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First home buyers with 5 per cent deposit will have government backing to get it up to 20 percent deposit



First home buyers will get government support to get to a 20 per cent house deposit if either the coalition or the Labor Party wins the federal election.

Prime Minister Scott Morrison announced the policy at the Liberal election campaign launch in Melbourne on Sunday, which was then matched by Bill Shorten.

The First Home Loan Deposit Scheme will be available to first home buyers who have been able to save for a deposit of at least 5 per cent.

Under the plan, the National Housing Finance and Investment Corporation would guarantee the difference between five per cent of the purchase price and the 20 per cent deposit.

The PM said all the normal checks would apply to borrowers to make sure they could meet their expanded payments.

The scheme is based on the belief it is the deposit gap rather than the size of mortgage payments that is the real barrier to home ownership.

The scheme, adopted from a 2015 New Zealand scheme, would allow singles earning less than \$125,000 a year and couples earning less than \$200,000 a year to get into the housing market in quick time.

Past schemes, including the first home super saver (FHSS) scheme, have simply been too slow in achieving outcomes.

The \$500 million scheme is set to be initially capped at 10,000 loans annually, about one tenth of the market.

Some 110,000 bought their first home in 2018, which was the highest level in nine years.

But the latest NSW figures for March show the lowest number in two years.

Although it has fallen in recent months, an entry-level Sydney apartment costing \$560,000 takes around five years and four months savings for a 20 percent deposit, some 16 months longer than in Melbourne and two years longer than the equivalent in Brisbane.

The scheme will also help first home buyers save around \$10,000 by not having to pay Lenders Mortgage Insurance.

The First Home Loan Deposit Scheme will start on 1 January next year.

The value of homes that can be purchased under the Scheme will be determined on a regional basis, reflecting the different property markets across Australia.

"With the banks pulling back and larger deposits of 20 percent now being standard, it is not getting easier," Scott Morrison said.

"The lenders would still be the ones lending the money. They would still do all the normal checks on the borrowers to make sure that they can meet their repayments – this isn't free money."

There will be a small risk for the government having first time borrowers with higher indebtedness especially if the market continues to fall.

No official figures are kept on first home buyer arrears or distressed sales, but the even now more cautious big four banks maintain overall arrears levels across NSW remain very low given the low interest rate landscape.

The National Housing Finance and Investment Corporation will partner with private lenders to deliver the First Home Loan Deposit Scheme, prioritising smaller lenders to boost competition.

The latest Roy Morgan Poll shows that Labor's lead over the Coalition on a two-party preferred basis has narrowed to 51%-49%.

With the Coalition now back in contention, Roy Morgan CEO Michele Levine says trust and distrust will determine the outcome of the election, and any "glaring mistake" could cost Scott Morrison or Bill Shorten the prime ministership.

Roy Morgan's executive chairman Gary Morgan expects a hung parliament, with minor parties and their preferences to play a major role.

The \$500 million scheme will allow Australians to buy their first home with a deposit of just five per cent rather than 20 per cent, with the government to underwrite the balance via its National Housing Finance & Investment Corporation.

"The support would stay in place for the life of the loan," Mr Morrison said on Sunday.

"They've got their first leg on the first rung of the ladder."

Morrison told the party faithful at the Liberal Party's campaign launch in Melbourne that the policy would make a big difference to first-home buyers, "cutting the time taken to save for a deposit by at least half".

"It can take nine to 10 years for an average household to save a deposit," he said.