

The First Home Loan Deposit Scheme

The First Home Loan Deposit Scheme is a Australian government initiative to assist first-home buyers purchase a home sooner by providing a guarantee that will allow eligible people on low and middle incomes to purchase a home with a deposit of as little as 5 per cent of an eligible property.

The scheme will support up to 10,000 loans each financial year and has started 1 January 2020.

There are eligibility requirements for the home buyers as well as for the types and values of properties that are eligible for the scheme. A brief snapshot of these requirements are provided below.

Property price thresholds

The intent for this scheme is to be available only for the purchase or construction of modest homes. Therefore, there are maximum property purchase-price thresholds which differ from state to state and region to region.

A few examples:

- In Melbourne and in regional cities, the threshold is for properties up to \$600,000. In other parts of Victoria, the threshold is up to \$375,000.
- Sydney and major regional areas in New South Wales have a threshold up to \$700,000. In other parts of New South Wales, the threshold is up to \$450,000.
- Hobart has a threshold up to \$400,000 with other areas up to \$300,000.

Eligible first-home buyers

The scheme is available to singles and couples but there are specific eligibility criteria for all applicants including the fact that all borrowers must be eligible for the scheme for it to apply.

Eligibility checks

There are several criteria used to determine eligibility under the scheme including:

- An income test
- A prior-property ownership test
- A minimum-age test
- A deposit requirement
- An owner-occupier requirement.

If you do not satisfy all of these checks, your eligibility will be questioned.



Eligible properties:

For a property to be eligible for the scheme it must:

- Be a 'residential property'
- Have a purchase price under the price cap for its location
- Be purchased by an eligible first-home buyer under the scheme
- Be a property which is either an established dwelling or a new-build dwelling that is purchased under a house-and-land package, a land and separate contract to build a home or an off-the-plan arrangement financed under an eligible loan from a participating lender.

Eligible home loans

Not all home loans are able to take the benefit of the scheme. The scheme is restricted to 'eligible loans', which are home loans made by a participating lender.

These loans must:

- Be secured by a registered first ranking mortgage over the eligible property
- Have no other owners at the time of settlement other than the eligible borrowers
- Have 100 per cent of the loan draw-down proceeds used for the purchase (or towards the purchase and improvement) or construction of the eligible property
- Have a loan amount between 80 per cent and 95 per cent LVR
- Have a loan term of 30 years or fewer
- Require regular principal and interest loan repayments
- Allow for no changes to loan terms, such as increased limit.

To determine your eligibility, or if you would like more information and specific advice for you, your family or your clients, contact Chocolate Money on 1300 137 539 or email harry@chocolatemoney.com.au who can assist with your eligibility assessment and loan application to the most suitable lender for your situation.