

# Could a guarantor help you get into the market sooner?

Guarantor home loans — explained. — kick. FINANCE

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## FIRST UP — WHAT IS A GUARANTOR HOME LOAN?

A guarantor home loan lets a family member use the **equity in their own property** as additional security for your mortgage. They don't hand over any cash or go on your title — they simply offer a portion of their home equity to help you meet deposit requirements.

The result: you can buy sooner, with a smaller deposit, and potentially save tens of thousands by avoiding Lenders Mortgage Insurance (LMI).

Min. deposit possible  
with a guarantor

**5%**

vs. 20% without

LMI saved on a  
\$600K home

**\$0**

vs. ~\$15K+ standard

Max borrow  
with guarantor

**110%**

of property value

## How does a guarantor loan work?

**Your guarantor pledges equity — not cash.**

They offer a portion of the value of their own home as security to bridge your deposit gap.

### STANDARD BORROWER

**Deposit under 20% → LMI charged on top**

Can add \$15,000–\$45,000 to your costs depending on property value and deposit size.

### BORROWER WITH GUARANTOR

**Deposit under 20% → LMI waived**

Same loan, no insurance premium. Guarantor's equity covers the gap. Thousands saved.

## Who can be your guarantor?

Eligibility varies by lender — but these family members are most commonly accepted.

### Accepted family members (most lenders)

#### Parents & stepparents

Mum and/or dad  
Stepparents  
Parents-in-law

*The most common arrangement*

#### Extended family

Grandparents  
Siblings (18+)  
Legal guardian

*Varies by lender*

#### Restrictions

Friends not accepted  
Must be AU citizen/PR  
Property must be in AU

*No overseas guarantors*

## The guarantor requirements (most lenders)

Your guarantor must meet these criteria before a lender will accept them.

- 1 They must be aged 18–65 and financially active**  
 Retirees or those without income may not be accepted — lenders want to know they could cover the guaranteed amount if needed.
- 2 They must hold sufficient usable equity**  
 Typically at least 20% usable equity in an Australian property. They don't need to own it outright — just have enough equity to pledge.
- 3 They must have a clean credit history**  
 Lenders assess your guarantor's credit score and overall financial position. Defaults or poor history can disqualify them.
- 4 They must obtain independent legal and financial advice**  
 Almost always a hard requirement before signing. This protects both parties and is non-negotiable with most lenders.

## How much could you actually save?

### REAL EXAMPLE

You want to buy a **\$600,000 home** but have only saved **\$30,000 (5%)**. Your parents use **\$90,000 of equity (15%)** in their own home as security. The lender treats this as a 20% deposit — you get the loan, you avoid LMI, and you're in the market.

**\$600K**

Purchase price

**\$30K**

Your deposit (5%)

**\$90K**

Guarantor equity (15%)

**\$0**

LMI payable

# Benefits and risks — let's be upfront

A guarantor loan can be a great pathway to homeownership. But it's a big commitment for your guarantor, so everyone needs to go in with clear eyes.

## ✓ BENEFITS FOR YOU

- ✓ Get into the market sooner with less saved
- ✓ Avoid paying LMI — potentially saving tens of thousands
- ✓ May access better interest rates
- ✓ Can borrow up to 100–110% of property value
- ✓ Can cover stamp duty and buying costs

## ! RISKS FOR YOUR GUARANTOR

- ! Liable for the guaranteed portion if you default
- ! Their property could be at risk if things go wrong
- ! Reduced borrowing power for their own future loans
- ! A default can affect their credit score
- ! May complicate their plans to sell or refinance

**How to protect your guarantor:** Ask your broker about a **limited guarantee** — where your guarantor only secures a portion of the loan (e.g. 15–20%) rather than the full amount. This significantly reduces their exposure and is available through select lenders.

## Releasing your guarantor

The goal is always to get your guarantor off the loan as soon as possible.

### 1 Build equity to 80% LVR

Once your loan is 80% or less of your property's value (through repayments or growth), you can formally apply to release your guarantor.

### 2 Apply through your lender

This is done via an internal review or refinance process. Your broker can manage this and ensure the timing is right.

### 3 Make extra repayments to get there faster

Even small additional repayments each month can shorten your timeline significantly. This is the best thing you can do for your guarantor.

## Not right for you? Other ways to get into the market

### First Home Guarantee

Buy with 5% deposit, no LMI via the federal government scheme. Unlimited places from Oct 2025.

### Save a 20% deposit

The classic route — no LMI, no guarantor needed. Takes longer but no other party involved.

### LMI waiver (professions)

Doctors, lawyers and accountants may qualify for LMI waiver without a guarantor or big deposit.

### Family gifted funds

A family cash gift can boost your deposit over the 20% threshold. Must be documented as a gift.

**BROKER TIP** Guarantor loan structures differ between lenders. A broker can check which lenders offer limited guarantees, the best rates for your situation, and build a clear plan to release your guarantor as quickly as possible.

## Think a guarantor could help? Let's find out. 🙌

Chat to a Kick Finance broker — free, online, no jargon.

### 1 BOOK A FREE CHAT

Tell us about your deposit, your situation and who you're thinking of as guarantor

### 2 WE CHECK THE OPTIONS

We compare lenders to find the best guarantor structure and protect your guarantor

### 3 GET INTO THE MARKET

Buy sooner, save on LMI and have a clear plan to release your guarantor in time

[BOOK NOW](#)

