



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.

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