

RESOURCE GUIDE



First Home Buyers Summary

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Attention First Home Buyers!

Are you ready to take the exciting step of buying your first home?

The government offers a range of programs designed to make this journey smoother and more affordable for you. From grants to special loan options, there are numerous resources available to help turn your homeownership dream into reality.

Don't miss out on these fantastic opportunities—explore the various programs today and get closer to owning your very first home!

Home Guarantee Scheme (HGS)

One of the standout options is the Home Guarantee Scheme, a fantastic initiative that could significantly reduce the financial barriers to buying your first home.

It is an Australian Government initiative specifically designed to support first-time buyers like you, with a deposit as little as 2%- 5% without incurring Lenders Mortgage Insurance (LMI).

The Home Guarantee Scheme features three distinct programs, all sharing the same eligibility criteria and price caps. However, each program has unique eligibility requirements and specific deposit conditions to cater to different needs and circumstances.

- **First Home Buyer Guarantee (FHBG)**
 - You need to have between 5% and 20% of the value of an eligible property saved as a deposit.
 - 35,000 FHBG places are available from 1 July 2024 – 30 June 2025

- **Regional First Home Buyer Guarantee (RFHBG)**
 - You have lived in the regional area or adjacent regional area you are purchasing in for the preceding 12-month period to the date you execute the home loan agreement. (If you have been required to relocate for work, you may be exempt from this requirement.)
 - You need to have between 5% and 20% of the value of an eligible property saved as a deposit.
 - 10,000 RFHBG places are available from 1 July 2024 – 30 June 2025
 - Access this [Regional Checker](#) to check if a property is under a regional area.

- **Family Home Guarantee (FHG)**
 - You are a single parent or single legal guardian of at least one dependent
 - You need to have between 2% and 20% of the value of an eligible property saved as a deposit.
 - 5,000 FHG places are available from 1 July 2024 – 30 June 2025
 - You do NOT currently own a property, or do not intend to own a separate property upon settlement of the guaranteed property you're buying

These programs share the same general requirements, detailed below:

Home Guarantee Scheme General Requirements:

Eligibility Criteria

You must be:

- be applying as an individual or 2 joint applicants (for the Family Home Guarantee, individual applicants only)
- an Australian citizen(s) or permanent resident(s) at the time you enter the loan
- at least 18 years of age
- earning up to \$125,000 for individuals or \$200,000 for joint applicants, as shown on the Notice of Assessment (issued by the Australian Taxation Office)
- intending to be owner-occupiers of the purchased property
- first home buyers or previous homeowners who haven't owned a residential property (whether as an investment or owner occupied) in Australia in the past ten years

Property Types and Price Caps

The residential property you can buy may include:

- an existing house, townhouse or apartment
- a house and land package
- land and a separate contract to build a home
- an off-the-plan apartment or townhouse

Price cap for Victoria is \$800,000 for Capital City and Regional Centres (Geelong) and \$650,000 for the rest of the state.

Price Caps

State	Capital City and Regional Centre*	Rest of State
NSW	\$900,000	\$750,000
VIC	\$800,000	\$650,000
QLD	\$700,000	\$550,000
WA	\$600,000	\$450,000
SA	\$600,000	\$450,000
TAS	\$600,000	\$450,000
Territory#		All areas
ACT		\$750,000
NT Regional		\$600,000
Jervis Bay Territory & Norfolk Island		\$550,000
Christmas Island and Cocos (Keeling) Islands		\$400,000

* Regional centres are Newcastle and Lake Macquarie, Illawarra, Geelong, Gold Coast and Sunshine Coast

The greater capital city areas of the States and the Northern Territory; and the entire Australian Capital Territory are excluded from the RFHBG

Scenario:

Dan and Amy have been married for 3 years and are renting in Pakenham with their 2 kids. They wanted to buy the property they are renting for \$540,000.

After reviewing their situation, we determined that they qualify for both the First Home Buyer Guarantee (FHBG) and Stamp Duty Exemption.

We arranged a loan for \$513,000 to cover legal and other purchase costs, excluding stamp duty.

With a Loan-to-Value Ratio (LVR) of 95%, the Lender's Mortgage Insurance (LMI) was calculated at \$23,290 with Bank of Melbourne, and the stamp duty for their purchased property was \$24,370.

However, since they qualified for the First Home Buyer Guarantee (FHBG) and Stamp Duty Exemption, they avoided these costs, saving a total of \$47,660.

First Home Owner Grant (FHOG)

In addition to the Home Guarantee Scheme (HGS), you can receive a \$10,000 grant as a first home buyer if the property you are purchasing is a new property that has never been lived in. Please see further details below:

Eligibility Criteria

You must:

- apply as an individual or 2 joint applicants
- be an Australian citizen(s) or permanent resident(s) at settlement or completion of construction
- be at least 18 years of age at settlement or completion of construction
- occupy the home as their principal place of residence (PPR) for at least 12 months, commencing within 12 months of settlement or completion of construction
- have not received a First Home Owner Grant (FHOG) in Australia previously
- not have lived in a home in Australia which either of them owned or part-owned on or after 1 July 2000 for a continuous period of at least six months

Property Types and Price Caps

- New home must be valued at \$750,000 or less and be a new home
- The property must not have been previously sold as a place of residence, occupied as a home, or leased out or used for short-term accommodation, such as Airbnb

Scenario:

Carla is a young professional looking to buy her first home in Pakenham for \$650,000. She has diligently saved up and has 10% of the deposit required.

After reviewing her situation, we determined that although her annual income exceeds \$125,000, making her ineligible for the First Home Buyer Guarantee (FHBG), she qualifies for the First Home Owner Grant (FHOG) because the property she is purchasing is a newly built home in Pakenham. Additionally, she is eligible for the Stamp Duty Concession as the property is less than \$750,000.

We arranged a loan for \$592,000 to cover the purchase costs.

With a base Loan-to-Value Ratio (LVR) of 91.08%, the Lender's Mortgage Insurance (LMI) was calculated at \$23,584.39 with Bank of Melbourne, and the stamp duty for the property was \$34,070. However, because she qualified for the Stamp Duty Concession, she only paid \$11,356.52 in stamp duty costs, saving \$22,713.

The LMI was added to her loan, making the total loan amount \$615,584.39.

Carla used the \$10,000 FHOG grant to buy new furniture for her new home and left some funds in her savings.

First Home Buyer Duty Exemption or Concession

In addition to the HGS and FHOG, you can further save on purchase costs with the first home buyer duty exemption or concession. The concession applies on a sliding scale. Calculate the amount of concessional duty you need to pay using this [Stamp Duty Calculator](#).

Eligibility Criteria

You must:

- enter a contract of sale to buy your first home on or after 1 July 2017
- satisfy the eligibility criteria for the First Home Owner Grant (FHOG)
- live in the property as your principal place of residence for a continuous period of 12 months, commencing within 12 months of settlement
- have not received a first home buyer duty exemption or concession previously

Property Types and Price Caps

- Property can be an established/existing home, newly built home or a vacant land
- Home has a dutiable value of:
 - \$600,000 or less - will receive the first home buyer duty **exemption**
 - \$600,001 to \$750,000 will receive the first home buyer duty **concession**

Scenario:

Megan and Michael are a young couple who lived with their respective parents when they reached out to us to take advantage of the available grants and schemes for first home buyers.

The issue with their situation was that Michael owns 50% of an investment property in Pakenham with his mother, making him and Megan ineligible for the FHOG.

We called the State Revenue Office (SRO), and they said the couple could still be eligible for the FHOG and stamp duty exemption.

The property they purchased was an established property in Endeavour Hills for \$690,000. Instead of paying the full stamp duty of \$36,470, they only paid \$21,881.90, saving them \$14,588.

They also had Michael's mother as a guarantor on the loan to avoid paying for LMI.

In total, they saved significantly from the reduced stamp duty and the LMI.

Guarantor Home Loan

Another option you can consider if you are a first home buyer is having a guarantor for your home loan. A guarantor is someone, such as a family member, who can help you secure a home loan by agreeing to offer their own property as additional security for your loan.

Benefits

- You can avoid paying Lenders Mortgage Insurance (LMI)
- The amount a guarantor offers as security could be the entire amount of your loan, or less than this
- 80% of the loan amount is covered by the property being purchased and the remaining 20% (or more if factoring in purchase costs) is secured against the equity in the guarantor's home/investment property
- No genuine savings required (as no LMI involved)
- Guarantor's property can be removed as security as soon as the loan is 80% or less of the value of the purchased property
- Can result in lower interest rate as additional security provided (lower loan to value ratio)
- Must be able to service the loan in your name(s) only (excluding your parents)

Things to Consider

- Acting as guarantor for you means that they agree to repay the home loan if you can't meet the repayment terms and conditions of your loan contract.
If the lender needs to seek any security the guarantor has provided in support of the guarantee, they could lose their property and/or suffer other serious financial losses.
- The guarantor's credit report may also be negatively affected.
- Guarantors are advised to seek independent legal and financial advice to understand their obligations, risks and potential impacts on their financial situation before they make this commitment.

Scenario:

Emma and Scott are another young couple looking to purchase their first home together.

The properties they were considering were above the range for them to qualify for the FHBG. We recommended an alternative option: having a guarantor on the loan so they could purchase the property they wanted without having to pay for Lender's Mortgage Insurance (LMI).

They agreed to have Emma's parents on the loan and used their owner-occupied property in Berwick as a second security.

Emma and Scott purchased an established property in Berwick valued at \$700,000.

Having only saved \$125,000, the calculated LMI for their loan was \$11,028, and the calculated stamp duty was \$37,070.

However, with Emma's parents as guarantors on the loan, they were able to avoid paying the LMI and only paid \$24,713 in stamp duty costs.

In total, they saved \$23,385 from the reduced stamp duty and the LMI.

Help to Buy Scheme

There's another option for first home buyers if they are purchasing a property in Queensland. This is the Help to Buy Scheme which allows first home buyers (or second home buyers without a current property) to borrow with a minimum of 2% deposit without incurring Lenders Mortgage Insurance (LMI).

10,000 Help to Buy places are available for 2024 and this is currently available in **QLD** only as of 15/03/2024.

Eligibility Criteria

You must:

- be earning up to \$90,000 for individuals or \$120,000 for joint applicants, as shown on the Notice of Assessment (issued by the Australian Taxation Office)
- be an Australian citizen(s)
- be at least 18 years of age
- live in the purchased home
- not currently own a home or land in Australia or overseas (can have owned a property in the past)

Deposit Required

- You need to have a minimum of 2% genuine savings deposit.

Property Types and Price Caps

- The government will contribute
 - 30% of the home value of existing homes
 - 40% of new homes

Price Caps

State	Capital / regional centres	Rest of the state
New South Wales	\$950,000	\$750,000
Victoria	\$850,000	\$650,000
Queensland	\$700,000	\$550,000
Western Australia	\$600,000	\$450,000
South Australia	\$600,000	\$450,000
Tasmania	\$600,000	\$600,000
ACT	\$750,000	\$600,000
NT	\$600,000	\$550,000

Victorian Homebuyer Fund

Another option for first home buyers to consider is the Victorian Homebuyer Fund, a shared equity scheme where the Victorian government contributes up to 25% of the property price.

Please note that for this scheme, you need to contact participating lenders directly, as brokers cannot process it on your behalf.

Eligibility Criteria

You must:

- be an Australian or New Zealand citizen, or permanent Australian resident
- be at least 18 years of age at settlement
- have saved the required minimum deposit (at least 5% or 3.5% for Aboriginal and Torres Strait Islander participants) of their property price
- earn \$135,155 or less per annum for individuals, or \$216,245 or less per annum for joint applicants. This refers to gross annual income.
- occupy the purchased property as their principal place of residence
- be a natural person (that is, not an organisation, company, trust or other body or entity)
- not purchase the property from a vendor who is a related person
- not own an interest in any land in Australia or overseas at the time of purchase (including as trustee of a trust or beneficiary under a trust)
- not be a shareholder in any corporation (other than a public company) that owns any land in Australia or overseas
- have an approved loan from a participating lender and have sufficient funds to pay all acquisition costs associated with the purchase

Deposit Required

- You need to have a minimum of 5% deposit.
- You have to cover all purchase and ongoing costs.

Property Types and Price Caps

- You can purchase eligible property in any location in Victoria.
- The property must be a standard residential property such as a house, townhouse, unit or apartment (vacant land is not eligible). The maximum purchase price must be \$950,000 or less in Metropolitan Melbourne and Geelong, or \$700,000 or less in regional Victoria.
- Access this [Homebuyer Fund Price Caps and Locations](#) to check price caps

Things to Consider

- Cannot use broker services – must apply directly with lender
- Participating Lenders:
 - Bank Australia
 - Bendigo Bank
 - Indigenous Business Australia
 - Commonwealth Bank (CBA)
- Subject to annual reviews
- You are required to buy back the government's share in your property over time through refinancing, using savings, or upon sale of the property

Rental Ledger for Genuine Savings

Did you know that your Rental Ledger can be used as proof of Genuine Savings?

Many lenders accept a Rental Ledger as evidence that you have been consistently saving and managing your finances responsibly. This can be a great advantage, especially if you don't have a traditional savings history. By providing your Rental Ledger, you can demonstrate to lenders your ability to make regular payments, which can strengthen your home loan application.

What is Genuine Savings?

Genuine savings refers to funds that a borrower has saved over a certain period, typically from their own income or through financial discipline, rather than as a one-time gift or windfall.

Genuine savings are generally required for loans that exceed 90% LVR. Additionally, if you are applying for the First Home Buyer Grant (FHBG), genuine savings are required regardless of the LVR.

Scenario:

In our previous discussion regarding the First Home Buyer Guarantee (FHBG), Dan and Amy have a 5% deposit, which includes a partial gift from their parents. This deposit has been in their account for more than 3 months.

Since we recommended that they apply for the FHBG, it's important to note that the FHBG requires genuine savings to be held for a minimum of 3 months. Unfortunately, the parental gift, even though it has been in the account for over three months, does not qualify as genuine savings under FHBG criteria.

As an alternative, we suggested that Dan and Amy use their historical rental payments or rental ledger to demonstrate genuine savings. They have obtained a 6-month rental payment history from their property manager, which will support their application by showcasing their ability to save and manage funds over time, aligning with the FHBG requirements.

Sources:

<https://www.housingaustralia.gov.au/support-buy-home/first-home-guarantee>

<https://www.sro.vic.gov.au/first-home-owner/applying-first-home-owner-grant>

<https://www.sro.vic.gov.au/fhbduy>

<https://www.commbank.com.au/home-loans/guarantor-support.html>

<https://www.mortgagechoice.com.au/guides/home-loan-guarantors/>

<https://www.housingaustralia.gov.au/support-buy-home>

<https://www.sro.vic.gov.au/homebuyer>

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