who could be confrontational or pose a risk to interviewers, and tenants or applicants who were particularly vulnerable or likely to find the interview process problematic (for example individuals with significant mental health concerns, or who were recovering from a recent traumatic event).
- 250 Of the 269 people interviewed in Wave One, 56 tenants and 37 applicants either declined to participate (23 participants), died (5 participants), or were unable to be contacted (65 participants) at Wave Two. It is important to note the omission of these groups when considering the findings in this report.
- 251 The resulting sample is likely to be a good approximation for the wider population of primary tenants. However, due to the size of the sample and exclusion of specific groups of tenants, findings should be considered as broad indications of population trends rather than statistically representative estimates for the wider population of tenants.

### **B3. Interview Method**

- 252 Information about the Housing Pathways Longitudinal Study was sent to participants prior to their interviews. Before their first interview, participants were informed that their participation in the study was voluntary, that the information they provided would be confidential, and that their participation would have no effect on their relationship with Housing New Zealand.
- 253 Semi-structured interviews were carried out in participants' homes or in the local Housing New Zealand office, by teams of two researchers. The interviews captured largely qualitative information, but included a small number of quantitative questions. Interviews typically took between 30 minutes and one hour, although some took up to one and a half hours. Participants were given a \$50 supermarket voucher as a thank-you gift, at the end of the interviews.

### **B4. Analysis Method**

#### **Analysis of Housing New Zealand administrative data**

- 254 Data was extracted from Housing New Zealand administrative systems on Housing Pathway Longitudinal Study participants' amounts and types of debt to Housing New Zealand, at the time of their Wave Two interviews. This has been used to inform the case studies and the thematic analysis of interview responses.
- 255 Results of a segmentation of Housing New Zealand tenants and their levels of debt are also presented. This segmentation uses Housing New Zealand administrative data on all current tenants as of July 2012.<sup>12</sup>

#### **Thematic analysis of interview responses**

- 256 Data from each interview was captured in an audio recording, completed questionnaires, lifetime housing pathway diagrams, and interviewers' descriptions of their impressions of each interview. After the fieldwork the interviewers met to reflect on the interviews and report the 'bigger picture'.<sup>13,14,15</sup> Information from all of these sources was analysed to produce this report.
- 257 The audio recordings of each interview were transcribed and coded<sup>16</sup> using a framework developed from Wave One interview data. Sections of discussion relevant to debt and the management of household finances were coded as such and then used as the primary source for this analysis.

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<sup>12</sup> Findlay I. (2013) Tenant Housing Needs Segmentation Framework – Current debt as at 31 July 2012. Prepared for Housing New Zealand Corporation, 25 June, 2013.

<sup>13</sup> Kendall, L., and Laing, P. (2012) Longitudinal Study of Corporation tenants and Applicants: initial insights from wave two research undertaken in Porirua. Prepared for Housing New Zealand Corporation, August 2012.

<sup>14</sup> Smith, L. (2013) Pathways Longitudinal Study: initial insights from Wave Two research undertaken in Christchurch. Prepared for Housing New Zealand Corporation, February 2013.

<sup>15</sup> Smith, L., Laing, P., and Knox, A. (2013) Housing Pathways Longitudinal Study: initial insights from Wave Two research undertaken in South Auckland. Prepared for Housing New Zealand Corporation, May 2013.

<sup>16</sup> Coding is a process of attributing meaning to and labelling sections of conversations, and helps organise the large amount of data generated by qualitative interviews.



- 258 The analysis of how tenants and applicants managed their household finances (section 3.3.2.3) used data from South Auckland Wave Two interviews only, as only those interviews included specific questions about this topic.
- 259 The voices of the participants are heard in verbatim extracts from the interviews which are interspersed throughout the report. Brief biographical details about participants as of their Wave Two interviews, are provided at the end of each quotation, as follows: household composition, age, ethnicity, and length of tenure in the Housing New Zealand property or application status for those who had not been tenants. Household composition is indicated using the prefixes and suffixes in Table 2.

#### **Case studies**

- 260 In addition to the thematic analysis of interview responses, six case studies describe individual tenants' experiences with debt to Housing New Zealand.
- 261 The case studies were chosen to illustrate the experiences of tenants who have had issues with debt to Housing New Zealand, and to exemplify some of the themes that emerged from the analysis of interview responses. The case studies are not representative of the average tenant experience. Many participants reported no problems with, and had no recent history of debt to Housing New Zealand.
- 262 The case studies use data from the interviews and from Housing New Zealand administrative records. They also incorporate the perspectives of Housing New Zealand staff involved in tenancy management, who were asked to comment on the draft case studies.
- 263 For the final versions of each case study, some details were changed so as to preserve participant anonymity.

# Appendix C. Percentage of tenants in debt by tenant housing need segments

## Tenant Housing Need Segmentation Framework - Current Rent Debt as at 31 July 2012

25 Jun 13

Segment Categories	Segments	Characteristics	Definition	Segment definitions	Total Households minus market renters <sup>4</sup> (n=64534)	Couple Only (n=3536)	Couple Only and Other person(s) (n=491)	Couple with child(ren) (n=10445)	Couple with child(ren) and other person(s) (n=1340)	Hhld of related and unrelated people (n=695)	Hhld of related people (n=3560)	Hhld of unrelated people (n=771)	One parent with child(ren) (n=22130)	One parent with child(ren) and other person(s) (n=3230)	One person Hhld (n=17665)	Other multi-person household nfd (n=671)
High Needs Dependents	High and complex need	<ul style="list-style-type: none"> <li>Likely to be dependent for life</li> <li>Limited or no earning potential / income to support themselves in independent housing</li> <li>Likely to have severe disabilities or health issues that may or may not be related to age</li> <li>Long term need for a 'secure' home</li> </ul>	<ul style="list-style-type: none"> <li>Primary tenant <u>with</u> a disability</li> <li>Households are receiving a disability benefit</li> </ul>	<ul style="list-style-type: none"> <li>Disability requirement</li> <li>Flagged with a disability <sup>1</sup> in Rentel (n=231)</li> </ul>	4.76%	15.38%	0.00%	0.00%	0.00%	0.00%	7.14%	0.00%	2.44%	0.00%	5.83%	0.00%
	High need 20%			<ul style="list-style-type: none"> <li>Disability requirement receiving a disability benefit <sup>2</sup> (n=17187)</li> </ul>	7.48%	7.15%	8.47%	12.20%	12.96%	6.43%	6.93%	4.75%	8.23%	7.61%	5.57%	9.92%
Low Income and / or Social Needs	Limited potential (may move into high needs category)	<ul style="list-style-type: none"> <li>Have a current need for social housing assistance, may be able to achieve housing independence in the future</li> <li>Ability for employment and income earning potential but currently limited due to age / or family situation</li> <li>Likely to have social issues contributing to employment limitations, but could cease in the future with the right social support</li> <li>Need for a safe house and require help to get on their feet</li> </ul>	<ul style="list-style-type: none"> <li>Primary tenant does <u>not</u> have a disability</li> <li>Households are receiving a benefit and / or salary and wages and / or income unknown</li> </ul>	55+ yrs Benefit only (n=13597)	1.85%	1.37%	1.83%	4.09%	3.23%	2.10%	2.87%	1.03%	2.70%	4.46%	1.27%	3.70%
				55+ yrs Benefit + salary / wages (n=1092)	7.14%	3.74%	20.69%	8.53%	24.39%	22.73%	10.81%	5.26%	5.75%	11.76%	3.49%	9.09%
	55+ yrs - Salary Only (n=2493)			11.43%	10.53%	7.55%	12.85%	19.19%	7.14%	13.42%	9.76%	12.00%	10.23%	9.13%	7.14%	
	18 - 54 yrs - Benefit only (n=17794)			10.45%	23.58%	31.82%	26.73%	25.65%	18.97%	11.58%	15.56%	6.94%	6.21%	21.16%	12.07%	
	18 - 54 yrs - Benefit + salary/wages (n=2944)			18.31%	15.91%	14.29%	26.29%	31.37%	16.67%	19.57%	100.00%	12.46%	14.65%	16.81%	10.53%	
Need some help to get on their feet	18 - 54 yrs Income <20k (n=1384)	29.55%	23.81%	33.33%	37.75%	28.21%	9.09%	28.74%	17.65%	27.85%	33.33%	21.58%	20.00%			
	Independence Potentials	<ul style="list-style-type: none"> <li>Have the ability to achieve housing independence or rent privately</li> <li>Primary need for social housing assistance is affordability.</li> <li>They seek advice or assistance with housing solutions, and can afford to either rent privately or own a home with assistance</li> </ul>	<ul style="list-style-type: none"> <li>Primary tenant does <u>not</u> have a disability</li> <li>Households are <u>not</u> receiving a benefit</li> <li>Household income is salary / wages <u>only</u></li> </ul>	18 - 54 yrs <sup>3</sup> Income > 20k < 50k <sup>5</sup> (n=7618)	22.58%	19.89%	18.75%	24.96%	26.22%	18.06%	17.45%	15.22%	20.83%	23.04%	16.21%	20.00%
Potential to achieve home ownership 6%	18 - 54 yrs <sup>3</sup> Income > 50k (n=194)			12.89%	0.00%	33.33%	14.29%	15.79%	0.00%	0.00%	0.00%	5.56%	10.00%	42.86%	0.00%	
Market renters. No income details held in RENTEL.			<ul style="list-style-type: none"> <li>Primary tenant does not receive disability benefit</li> <li>Households are not receiving a benefit</li> <li>Households are not receiving a salary wage</li> </ul>	All age groups (n=525)	16.19%	6.79%	0.00%	38.60%	66.67%	0.00%	40.00%	40.00%	26.67%	20.00%	11.74%	0.00%
				Total households (n=65059)	10.06%	5.73%	8.35%	21.03%	21.25%	9.04%	9.01%	5.93%	9.08%	9.71%	5.48%	9.02%

### Notes

- Types of Disabilities have been defined as follows:  
Wheel chair, Restricted mobility, Walking aid, Assisted, Non-verbal, Impairment, Memory impairment, Fully support, Intellectual, Hear / vision impairment, Behavioural, Independent
- Disability benefits include ACC, Disability Allowance, Invalid's Benefit, Sickness Benefit and Sickness Benefit Hardship
- Current figures do not exclude large families.
- Data sourced from extract from RENTEL 31 July 2012
- Annual income is a snapshot weekly income multiplied by 52.14
- Total excludes unoccupied houses and Community Group Housing (CGH)
- includes current debt only. Vacated debt is excluded
- Percentages are the percentage of tenants in the segment who have rent debt, e.g. 1.37% of those tenants who are both defined by the "55+ yrs Benefit Only" segment and the household composition category "Couples Only" have rent debt

proportion >10%  
 proportion >20%  
green text number of tenants in cell <30

Source: Customer, Intelligence Research and Forecasting Team

Tenant Housing Need Segmentation Framework - Current IRR Debt as at 31 July 2012

25 Jun 13

Segment Categories	Segments	Characteristics	Definition	Segment definitions	Total Households minus market renters <sup>4</sup> (n=64534)	Couple Only (n=3536)	Couple Only and Other person(s) (n=491)	Couple with child(ren) (n=10445)	Couple with child(ren) and other person(s) (n=1340)	Hhid of related and unrelated people (n=695)	Hhid of related people (n=3560)	Hhid of unrelated people (n=771)	One parent with child(ren) (n=22130)	One parent with child(ren) and other person(s) (n=3230)	One person Hhid (n=17665)	Other multi-person household nfd (n=671)
High Needs Dependents	High and complex need	Likely to be dependent for life • Limited or no earning potential / income to support themselves in independent housing • Likely to have severe disabilities or health issues that may or may not be related to age • Long term need for a 'secure' home	• Primary tenant <u>with a disability</u> • Households are receiving a disability benefit	• Disability requirement Flagged with a disability <sup>1</sup> in Rental (n=231)	3.03%	15.38%	0.00%	4.35%	0.00%	0.00%	0.00%	0.00%	2.44%	0.00%	2.50%	0.00%
	High need 20%			• Disability requirement receiving a disability benefit <sup>2</sup> (n=17187)	3.67%	5.04%	5.93%	6.67%	9.26%	7.60%	3.82%	2.25%	3.87%	3.65%	2.13%	3.97%
Low Income and / or Social Needs	Limited potential (may move into high needs category)	Have a current need for social housing assistance, may be able to achieve housing independence in the future • Ability for employment and income earning potential but currently limited due to age / or family situation • Likely to have social issues contributing to employment limitations, but could cease in the future with the right social support • Need for a safe house and require help to get on their feet	• Primary tenant does <u>not</u> have a disability • Households are receiving a benefit and / or salary and wages and / or income unknown	55+ yrs Benefit only (n=13597)	2.70%	3.81%	4.57%	5.85%	5.38%	1.68%	4.21%	3.09%	3.03%	4.78%	1.71%	3.09%
				55+ yrs Benefit + salary / wages (n=1092)	13.00%	16.58%	13.79%	14.73%	24.39%	9.09%	20.27%	5.26%	10.34%	15.69%	9.30%	9.09%
	55+ yrs - Salary Only (n=2493)			11.71%	7.02%	9.43%	16.95%	14.14%	19.05%	12.42%	9.76%	11.76%	7.95%	8.98%	0.00%	
	18 - 54 yrs - Benefit only (n=17794)			3.53%	4.72%	9.09%	6.35%	6.28%	5.17%	6.18%	4.44%	2.80%	4.00%	3.96%	5.17%	
	18 - 54 yrs - Benefit + salary/wages (n=2944)			13.11%	11.36%	14.29%	14.12%	18.63%	22.22%	18.48%	0.00%	11.96%	13.64%	8.85%	5.26%	
Need some help to get on their feet	18 - 54 yrs Income <20k (n=1384)	11.85%	14.29%	33.33%	13.80%	17.95%	9.09%	11.49%	5.88%	10.38%	12.00%	11.05%	20.00%			
Independence Potentials	Potential to rent privately	Have the ability to achieve housing independence or rent privately • Primary need for social housing assistance is affordability. They seek advice or assistance with housing solutions, and can afford to either rent privately or own a home with assistance	• Primary tenant does <u>not</u> have a disability • Households are <u>not</u> receiving a benefit • Household income is salary / wages <u>only</u> .	18 - 54 yrs <sup>3</sup> Income > 20k Income < 50k <sup>5</sup> (n=7618)	15.45%	15.47%	15.63%	17.14%	19.95%	13.89%	15.24%	15.22%	12.38%	15.97%	12.50%	14.29%
	Potential to achieve home ownership 6%			18 - 54 yrs <sup>3</sup> Income > 50k (n=194)	15.98%	33.33%	33.33%	16.19%	5.26%	33.33%	0.00%	0.00%	13.89%	20.00%	28.57%	0.00%
		Market renters. No income details held in RENTEL.	Primary tenant does not receive disability benefit Households are not receiving a benefit Households are not receiving a salary wage	All age groups (n=525)	2.67%	0.00%	0.00%	14.04%	16.67%	0.00%	0.00%	0.00%	6.67%	6.67%	0.47%	0.00%
				Total households (n=65059)	5.90%	5.65%	7.54%	11.75%	13.74%	7.03%	7.02%	3.87%	4.89%	6.53%	2.89%	4.59%

Notes

- Types of Disabilities have been defined as follows:  
Wheel chair, Restricted mobility, Walking aid, Assisted, Non-verbal, Impairment, Memory impairment, Fully support, Intellectual, Hear / vision impairment, Behavioural, Independent
- Disability benefits include ACC, Disability Allowance, Invalid's Benefit, Sickness Benefit and Sickness Benefit Hardship
- Current figures do not exclude large families.
- Data sourced from extract from RENTEL 31 July 2012
- Annual income is a snapshot weekly income multiplied by 52.14
- Total excludes unoccupied houses and Community Group Housing (CGH)
- Includes current debt only. Vacated debt is excluded
- Percentages are the percentage of tenants in the segment who have IRR debt, e.g. 3.81% of those tenants who are both defined by the "55+ yrs Benefit Only" segment and the household composition category "Couples Only" have current IRR debt

proportion >10%  
 proportion >20%  
 green text number of tenants in cell <30

Source: Customer, Intelligence Research and Forecasting Team

**Tenant Housing Need Segmentation Framework - Damage Debt as at 31 July 2012**

08 Jul 13

Segment Categories	Segments	Characteristics	Definition	Segment definitions	Total Households minus market renters <sup>4</sup> (n=64534)	Couple Only (n=3536)	Couple Only and Other person(s) (n=491)	Couple with child(ren) (n=10445)	Couple with child(ren) and other person(s) (n=1340)	Hhld of related and unrelated people (n=695)	Hhld of related people (n=3560)	Hhld of unrelated people (n=771)	One parent with child(ren) (n=22130)	One parent with child(ren) and other person(s) (n=3230)	One person Hhld (n=17665)	Other multi-person household nfd (n=671)
High Needs Dependents	High and complex need	<ul style="list-style-type: none"> <li>Likely to be dependent for life</li> <li>Limited or no earning potential / income to support themselves in independent housing</li> <li>Likely to have severe disabilities or health issues that may or may not be related to age</li> <li>Long term need for a 'secure' home</li> </ul>	<ul style="list-style-type: none"> <li>Primary tenant <u>with a disability</u></li> <li>Households are receiving a disability benefit</li> </ul>	<ul style="list-style-type: none"> <li>Disability requirement</li> <li>Flagged with a disability<sup>1</sup> in Rentel (n=231)</li> </ul>	9.09%	7.69%	0.00%	8.70%	0.00%	0.00%	14.29%	0.00%	17.07%	20.00%	5.83%	50.00%
	High need			<ul style="list-style-type: none"> <li>Disability requirement receiving a disability benefit<sup>2</sup> (n=17187)</li> </ul>	11.56%	5.84%	7.63%	14.99%	19.14%	16.96%	14.06%	8.00%	14.91%	15.37%	9.04%	8.22%
Low Income and / or Social Needs	Limited potential (may move into high needs category)	<ul style="list-style-type: none"> <li>Have a current need for social housing assistance, may be able to achieve housing independence in the future</li> <li>Ability for employment and income earning potential but currently limited due to age / or family situation</li> <li>Likely to have social issues contributing to employment limitations, but could cease in the future with the right social support</li> <li>Need for a safe house and require help to get on their feet</li> </ul>	<ul style="list-style-type: none"> <li>Primary tenant does <u>not</u> have a disability</li> <li>Households are receiving a benefit and / or salary and wages and / or income unknown</li> </ul>	55+ yrs Benefit only (n=13597)	5.12%	2.45%	10.05%	7.80%	8.60%	11.76%	10.30%	3.61%	8.98%	15.29%	2.95%	6.17%
				55+ yrs Benefit + salary / wages (n=1092)	6.14%	1.60%	0.00%	10.85%	12.20%	18.18%	12.16%	0.00%	9.20%	11.76%	2.62%	4.55%
				55+ yrs - Salary Only (n=2493)	7.22%	4.39%	7.55%	10.06%	9.09%	19.05%	10.40%	4.88%	8.00%	3.41%	3.59%	7.14%
	Need some help to get on their feet			18 - 54 yrs - Benefit only (n=17794)	19.78%	14.15%	18.18%	21.36%	20.42%	33.62%	20.27%	11.11%	19.68%	22.48%	13.53%	15.52%
				18 - 54 yrs - Benefit + salary/wages (n=2944)	14.27%	9.09%	0.00%	16.08%	15.69%	22.22%	16.30%	0.00%	13.12%	16.16%	8.85%	10.53%
				18 - 54 yrs Income <20k (n=1384)	14.38%	9.52%	16.67%	20.00%	12.82%	27.27%	12.64%	0.00%	13.15%	21.33%	7.37%	0.00%
Independence Potentials	Potential to rent privately	<ul style="list-style-type: none"> <li>Have the ability to achieve housing independence or rent privately</li> <li>Primary need for social housing assistance is affordability.</li> </ul>	<ul style="list-style-type: none"> <li>Primary tenant does <u>not</u> have a disability</li> <li>Households are <u>not</u> receiving a benefit</li> <li>Household income is salary / wages <u>only</u>.</li> </ul>	18 - 54 yrs <sup>3</sup> Income > 20k Income < 50k <sup>5</sup> (n=7618)	15.59%	6.63%	6.25%	18.45%	19.95%	18.06%	11.08%	19.57%	13.69%	15.18%	7.42%	2.86%
	Potential to achieve home ownership			18 - 54 yrs <sup>3</sup> Income > 50k (n=194)	17.53%	0.00%	33.33%	19.05%	21.05%	0.00%	0.00%	-	8.33%	40.00%	28.57%	0.00%
		Market renters. No income details held in RENTEL.	Primary tenant does not receive disability benefit Households are not receiving a benefit Households are not receiving a salary/wage	All age groups (n=525)	7.43%	4.32%	-	19.30%	50.00%	50.00%	13.33%	40.00%	11.11%	0.00%	3.76%	0.00%
				Total households (n=65059)	12.83%	4.19%	8.76%	16.99%	17.61%	18.51%	13.15%	7.35%	16.61%	18.34%	6.39%	7.99%

- Notes**
- Types of Disabilities have been defined as follows:  
Wheel chair, Restricted mobility, Walking aid, Assisted, Non-verbal, Impairment, Memory impairment, Fully support, Intellectual, Hear / vision impairment, Behavioural, Independent
  - Disability benefits include ACC, Disability Allowance, Invalid's Benefit, Sickness Benefit and Sickness Benefit Hardship
  - Current figures do not exclude large families.
  - Data sourced from extract from RENTEL 31 July 2012
  - Annual income is a snapshot weekly income multiplied by 52.14
  - Total excludes unoccupied houses and Community Group Housing (CGH)
  - includes current debt only. Vacated debt is excluded
  - Percentages are the percentage of tenants in the segment who have damages debt, e.g. 2.45% of those tenants who are both defined by the "55+ yrs Benefit Only" segment and the household composition category "Couples Only" have damages debt

    proportion >10%  
    proportion >20%  
    number of tenants in cell <30

Source: Customer, Intelligence Research and Forecasting Team

**Damage Definition**  
 Repair work to reinstate the function of an item, where the loss of function is not due to fair wear and tear.

**Tenant Damage** – repair work to reinstate the function of an item, where the loss of function is not due to fair wear and tear and that can be proven to be caused by a tenant.

**Third Party Damage** – repair work to reinstate the function of an item, where the loss of function is not due to fair wear and tear and can be proven to be caused by a third party who can be identified.

**Damage, Not Charged** - repair work to reinstate the function of an item, where the loss of function is not due to fair wear and tear and caused by third party who cannot be identified, or by tenant accidentally or through circumstances beyond their control (e.g. domestic violence, mental health issues, disabilities), or caused by a major disaster or natural causes.

**Tenant Attributable Costs** – Costs incurred by the Corporation to reinstate the property, either due to tenant action / inaction or in providing a service to the tenant, and tenant responsible to pay back. Examples are removal costs for unauthorised structure built by tenant, or pest eradication / lawn mowing / rubbish removal arranged by the Corporation at tenant's request.

**Fair Wear and Tear** - repair work to reinstate the function of an item, where the loss of function is due to its age or during the course of normal use.

**Cost of Ownership** – the cost incurred by landlord to get the property to a re-lettable standard, and cannot be allocated to any of the above (e.g. cleaning, rubbish removal, lawn mowing). Cost of re-letting and communal areas maintenance costs are included in cost of ownership.

## Appendix D. Participant debt characteristics

The following tables present snapshot data for Housing Pathways Longitudinal Study participants who were Housing New Zealand tenants at the time of their Wave Two interviews. Debt was measured as of the time of their Wave Two interviews (31 May 2012 for Porirua, 31 October 2012 for Christchurch, and 31 March 2013 for South Auckland).

**Table 12** Debt, by debt type, among tenant and new tenant participants, at Wave Two

tenant participants <sup>1</sup>		
Debt type	Number in debt	Percent in debt
Rent debt	29	13%
Damages debt	29	13%
IRR debt	8	4%
Bond Debt	0	0%
Written off debt	2	1%
Any debt	59	27%
No debt	161	74%

<sup>1</sup> n = 220

**Table 13** Average and median debt amounts among tenant and new tenant participants at Wave Two

tenant participants in debt		
Debt type <sup>1</sup>	Average debt <sup>2</sup>	Median debt <sup>2</sup>
Rent Debt	\$366	\$155
Damage Debt	\$478	\$208
IRR Debt	\$894	\$394
All debt	\$544	\$221

<sup>1</sup> 'Written off debt' included in 'All debt' but not given its own category due to low numbers.

<sup>2</sup> Per tenant in debt (calculation of averages and medians excludes tenants who had no debt)

**Table 14** Prevalence of debt, by debt type, among tenant and new tenant participants with, and without, children in their households

Percent of tenant participants in debt		
Debt type <sup>1</sup>	Children in household <sup>2</sup>	No children in household <sup>3</sup>
Rent debt	17%	3%
Damages debt	16%	7%
IRR debt	4%	3%
All debt	32%	13%

<sup>1</sup> 'Written off debt' included in 'All debt' but not given its own category due to low numbers.

<sup>2</sup> n = 169

<sup>3</sup> n = 61

**Table 15** Prevalence of debt, by tenant and new tenant participant age.

Tenant participants <sup>1</sup>	
Age	Percent with any debt
18-30 years	36%
31-40 years	30%
41-50 years	32%
51-64 years	22%
65+ years	4%

<sup>1</sup> n = 220

**Table 16** Prevalence of debt, by ethnicity<sup>1</sup> and presence of children in the household.

Household composition	percent tenant participants with debt		
	Māori	European/NZ Pākehā	Pacific peoples
with children in household <sup>2</sup>	30%	26%	43%
without children in household <sup>3</sup>	29%	5%	17%
All household types	30%	16%	40%

<sup>1</sup> Seven people who were identified as Māori and European, or Māori and Pacific were excluded due to low numbers

<sup>2</sup> n=54, 42, and 56, respectively, for Māori, European and Pacific participants with children in the household.

<sup>3</sup> Note small sample sizes for tenants without children in the household: n=17, 37, and 6, respectively, for Māori, European and Pacific people.

**Table 17** Prevalence of debt, by tenant and new tenant participants' main income source

tenant participants	
Main income source	Percent with any debt
Wages / salary <sup>1</sup>	47%
Benefit <sup>1</sup>	22%
NZ superannuation <sup>1</sup>	0%
Other income <sup>2</sup>	67%
No income data <sup>2</sup>	33%

<sup>1</sup> n = 36 for Wages / salary, 135 for Benefit, and 31 for NZ superannuation.

<sup>2</sup> Note small sample sizes: n = 3 for Other income and n = 15 for No income data

**Table 18** Prevalence of debt, by receipt of wages or salary

<b>tenant participants</b>	
<b>Wages / Salary</b>	<b>Percent with any debt</b>
<b>Main income from wages or salary<sup>1</sup></b>	47%
<b>Some but not main income from wages or salary<sup>2</sup></b>	33%
<b>No income from wages or salary<sup>1</sup></b>	22%
<b>No data<sup>2</sup></b>	33%

<sup>1</sup> n = 36 for Main income from wages or salary, and n = 160 for No income from wages or salary.

<sup>2</sup> Note small sample sizes: n = 9 for Some but main income from wages or salary, and n = 15 for No income data