

Your guide to the New Home Guarantee 2021/22



What is the First Home Loan Deposit Scheme?

The First Home Loan Deposit Scheme (FHLDS) is an Australian Government initiative to support eligible first home buyers to build or purchase a new home sooner. The Scheme is administered by the National Housing Finance and Investment Corporation (NHFIC). Usually first home buyers with less than a 20 per cent deposit need to pay lenders mortgage insurance. Under the Scheme, eligible first home buyers can purchase or build a new home with a deposit of as little as **5 per cent** (lenders criteria apply). This is because NHFIC guarantees to a participating lender up to 15 percent of the value of the property purchased that is financed by an eligible first home buyer's home loan.

What is the New Home Guarantee?

In the 2020-21 Federal Budget, the Australian Government announced an additional 10,000 scheme places for the 2020-21 financial year known as the New Home Guarantee, **specifically for eligible first home buyers building or purchasing new homes**. Under the 2021-22 Federal Budget, a further 10,000 New Home Guarantee places will be available from 1 July 2021 to 30 June 2022.

How does the New Home Guarantee work?

Eligible first home buyers looking to build or purchase a new home are able to apply for a loan to purchase an eligible property through a participating lender, up until 30 June 2022. Eligible borrowers can use the New Home Guarantee in conjunction with other government programs like the First Home Super Saver Scheme, Home Builder grant or state and territory First Home Owner Grants and stamp duty concessions. The guarantee is not a cash payment or a deposit for your home loan.

Eligible properties

Eligible residential properties generally include:

- newly-constructed dwellings
- off-the-plan dwellings
- house and land packages
- land and a separate contract to build a new home.

A newly-constructed dwelling can also be one where a home has been substantially renovated, or knocked down and rebuilt, by the vendor – thus creating a ‘newly-constructed dwelling’. There are particular requirements which apply for each type of property. Contact a participating lender for more details.

What are the timeframes for the New Home Guarantee?

If you are **purchasing** a new home:

- you must enter into a contract of sale to purchase your new home within 90 days of being preapproved
- for an off-the-plan property, the contract of sale must be dated on or after 7 October 2020. Generally, the building of your off-the-plan property must start within 12 months of the contract of sale and finish within 24 months. For Scheme place reservations made prior to 1 July 2021, the building start date must be within 6 months of the contract of sale.
- for a newly constructed dwelling, the dwelling must have been completed on or after 1 January 2020.

If you are **building** a new home (either under a house and land package or as a land and separate contract to build a home):

- you must enter into an eligible building contract within 90 days of being pre-approved; and

- you must start building within 12 months of entering into the eligible building contract and finish building within 24 months of starting. For reservations made prior to 1 July 2021, the building start date must be within 6 months of entering into the eligible building contract.

Property price thresholds

The value of the new home must not exceed the relevant price cap for the area in which it is located. The price caps for capital cities, large regional centres and regional areas are:

State/Territory	Capital city and regional centres*	Rest of state
NSW	\$950,000	\$600,000
VIC	\$850,000	\$550,000
QLD	\$650,000	\$500,000
WA	\$550,000	\$400,000
SA	\$550,000	\$400,000
TAS	\$550,000	\$400,000
ACT	-	\$600,000
NT	-	\$550,000
Jervis Bay Territory & Norfolk Island	-	\$600,000
Christmas Island & Cocos (Keeling) Islands	-	\$400,000

* Note that regional centres only include the areas identified as (1) in New South Wales, Illawarra and Newcastle and Lake Macquarie, (2) in Victoria, Geelong, and (3) in Queensland, Gold Coast and Sunshine Coast.

Who is eligible to apply?

- Australian citizens who are at least 18 years of age. Permanent residents are not eligible.
- Single applicants with a taxable income of up to \$125,000 per annum for the previous financial year and couples with a taxable income of up to \$200,000 per annum for the previous financial year. For all New Home Guarantee applications made from 1 July 2021 to 30 June 2022, the relevant financial year assessed will be 2020-21.
- Couples are only eligible for the New Home Guarantee if they are married or in a de-facto relationship with each other. Other persons buying together, including siblings, parent/child or friends, are not eligible for the New Home Guarantee.

- The New Home Guarantee assists single (individual) applicants and couples (together) who have at least 5 per cent of the value of an eligible property saved as a deposit. If 20 per cent or more is saved, then the home loan will not be covered by the New Home Guarantee.
- Loans under the New Home Guarantee require scheduled repayments of the principal and interest of the loan for the full period of the agreement, which will need to be for a term of 30 years or less, (with limited exceptions for interest-only loans, which mainly relate to construction lending).
- Applicants must intend to be owner-occupiers of the purchased property. Investment properties are not supported.
- Applicants must be first home buyers who have not previously owned, or had an interest in, a property in Australia, either separately or jointly with someone else (includes residential strata and company title properties).

How to apply

Eligible first home buyers can apply for the New Home Guarantee through a participating lender.

- First home buyers are responsible for meeting all costs and repayments for the home loan associated with the guarantee.
- All applications for the New Home Guarantee need to be made directly with one of the Scheme's participating lenders. NHFIC doesn't accept applications directly from first home buyers.

For help applying for the New Home Guarantee and getting the right loan for your home, get in touch with the friendly team at Nectar Mortgages.

 **1300 55 17 11**

 **www.nectarmortgages.com.au**

