



Policy costing

Australian Labor Party's (ALP's) support for the First Home Loan Deposit Scheme	
Party:	Australian Labor Party
<p>Summary of proposal:</p> <p>This proposal is to establish a First Home Loan Deposit Scheme (the Scheme) which would help eligible first home buyers by providing support if they do not have a 20 per cent deposit, consistent with the Coalition's announcement – <i>First Home Loan Deposit Scheme</i> (PER062).</p> <p>The Scheme would be capped at 10,000 recipients a year.</p> <p>The Scheme would be run by the National Housing Finance and Investment Corporation.</p> <p>The Commonwealth Government would make an equity investment of \$500 million to the National Housing Finance and Investment Corporation and provide additional funding to establish and administer the Scheme.</p> <p>Funding for research on housing demand, supply and affordability in Australia has been provided under the related commitment – <i>National Housing Supply Council</i> (PER413).</p> <p>This proposal would have effect from 1 July 2019.</p>	

Costing overview

This proposal is expected to decrease the fiscal, underlying cash and the headline cash balances over the 2019-20 Budget forward estimates period. The fiscal and underlying cash balance impacts reflect net revenue gains that are entirely offset by public debt interest (PDI) and departmental expenses. The headline cash balance impact includes the amount of the equity investment in the first year of the proposal. A breakdown of the financial implications over the 2019-20 Budget forward estimates period is included at [Attachment A](#).

The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

The \$500 million equity investment in National Housing Finance and Investment Corporation involves a transfer between financial assets on the Commonwealth Government's balance sheet that only affects the headline cash balance and informs the calculation of the PDI expenses. It does not directly affect the fiscal and underlying cash balances.

Consistent with Parliamentary Budget Office Guidance 02/2015, PDI expense impacts have been included in this costing because the proposal involves financial asset transactions.

Further consideration of the detailed arrangements would be required to confirm that the Scheme would operate as part of the general government sector, which has been assumed for this costing.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-2.7	-4.3	-4.3	-4.3	-15.5
Underlying cash balance	-2.7	-4.3	-4.3	-4.3	-15.5
Headline cash balance	-502.7	-4.3	-4.3	-4.3	-515.5

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- The Scheme would provide support to first home buyers by guaranteeing that the amount borrowed from financial institutions would be repaid. This guarantee would remove the need for these buyers to save a 20 per cent deposit to avoid mortgage insurance costs.
- The gross return earned by the National Housing Finance and Investment Corporation, including from interest earned by investing the \$500 million equity injection, would be sufficient to cover the PDI costs and any default costs associated with the Scheme. The costing assumes that the National Housing and Investment Corporation’s investment mandate would be adjusted, if required, to achieve this level of return.
- The Treasury would absorb any departmental or capital expenses in excess of the estimated departmental costs of administering the Scheme.

Methodology

The financial implications are based on the costing estimates for the Coalition’s commitment – *First Home Loan Deposit Scheme* (PER062).

Departmental expenses represent the amount specified in the Coalition costing less an estimated \$3 million each year that is assumed to be included to conduct research as part of the ALP commitment – *National Housing Supply Council* (PER413).

All estimates are rounded to the nearest \$100,000.

Data sources

Commonwealth of Australia, 2019. *2019-20 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2017. *2017-18 Budget*, Canberra: Commonwealth of Australia.

Australian Bureau of Statistics, 2018. *Housing Finance, Australia*, ABS Cat. No. 5609.0, 17 January 2019. [Online] Available at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5609.0November%202018?OpenDocument> [Accessed 06.02.2019].

Australian Bureau of Statistics, 2018. *Residential Property Price Indexes: Eight Capital Cities, Australia*, ABS Cat. No. 6416.0, 19 June 2018. [Online] Available at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6416.0Mar%202018?OpenDocument> [Accessed 06.02.2019].

Reserve Bank of Australia, 2018. *Financial Stability Review*. [Online] Available at: <https://www.rba.gov.au/publications/fsr/2018/oct/pdf/financial-stability-review-2018-10.pdf> [Accessed 23.05.2019].

Attachment A – Australian Labor Party's (ALP's) support for the First Home Loan Deposit Scheme – financial implications

Table A1: ALP's support for the First Home Loan Deposit Scheme – Fiscal balance (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue					
<i>Net receipts^(c)</i>	5.0	12.0	13.0	13.0	43.0
Total – revenue	5.0	12.0	13.0	13.0	43.0
Expenses					
<i>Departmental funding for National Housing Finance and Investment Corporation</i>	-2.7	-4.3	-4.3	-4.3	-15.5
Total – expenses	-2.7	-4.3	-4.3	-4.3	-15.5
Total (excluding PDI)	2.3	7.7	8.7	8.7	27.5
PDI impacts	-5.0	-12.0	-13.0	-13.0	-43.0
Total (including PDI)	-2.7	-4.3	-4.3	-4.3	-15.5

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

(c) Net receipts reflect gross returns on investments minus any costs associated with calls on the guarantee provided under the Scheme.

Table A2: ALP's support for the First Home Loan Deposit Scheme – Underlying cash balance (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Receipts					
<i>Net receipts^(c)</i>	5.0	12.0	13.0	13.0	43.0
Total – receipts	5.0	12.0	13.0	13.0	43.0
Payments					
<i>Departmental funding for National Housing Finance and Investment Corporation</i>	-2.7	-4.3	-4.3	-4.3	-15.5
Total – payments	-2.7	-4.3	-4.3	-4.3	-15.5
Total (excluding PDI)	2.3	7.7	8.7	8.7	27.5
PDI impacts	-5.0	-12.0	-13.0	-13.0	-43.0
Total (including PDI)	-2.7	-4.3	-4.3	-4.3	-15.5

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

(c) Net receipts reflect gross returns on investments minus any costs associated with calls on the guarantee provided under the Scheme.

Table A3: ALP's support for the First Home Loan Deposit Scheme – Headline cash balance (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Receipts					
<i>Net receipts^(c)</i>	5.0	12.0	13.0	13.0	43.0
Total – receipts	5.0	12.0	13.0	13.0	43.0
Payments					
<i>Administered</i>					
<i>Equity investment</i>	-500.0	-	-	-	-500.0
Total – administered	-500.0	-	-	-	-500.0
<i>Departmental</i>					
<i>Departmental funding for National Housing Finance and Investment Corporation</i>	-2.7	-4.3	-4.3	-4.3	-15.5
Total – departmental	-2.7	-4.3	-4.3	-4.3	-15.5
Total – payments	-502.7	-4.3	-4.3	-4.3	-515.5
Total (excluding PDI)	-497.7	7.7	8.7	8.7	-472.5
PDI impacts	-5.0	-12.0	-13.0	-13.0	-43.0
Total (including PDI)	-502.7	-4.3	-4.3	-4.3	-515.5

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

(b) Figures may not sum to totals due to rounding.

(c) Net receipts reflect gross returns on investments minus any costs associated with calls on the guarantee provided under the Scheme.

- Indicates nil.