



# Will YOU Be One Of The TEN THOUSAND First Home Buyers To CASH IN On This Opportunity?

**Does it feel like you've been saving forever for your first home? Well, do we have some great news for YOU? Absolutely!**

**Attention FUTURE FIRST HOME BUYERS...**

Have you heard about the **First Home Loan Deposit Scheme (FHLDS)** to support eligible first home buyers purchase a home faster?

If you meet the criteria – **You Could be Saving Tens Of Thousands Of Dollars** and be able to buy your dream first home sooner!

***But you need to ACT FAST!***

With just a **5% deposit and no lenders' mortgage insurance (LMI)**... you could welcome the new year with a new home!

But only if you are eligible – **AND** you are one of the first 10,000 to be approved.

The Australian Government has announced it will introduce a **First Home Loan Deposit Scheme** to support eligible first home buyers purchase a home faster.

Commencing on 1 January 2020, and available to only 10,000 buyers, the scheme allows eligible first-time owner-occupiers to buy their first home with just a 5% deposit and no LMI payable.

**What is LMI and how does it work?**

Contrary to what many people think, LMI is designed to protect the lender, not the borrower, even though the borrower pays for it.

The LMI is in place to protect the lender if the borrower can't afford to meet their home loan repayments.

On a normal property purchase when you are required to pay LMI, it typically costs tens of thousands of dollars.

**And the GOOD NEWS For YOU...**

Under this First Home Loan Deposit Scheme, there is **NO** LMI payable.

***It has never been so easy to make your first home dreams come true.***

**Are you eligible<sup>1</sup>?**

- You are an Australian citizen (not available for permanent residents)
- You are a genuine First Home Buyer (if you own an investment property you won't be eligible)
- You have a 5% deposit. You will still need to borrow the remaining 95% but you will avoid paying LMI.



- You earn less than \$125,000 a year as a single or \$200,000 combined for couples

***If you meet these criteria you need to contact us FAST!***

### **Other details:**

- Finance can only be for owner-occupier loans with principal and interest payments
- The scheme began on 1 January 2020 and is limited to 10,000 borrowers per year – so act soon!
- The value of eligible homes under the scheme varies by state, city and region. *See table below.*

#### **Property value caps**

To be eligible for the scheme you must be purchasing a property valued at or below the following thresholds:

State/Territory	Capital city/ regional centre*	Rest of state
NSW	\$700,000	\$450,000
VIC	\$600,000	\$375,000
QLD	\$475,000	\$400,000
SA	\$400,000	\$250,000
WA	\$400,000	\$300,000
TAS	\$400,000	\$300,000
ACT	\$500,000	\$500,000
NT	\$375,000	\$375,000

\* A regional centre is defined as a city with a population above 250,000, such as Newcastle, Wollongong or Geelong.

Source: Finder, First Home Loan Deposit Scheme

***Between 4,000 and 5,000 properties sell every month<sup>2</sup>. In 2019, 29.8% were first home buyers<sup>3</sup>.***

***With the cap on 10,000 loans, we don't want you to miss this opportunity.***

***Follow our 4 URGENT tips so you don't miss the boat. Then contact the office straight away.***

## **4 URGENT Tips To Beat The First Home Buyer Rush**

### ***1. Be prepared***

Having all your records up to date and accessible is essential.

#### **Ensure you have your:**

- identification
- proof of employment
- savings history
- evidence of current assets and
- statements of all debt.

This will make the application process a lot faster.

### ***2. Minimise your spending NOW!***

While it may be too late to put the brakes on your spending, those who can demonstrate good budgeting and financial discipline will have a far greater chance of nabbing one of the 10,000 schemes on offer.

### ***3. Clean up your credit – NOW!***

Even if you have a credit card with zero balance, lenders will see there is always a chance for you to dive into debt up to your credit limit.

So close down or reduce your credit limits where you can. That includes buy now, pay later options!

The more 'available' credit you have access to, the less you will be able to borrow.

### ***4. Stay in your current job***

Those who can show a strong and consistent employment history will stand a better chance of approval.

If you have started a new job recently, you will need to wait until your probationary period is complete and may miss out on the First Home Loan Deposit Scheme.



## CALL us NOW – Don't delay...

The First Home Loan Deposit Scheme has launched and is likely to bring a rush of first home buyers to the market.

Be prepared and increase your chances of being mortgage ready by allowing us to help you fast track your application to the correct lender.

There are only a few lenders participating in the scheme, and **WE KNOW** who they are.

Our role as your mortgage broker is to do the running around on your behalf saving you heaps of time and stress.

We will help you every step of the way.

Our expertise in presenting your application could mean the difference in your obtaining loan approval... Or NOT!

### **Don't risk it.**

The sooner we start working on your application, the better your chances will be.

Contact us **URGENTLY** if you would like to know more about this scheme and other government incentives for first home buyers to help you get a foot on the property ladder.

We would be delighted to help you buy your first home and save you thousands of dollars while doing it.

**And remember – if you know a first home seeker who could potentially benefit from this opportunity, please forward this topic sheet directly to them and let them know we are here for them as well. Spread the word – after all...**

**Sharing is caring.**



To find out about the **the pro's and con's of the First Home Loan Deposit Scheme** or **How Parents Can Help Their Kids If They Don't Qualify**, contact us for our topic sheets today.



# PROS and CONS

## of the First Home Loan Deposit Scheme

### THE PROS

1. Great incentives for first home buyers to jump into the property market and save enormous amounts of money through First Home Buyer (FHB) incentives and no lenders' mortgage insurance (LMI).
2. FHBs can enter the market probably several years ahead of their expectation with the potential of good capital growth over the next few years due to the current rebounding property market cycle.
3. As more interest in the scheme grows, the demand for properties in the lower end of the market will increase and these property prices are likely to rise. The earlier you jump into the market the more opportunity there will be to tap into this capital growth.
4. The scheme is only available to those who need it most. It is not targeted to support those FHBs who are considered capable of entering the market themselves due to personal income levels.
5. The scheme is limited to 10,000 people per year initiating action and urgency, bringing forward buyers to the market who would not have considered becoming a home owner for a few more months/ years.
6. There is always next year if you do not qualify this year. However, we do not know how long the scheme will stay in place.

### THE CONS – OR THE CONCERNS...

1. Will the scheme create a potential bubble in the lower end property market making those property prices over valued?
2. Will you, as a FHB, just purchase something you can afford due to the urgency for making a decision as opposed to looking for your ideal first home?
3. Will you pay too much for a property because of the urgency and demand and forget to negotiate a realistic market price?

4. Unless you are married or in a defacto relationship, you will not be considered for the scheme.

Will you jump into a financial commitment with your defacto partner before you are truly ready to jump into a long term relationship, potentially creating unnecessary future financial stress?

5. Will you miss out because you've worked hard at saving your 20% deposit – how unfair!

There may be another way we can help.

6. Don't rush to just any lender.

Multiple applications will damage your credit rating in the process. Make sure you use a mortgage broker to help you find the lender most suitable for your circumstances.

7. Missed out on the scheme?

Did you know you can potentially achieve the same outcome by using a family pledge, thus making the scheme irrelevant for your application?

8. Will parents sacrifice their own financial future to help their kids get into the property market?

Let us consider all options with you and your adult children.



# How parents can help you enter the property market so you **DON'T HAVE TO PAY** Lenders Mortgage Insurance

We understand that trying to save for a deposit can put homebuyers on a financial hamster wheel. While you are trying to save, property prices can increase during that time requiring you to save even more for your deposit. Over time that elusive mortgage remains just out of reach.

A family pledge allows borrowers to use their parents' or another family member's home as a guarantee in lieu of a deposit (on both residential and investment properties).

Some lenders will consider a family pledge from parents, parents-in-law, stepparents or siblings.

## HOW DOES IT WORK?

Rather than guaranteeing the entire mortgage, a family pledge or guarantee will generally be applied to the deposit amount of up to 20% of the property price.

The property you want to purchase will provide the security for the remaining value (the difference from the property price and the family pledge – no less than 80%).

So if the property is worth \$500,000, and the family pledge is for 20%, \$100,000 will be taken as security against the equity of the pledger's home (mum and dad).

Please note – some lenders will insist that the guarantor be able to prove that they can service the pledged amount.

Limiting the amount of the guarantee to a maximum amount of 20% of the property value reduces the risk for the guarantor. However it is still a major financial commitment for you as the purchaser as your new property and your guarantor's property will be at risk if you default on your mortgage payments.

For the borrower, a family pledge is not a fix-all. Borrowers must still be assessed on their ability to service the loan and their saving and spending history, but it can be a great option to jump into the property market earlier.

## WHAT ARE THE BENEFITS?

**A family guarantee will allow you to:**

### Access finance

The deposit will have to be paid upfront in order to be accepted.

You may be able to borrow more money and provide less of a deposit allowing you to buy a home sooner.

### Avoid LMI

Borrowing more than 80% Loan to Value Ratio (LVR) usually requires you to take out lenders' mortgage insurance, but a family guarantee means this extra expense can be avoided.

### Increase your borrowing power

A family guarantee can boost your borrowing power.

As it is most often used to cover your deposit, you may be able to borrow close to 100% of the loan if properly secured.

Often, guarantor borrowers can borrow 100% of a property value plus costs.

### Eligible for FHOG

Taking out a family pledge home loan means you are still eligible for financial assistance through the First Home



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Owner Grant. This also means you will be eligible to access most mortgage products from a lender and will not be limited to those lenders only approved for the First Home Loan Deposit Scheme if applying for your first home loan.

## Limit your guarantee

While the traditional approach is to guarantee the full loan, a family pledge allows the option of guaranteeing just a portion of the loan (up to 20%).

Over time, once the standard LVR requirements of a loan product have been met due your to loan repayments being made and including any rise in the valuation of the property, the guarantee on the loan is released.

## What are the drawbacks?

Potentially putting the family home at risk.

If you're the guarantor you could be putting your family home at risk if the loved ones you have helped out default on their loan repayments. So consider all of your options first before choosing this approach.

## If you do not ask for expert advice

If you are considering applying for a family pledge or guarantee loan, it is important that you seek financial and legal advice first. You need to understand exactly what the guarantor will be liable for in the event that you default on the loan.

## Wasting time

Family pledge loans aren't offered by all lenders, so the best thing to do is to allow us, as your mortgage

specialist, to help you find a loan suitable for you and your guarantor's needs together saving you loads of time and avoiding mistakes.

## WHAT NEXT?

If you would like a discussion about how we can help you enter the property market then let's catch up for a chat with your parents to discuss the options, the advantages, the risks and the process.

**We're here to help.**