

Media Release

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LENDING PANEL FOR DEPOSIT GAP SCHEME WELCOMED

Formation of a lending panel to sustain the new national deposit gap scheme is a positive sign for homebuyers preparing for its commencement in January, according to the Urban Development Institute of Australia (UDIA) National.

The Commonwealth Government has today announced a panel of 25 non-major lenders, as well as the Commonwealth Bank, to offer guaranteed loans under the scheme.

The Commonwealth Government's First Home Loan Deposit Scheme provides a guarantee to allow eligible buyers to purchase a home with a deposit as low as five percent – rather than 20 percent.

"Building a competitive panel of lenders to service homebuyers looking to access the scheme is a great sign," UDIA National Executive Director Connie Kirk said.

"The diversity of the panel will allow homebuyers to shop around and find the right mortgage product that suits the needs of the 10,000 expected participants.

"Establishing a mix of large and small lenders with a good geographic spread gives a wide range of buyers better opportunities to access the scheme.

"In our major capital cities, it can take homebuyers anywhere from 8 to 12 years to save the money needed to achieve a 20 percent deposit required by banks to access a loan.

"The deposit gap scheme shaves years – and the cost of mortgage insurance – off that task because the Government is going to serve as guarantor.

"The scheme will be crucial at a time when house prices are again beginning to lift and risk escalating further given the lack of adequate supply coming through the system as construction tails off.

"We also hope the Government keeps the scope of the scheme under review and looks at whether it is sufficiently motivating new stock being built and reflects house prices and incomes in major capital cities."

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