



25 September 2019

Mr Andrew Gaczol
Acting Committee Secretary
Senate Economics Legislation Committee
Parliament House
CANBERRA ACT 2600

Dear Mr Gaczol

First Home Loan Deposit Scheme

The Australian Banking Association (ABA) welcomes the opportunity to contribute to the Senate Economics Legislation inquiry into the *National Housing Finance and Investment Corporation (NHFIC) Amendment Bill 2019* (the amendment).

Australia's banks play a critical role in helping millions of Australians realise their dream of home ownership. There were over 105,000 first home buyer loans approved last financial year.

The ABA supports the amendment to the *National Housing Finance and Investment Corporation Act 2018*, to allow NHFIC to provide guarantees to improve access to home ownership for first home buyers.

The ABA is supportive of all government measures which help Australians own their first home sooner. Saving an adequate deposit is one of the barriers to achieving home ownership and we welcome this assistance from government to bridge this gap for some of the next generation buying their first home.

The ABA is working with the Government to inform the development and operation of the guarantee. All lenders will need clear guidance on how the guarantee will work, and in what circumstances it can be used. Clarity is needed to enable lenders to determine how they can, with certainty and simplicity, offer the guarantee within its suite of mortgage products. Key issues which lenders will need clarification on include:

- APRA's confirmation of the capital treatment of the proposed guarantee when used as part of a deposit for a standard mortgage (i.e. an owner-occupied, principle & interest mortgage with a 95 per cent loan to value ratio (LVR));
- the criteria and a transparent process for home buyers (and lenders) to access to the guarantee (such as how the salary threshold would work and the property value); and
- how the annual quota of 10,000 guarantees are to be made available in practice, to ensure a vibrant and competitive market for rural and regional first home buyers.

The ABA notes the intended start date for this scheme is 1 January 2020 and is therefore supportive of the prompt passage of this Bill to allow NHFIC to consult, finalise and publish the rules under which this scheme will operate.

Yours sincerely

Aidan O'Shaughnessy
Executive Director, Policy