

MEDIA RELEASE

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NEW HOME LOAN DEPOSIT GAP SCHEME WELCOMED

The nation's housing industry has welcomed the commencement of a new scheme to help close the home loan deposit gap for first time homebuyers.

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.

The initiative opens to potential applicants today and is expected to see as many as 10,000 people a year assisted.

The Urban Development Institute of Australia (UDIA) National has welcomed its commencement.

“Saving for a deposit is one of the biggest hurdles to home ownership so efforts to bridge the divide are a clear plus,” UDIA National Executive Director Connie Kirk said.

“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 rise 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.

“The initiative needs to be viewed as part of the solution to fixing housing affordability – with increased supply via improvements to land release and approval systems another focus area.

“We also need to see governments turn their attention to reducing red and green tape, as well as excessive property taxation, that gets baked into the cost of new housing.”

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