



First Home Guarantee Scheme

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A photograph of a stone fireplace mantel. On the mantel, there is a television, a sound system with two large speakers and a subwoofer, and some other electronic equipment. The background is a textured stone wall.

First Home Guarantee Scheme

The First Home Guarantee is an Australian government scheme from Housing Australia that helps eligible first-time homebuyers purchase a home with a smaller deposit by guaranteeing a portion of their home loan to the lender, helping them avoid lender's mortgage insurance (LMI) costs. These key changes have been brought forward and now come into effect from 1 October 2025. From this date, the scheme has an unlimited number of places, no income limits, and higher price caps on properties to assist more first home buyers with their deposit. First home buyers with higher incomes will also be able to access the scheme. Couples were previously excluded from the scheme once their combined income surpassed \$200,000, while singles had to earn less than \$125,000 to qualify. Those caps will be removed from 1 October 2025.

The fast-tracked expansion of the federal government's Home Guarantee Scheme will almost double the number of affordable homes available to first home buyers, according to latest data.

What you need to know as an agent?

A 5% deposit is still required to apply for the scheme. The government offers a guarantee to the participating lender for the remaining deposit (up to 15% of the property's value), enabling the purchaser to avoid paying LMI.

LMI (Lenders Mortgage Insurance) is a one-off cost in Australia that protects a lender from financial loss if a borrower defaults on a home loan, typically required when a borrower has less than a 20% deposit. While LMI helps borrowers get into the housing market sooner, it is paid by the borrower, often added to the loan amount, and covers the lender, not the borrower. The cost is influenced by the deposit size, loan amount, and LMI insurer. However, with the First Home Guarantee, the Government will underwrite a home loan and act as a guarantor to ensure a purchaser does not have to pay LMI.

When places for the scheme were limited, there was a separate Regional First Home Guarantee scheme to encourage investment in regional areas. Now that place limits have been removed, the Regional First Home Guarantee scheme has been replaced and simplified by the First Home Guarantee Scheme.

Property price limits have also been increased to align with the average housing prices nationwide. These price limits differ considerably among states, territories, and regional areas.

Eligibility for the First Home Guarantee?

- Any two eligible people may apply together, including friends, siblings or other family members. A purchaser can also apply as an individual.



- The applicant must be a first home buyer or provide proof that they have not owned or held interest in property in Australia in the past ten years. This includes commercial property, investment or company title properties.
- The scheme is available to eligible borrowers who are Australian citizens or permanent residents at the time they enter into the loan.
- The applicant is required to move into the property within six months of purchase and continue to live in that property for so long as long as the home loan has a guarantee under the Scheme.
- All applicants must be at least 18 years of age.

Example of how the First Home Guarantee works

If a buyer is looking to purchase an existing property in NSW valued at \$600,000, however they only have a 5% deposit of \$30,000, they would likely need to pay LMI. However, under the First Home Guarantee, the Government will essentially step in to provide a guarantee to cover the loan amount in the case of a default. In this example a purchaser could save well over \$20,000 by avoiding the LMI payment.

What type of home is supported by the scheme?

The First Home Guarantee supports various types of residential properties, including **existing houses, townhouses, or apartments, house and land packages, vacant land** where a separate building

contract will be in place, and **off-the-plan apartments or townhouses**. The key requirements are that the property must be a new or existing residential property, must be lived in as an owner-occupier, and must be at or below the property price cap for the specific location.

The First Home Guarantee Scheme is available through over 30 participating lenders across Australia, including a wide range of customer-owned and regional banks, as well as major banks. Housing Australia will continue to work with lenders to increase access to the Scheme. Further information regarding the First Home Guarantee Scheme can be found at www.housingaustralia.gov.au

As an agent, if you are dealing with first home buyers, it would be prudent to know the property price cap for your local geographic area. Whilst you must not provide financial advice to any vendor or purchaser, if the property you are selling is under the property price cap for your area, then you can certainly direct a potential purchaser to the Housing Australia website to gain more information for themselves.

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