

What If You Don't Have Enough Deposit?

Then it's time to check out the government's First Home Loan Deposit Scheme and the new First Home Guarantee.

First Home Loan Deposit Scheme

In the March 2022 Federal Budget, the government announced changes to the First Home Loan Deposit Scheme to help get more families into new homes.

THE KEY CHANGES

- * The old First Home Loan Deposit Scheme is now known as First Home Guarantee.
- * The number of new places has been upped from 10,000 a year to 35,000, starting on 1 July 2022.
- * The required minimum deposit to get government assistance has been lowered, down to just 5% of the cost of the new home.

First Home Guarantee

Who is eligible?

- * You must be an Australian citizen. Sorry, it's not open to permanent residents.
- * You must be over 18 and employed.
- * You're buying or building a new freestanding home or townhouse or apartment, not an established property. It's not available for renovation jobs or owner builders.
- * Both singles and couples can apply (married or de facto).
- * Singles with a taxable income of \$125,000 or less are eligible. For couples, it's up to \$200,000 during the last tax year.

Is there a limit on the cost of the new house?

Yes. The "property price cap", as it's called, varies according to your postcode. In capital cities and major regional centres, the limit is higher than elsewhere.

For example, the cap in Sydney and major regional centres is \$800,000 under the Family Home Guarantee scheme and it's \$950,000 under the New Home Guarantee scheme which starts in October 2022. In the rest of the state, it's \$600,000 under both schemes.

In Victoria, the figures are \$700,000 and \$850,000 respectively, with lower numbers outside Melbourne and Geelong.

Confused? The easiest way to check for your location is to type your postcode into the form at [this NHFIC.gov.au page <https://www.nhfic.gov.au/what-we-do/property-price-caps/>].

How much deposit do I need?

You'll need "demonstrated savings" of at least 5% of the house+land price.

So the government will act as guarantor?

Yes, that's right. To get a housing loan from a bank or non-bank lender, the required deposit is usually 20% of the house+land price. Under these government assistance schemes, if you can provide 5%, the federal government will act of loan guarantor for the remaining 15%.

Let's run some numbers.

For a new house worth \$800,000 the 20% deposit is \$160,000. Under these assistance schemes, you only need to stump up \$40,000 and the government will guarantee the rest of your deposit to the lender.

And there is an additional benefit included now. You will not have to pay for the usual Lenders Mortgage Insurance (LMI).

How to apply?

Although these programs are administered by the National Housing Finance and Investment Corporation (NHFIC), you need to apply through one of the Participating Lenders or a mortgage broker. Give us a call if you're interested. We can help with the paperwork for the government money and also help you apply for a loan.

Finally, several important cautionary notes

1, When you buy with a 5% deposit, compared to a normal 20% deposit, the loan you are agreeing to repay is significantly bigger and the total amount of interest you'll pay over the lifetime of the mortgage is also bigger.

2, Remember we're now in a period of historically low interest rates, so when (not if) the interest rate goes up again, your monthly repayments will also go up. So leave a decent buffer in your budget for when that happens.

We strongly recommend you discuss these issues with an unbiased finance professional.

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If you live in a regional area...

The Budget also introduced a Regional Home Guarantee to help 10,000 recipients per year get into a new home in the country. It's similar to what we've discussed above, but not identical. Give us a call to discuss.

Importantly, this regional scheme is not just for first home buyers.