

Understanding the First Home Loan Deposit Scheme.

Your questions answered.



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What is it?

The First Home Loan Deposit Scheme is a new initiative of the Australian Government to support eligible first home buyers purchase a home sooner.

How will it work?

By providing a guarantee that will allow eligible first home buyers on low and middle incomes to purchase a home with a deposit of as little as 5 per cent.

What will it provide?

The Scheme is expected to support up to 10,000 loans each financial year, starting from 1 January 2020.

What are the key timings around the initiative?

The Parliament of Australia passed legislative amendments to give effect to the Scheme on 15 October 2019.

The Scheme is expected to commence on 1 January 2020 and will be administered by the National Housing Finance and Investment Corporation (NHFIC).

What is the current status?

Applications for the Scheme are not yet open.

NHFIC will provide further information about the detail of the Scheme including confirmed eligibility criteria, participating financial institutions, application and assessment processes, and updates on implementation of the new Scheme in due course.

NHFIC is also consulting with financial institutions and other key stakeholders leading up to the commencement of the scheme.

NHFIC's Investment Mandate is also in the process of being updated and has now been released for public consultation. The draft Investment Mandate Amendment outlines further details regarding the First Home Loan Deposit Scheme, including proposed borrower, lender and loan eligibility criteria as well as property price caps, and NHFIC's new housing research function ([see media release](#)).

APRA consultation on the capital requirement for First Home Loan Deposit Scheme mortgages

On 28 October 2019, APRA issued a consultation letter inviting submissions on the capital treatment of residential mortgages covered by the First Home Loan Deposit Scheme.

Further information is available [here](#).

Application process

NHFIC is currently conducting a procurement process to establish a panel of residential mortgage lenders to participate in the Scheme.

Borrower applications and questions will need to be directed to approved panel lenders.

Further information on the panel, including a list of participating lenders, will be provided shortly.

Eligibility criteria

Applicants under the Scheme will be subject to eligibility criteria, including criteria in relation to income thresholds and property prices.

It is anticipated that the income thresholds will be up to \$125,000 per annum for singles and up to \$200,000 per annum combined for couples (assessed in the financial year preceding the financial year in which the loan is entered into).

The Scheme is expected to apply to owner-occupied loans on a principal and interest basis.

Further detail about the core design elements of the Scheme, including borrower, lender and loan eligibility criteria can be found in the draft [Investment Mandate](#) for the Scheme. This is the mechanism through which the Government details its expectations of the National Housing Finance and Investment Corporation (NHFIC) and the NHFIC Board.

NHFIC intends to provide fact sheets on the Scheme for borrowers and confirm the income and property price thresholds once the Investment Mandate has been finalised by the Government.

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Property price threshold

To ensure the Scheme is only available for the purchase of a modest home, or the purchase of land and construction of a modest home, it is anticipated that the following property price thresholds (maximum property purchase price under the Scheme) will apply in capital cities, large regional centres and regional areas:

State/ territory	Capital city and regional centres	Rest of state
NSW	\$700,000	\$450,000
VIC	\$600,000	\$375,000
QLD	\$475,000	\$400,000
WA	\$400,000	\$300,000
SA	\$400,000	\$250,000
TAS	\$400,000	\$300,000
ACT	\$500,000	-
NT	\$375,000	-

The capital city price caps are expected to apply to large regional centres with a population over 250,000 (the Gold Coast, Newcastle and Lake Macquarie, the Sunshine Coast, Illawarra (Wollongong) and Geelong), recognising that dwellings in large regional centres tend to be significantly more expensive than other regional areas.

NHFIC has developed a tool to help first home buyers find out the anticipated property price threshold for the suburb in which they are looking to purchase a property.

Anyone interested in pursuing this should make their own enquiries with the National Housing Finance and Investment Corporation ([NHFIC](#)).