

Australian Government

First Home Loan Deposit Scheme

Frequently asked questions (FAQs)

This document details some of the frequently asked questions for the Australian Government's First Home Loan Deposit Scheme (Scheme). The answers to these questions are provided for general information in relation to the operation of the Scheme only.

It is your responsibility to find out whether or not your particular circumstances make you eligible for the Scheme. If in doubt, it is your responsibility to obtain the information and advice you need from a participating lender or from your own professional adviser.

Q: What is the First Home Loan Deposit Scheme?

The Australian Government has introduced the Scheme to assist eligible first home buyers to purchase a home sooner. It does this by providing a guarantee to participating lenders that will allow eligible first home buyers to purchase a home with a deposit of as little as 5 per cent without needing to pay for lenders mortgage insurance.

The Australian Government will operate the Scheme through the National Housing Finance and Investment Corporation (NHFIC).

Q: Do I get a cash payment?

No, the guarantee is not a cash payment or a deposit for your home loan.

Q: What is the "guarantee"?

The Australian Government provides a guarantee on an eligible loan for an eligible first home buyer to a participating lender. The guaranteed amount is the difference between the first home buyer's deposit (of at least 5 per cent) and 20 per cent of the value of the eligible property. It is similar to parental or family guarantees which already exist, but in this case NHFIC acts as the guarantor.

Q: Am I eligible for the First Home Loan Deposit Scheme?

There are a range of eligibility criteria for the Scheme that cover:

- Borrower eligibility
- Loan eligibility
- Property eligibility

You can find out more on NHFIC's website at <https://www.nhfic.gov.au/what-we-do/fhlds/eligibility/> and use our online interactive eligibility tool to better understand whether you may be eligible.

NHFIC has also developed a tool to help first home buyers find out the relevant property price threshold for the suburb in which you are looking to purchase a property. You can use this tool at <https://www.nhfic.gov.au/what-we-do/fhlds/property-price-thresholds/>

Participating lenders can also assist you in determining whether you may be eligible for the Scheme. You can see the full list of participating lenders on NHFIC's website at <https://www.nhfic.gov.au/what-we-do/fhlds/how-to-apply/>

Q: When can I apply?

The Scheme commences on 1 January 2020 for the participating major bank lenders and on 1 February for the non-major lenders.

Q: I have already signed a contract to purchase a property, can I still apply?

This depends on the type of property you are purchasing. More information about contract and settlement dates for different types of properties is available on NHFIC's website at <https://www.nhfic.gov.au/what-we-do/fhlds/eligibility/>

Q: How do I apply?

You must apply for the Scheme through a participating lender. A participating lender is a bank

or other residential mortgage lending institution that has been appointed by NHFIC to offer guaranteed loans under the Scheme. You can see the full list of participating lenders on NHFIC's website at <https://www.nhfic.gov.au/what-we-do/fhlds/how-to-apply/>.

Q: My bank isn't on the list of participating lenders, can I still apply with them for the First Home Loan Deposit Scheme?

No, only participating lenders can offer guaranteed loans under the Scheme.

Q: Will more banks be able to offer guarantees in the future?

NHFIC may expand the panel of participating lenders in the future.

Q: When do I find out if I have a guarantee?

You need to apply for the Scheme with a participating lender or their authorised representative, such as a mortgage broker. Your participating lender will tell you whether or not you have been successful in reserving a place under the Scheme for a guaranteed loan. Processing times may vary between different participating lenders so you will need to check with your lender in the first instance. Generally, however, the time it takes to assess your eligibility for a guarantee aligns with the participating lender's timeframe for assessing your loan application.

Your home loan cannot be guaranteed under the Scheme unless you are also approved by your lender for an eligible loan on an eligible property.

NHFIC is unable to provide advice about the status of your guarantee or associated loan application.

Q: How many places are available?

The Australian Government is making up to 10,000 guarantees available per financial year from 1 January 2020.

Q: Will the government make more places available if 10,000 isn't enough?

Any decision to increase the number of guarantees available will be a matter for the Australian Government. NHFIC does not set the number of guarantees.

Q: What if I miss out? Can I reapply?

Your eligibility for the Scheme depends on your personal financial circumstances, property eligibility and the availability of guarantees.

Provided you satisfy the Scheme eligibility criteria and lending requirements of a participating lender, you are not prevented from reapplying for the Scheme should your initial application be unsuccessful.

Q: Can I keep the guarantee if I switch banks?

You may be able to move your guaranteed loan between participating lenders provided that in doing so there is no increase to the loan amount or term of the loan and that it remains an eligible loan as defined in the Scheme rules.

Q: I am an eligible first home buyer under the Scheme but my partner is not, am I still able to get the guarantee?

Provided you satisfy the Scheme eligibility criteria and lending requirements of a participating lender as an individual, you may be eligible to receive a guaranteed loan as an individual.

Q: Why is the First Home Loan Deposit Scheme only available to Australian Citizens?

The Australian Government through NHFIC's Investment Mandate sets the eligibility criteria for the Scheme, including the requirement to be an Australian citizen.

There will be a review of the Scheme on completion of its first year of operation.

Q: Are Australian permanent residents eligible?

No, Australian permanent residents who are not Australian citizens are not eligible for the Scheme.

If you are applying under the Scheme as part of a couple then you will both need to be Australian citizens and both be first home buyers.

Q: Are there any hardship provisions like with the First Home Super Saver Scheme?

Participating lenders are permitted to offer hardship support for guaranteed loans as they would do under their normal lending practices.

The Scheme does not change the obligations of a participating lender to comply with relevant laws and follow its own policies in relation to any circumstances of hardship.

Q: Will the property price thresholds change?

The property price thresholds for the Scheme are set by the Australian Government through NHFIC's Investment Mandate.

They have been set to ensure the Scheme is available for the purchase of a modest home, or the purchase of land and construction of a modest home, consistent with the Scheme's objectives.

The Australian Government may review the property price thresholds in the future. NHFIC does not set the thresholds.

Q: Can I use a broker?

Yes. Eligible borrowers may apply for a guaranteed loan through a registered mortgage broker, provided that the broker has a relationship with a participating lender.

You can view the full list of participating lenders on NHFIC's website at <https://www.nhfc.gov.au/what-we-do/fhlds/how-to-apply/>

Q: What happens if I need to sell my home?

You can sell your home even if your loan is guaranteed under the Scheme, however, your home loan will cease to be guaranteed by the Scheme once your home has been sold and you will no longer be eligible to receive support under the Scheme.

Q: Can I sell my house and buy another one and keep the guarantee?

No, the Scheme is only available for first home buyers. The purchase of a second home would mean that you do not meet the eligibility criteria for the Scheme.

Q: What happens if I need to move and rent out my house?

If you don't live in your property – including if you move out of the property at a later time – your home loan will cease to be guaranteed by the Scheme. In these circumstances, there may be terms and conditions of your home loan that require you to take certain actions – including that you may need to pay fees and charges and/or take out lenders mortgage insurance that would not have otherwise applied if your home loan were participating under the Scheme.

Q: What happens if I can't afford my mortgage repayments?

Guaranteed home loans under the Scheme are subject to usual lending arrangements by participating lenders and relevant consumer laws.

If you require access to hardship provisions you should contact your participating lender at the earliest opportunity to discuss your situation.

Q: Can I use the guarantee to make an off-the-plan purchase?

Yes, the Scheme is available for a range of different property purchases, provided both the borrower and the property intended for purchase satisfy the Scheme eligibility criteria and are approved for a home loan by a participating lender.

Where you are making an 'off-the-plan' purchase:

- you must have signed the contract of sale before the settlement date for your home loan; and
- the settlement date for your home loan must occur within 90 days that your home loan becomes guaranteed under the Scheme.

You can find out more information about off-the-plan purchases under the Scheme on NHFIC's website at <https://www.nhfc.gov.au/what-we-do/fhlds/eligibility/> or by contacting a participating lender.

Q: Can I use the guarantee to build my own home or purchase a house and land package?

Yes, the Scheme is available for a range of different property purchases, provided both the borrower and the property intended for purchase satisfy the Scheme eligibility criteria and are approved for a home loan by a participating lender.

You can use a guarantee to build your home under:

- a house and land package; or
- a land and separate contract to build.

Each type has its own set of requirements as set out below.

House and land packages

A house and land package is where you build a home by entering into a contract of sale to purchase land from the same entity (or entities within the same corporate group) as the entity who you enter into a contract with to build your home.

For a house and land package, prior to the settlement date for your home loan you will need to have entered into:

- a contract of sale for the land; and
- an eligible building contract to build your home on that land.

These can either be in the same contract or two separate contracts and, in either case, can be dated before 1 January 2020.

Land and separate contract to build a home

A land and separate contract to build a home is where you build a home by entering into a contract

of sale to purchase land from an entity who is different to the entity you enter into a contract with to build your home.

For a land and separate contract to build a home, you must have:

- purchased the land under a contract of sale dated no earlier than the settlement date of your home loan; and
- entered into an eligible building contract to build your home on that land by no later than the settlement date of your home loan.

Eligible building contract

To be an eligible building contract under the Scheme, your building contract must:

- be with a licensed or registered builder
- specify a contract sum in respect of the construction of your home; and
- require the builder to (1) commence construction within 26 weeks of the settlement date for your home loan, and (2) complete construction and procure the issuance of an occupancy certificate within 24 months of the settlement date for your home loan.

'Owner builder' contracts are not eligible building contracts for the Scheme.

You can find out more information about building your own home under the Scheme on NHFIC's website at <https://www.nhfc.gov.au/what-we-do/fhlds/eligibility/> or by contacting a participating lender.

Q: Is there a waiting list for places under the First Home Loan Deposit Scheme?

NHFIC does not maintain a waiting list for places under the Scheme.

NHFIC will not accept applications for the Scheme. You must apply through a participating lender.

You can see the full list of participating lenders on NHFIC's website at <https://www.nhfc.gov.au/what-we-do/fhlds/how-to-apply/>

Q: Can I use the First Home Loan Deposit Scheme in conjunction with a First Home Owners Grant or the First Home Super Saver Scheme?

Yes, you can apply for a guaranteed loan under the Scheme as well as other Commonwealth, State and Territory Government programs including the First Home Super Saver Scheme or first home owner grants and concessions.

These other programs apply their own criteria and conditions, and your eligibility or participation under the Scheme does not mean that you will definitely be able to also be eligible and participate under another program. You should make your own enquiries on the terms of these other programs..

Q: Can I apply for the First Home Loan Deposit Scheme to purchase a property outside of Australia?

No, the Scheme is only available for the purchase of properties in Australia.

Q: How much deposit do I need?

You must have a deposit of at least 5 per cent and less than 20 per cent of the property's value.

Q: Do all participating lenders have the same criteria for the First Home Loan Deposit Scheme?

Yes. However, participating lenders may have different lending criteria.

Q: What will the First Home Loan Deposit Scheme cost me?

There are no costs or repayments associated with the Scheme guarantee. However, you are responsible for meeting all costs and repayments for the home loan associated with the guarantee.

From 1 February 2020 there will be a total of 27 participating lenders in the Scheme for you to choose from.

Q: Will I be charged a higher interest rate under the First Home Loan Deposit Scheme?

No. All participating lenders have committed not to charge eligible first home buyers higher interest rates than equivalent customers outside of the Scheme.

Q: How long does the First Home Loan Deposit Scheme guarantee remain in place?

The guarantee stays in place until the loan is refinanced, you sell your home, move out or until your loan principal balance reduces to below 80 per cent of the value of your property at purchase.