





# Which home loans are eligible for the New Home Guarantee?

## Eligible Loans

Not all home loans are eligible for the New Home Guarantee.

The New Home Guarantee is restricted to *'Eligible Loans'*, which are home loans:

- made by Participating Lenders to singles or couples who are eligible first home buyers, and
- that are for the purchase of or to build an Eligible Property that is to be occupied by you as the owner.

There are additional requirements that apply in relation to these home loans that rely upon the terms that you agree with your Participating Lender. These include that your home loan will need to be for a term of 30 years or less, have regular repayments of principal (with limited exceptions for interest-only loans, which mainly relate to building loans), include a mortgage over your purchased property, be in Australian dollars, have appropriate lending limits to recognise the Scheme's deposit requirements, settle after your lender commences as a Participating Lender under the Scheme and comply with relevant laws and your lender's own policies. Your Participating Lender will need to ensure that the terms of your home loan arrangement comply with these matters.

## Home loan products

The New Home Guarantee permits certain categories of home loan products to be offered to take the benefit of a New Home Guarantee. These general categories relate to home loans for:

- the purchase of a New Home which is a newly constructed dwelling
- the purchase of land and the building of a New Home under:
  - a house and land package
  - a land and separate contract to build a home, and
- an 'off-the-plan' purchase.

If you are intending to buy vacant land and build a New Home on that land, you will need to enter into a contract of sale to buy the vacant land **AND** a building contract to build a New Home on the land by no later than the expiry of your pre-approval period.

If you already own vacant land and intend to take a new home loan to build a New Home on that land, your home loan is not eligible for the Scheme. This is because you do not satisfy the prior property ownership test.

You will need to contact your lender to clarify whether your home loan is eligible under the Scheme. The conditions under the Scheme for home loan product categories that may be Eligible Loans are as follows.

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## Key dates

To be eligible for the New Home Guarantee:

- the contract of sale and, if you are building a New Home, the eligible building contract may have particular dates when they can be signed by you; and
- may have particular dates when the building of your New Home must start and finish, (all as described further below).

There are no exceptions from these required dates.

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## Purchase of a New Home that is a newly constructed dwelling

If you are purchasing a New Home that is a newly constructed dwelling:

- you must enter into a contract of sale for the purchase of the New Home by no later than the expiry of your pre-approval period;
- the New Home must have been completed on or after 1 January 2020;
- the New Home must be capable of being legally occupied as a place of residence on the date your home loan settles; and
- you must move into the property within 6 months of the settlement of your home loan.

This category does not include 'off-the-plan' purchases, which are described further below.

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## Building a New Home under a House and land package

A house and land package is where you build a New Home by entering into a contract of sale to purchase land from the same person (or persons within the same corporate group) as the person who you enter into a contract with to build your New Home.

For a house and land package, prior to the expiry of your pre-approval period, you will need to have entered into:

- a contract of sale for the land; and
- an eligible building contract dated on or after 7 October 2020 to build your New Home on that land.

These can either be in the same contract or two separate contracts. Your home loan will also include a requirement for you to:

- start building your New Home within 12 months of contract of sale; and
- finish building your New Home within 24 months, of the date of your eligible building contract.

You will also need to move into the property within 6 months of an occupancy certificate being issued.

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## Building a New Home under a Land and separate contract to build a home

A land and separate contract to build a home is where you build a New Home by entering into a contract of sale to acquire land from a person who is different to the person you enter into a contract with to build your New Home.

For a land and separate contract to build a home, prior to the expiry of your pre-approval period, you will need to have entered into:

- a contract of sale to acquire the land under a contract of sale or, (in the Australian Capital Territory) a lease instrument; and
- an eligible building contract dated on or after 7 October 2020 to build your New Home on that land.

Your home loan will also include a requirement for you to:

- start building your New Home within 12 months; and
- finish building your New Home within 24 months, of the date of your eligible building contract.

You will also need to move into the property within 6 months of an occupancy certificate being issued.

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## 'Off-the-plan' purchase of a New Home

An 'off the plan' purchase is where you enter into a contract of sale for the purchase of a New Home where at that time of entering into the contract of sale:

- title to the New Home has not yet been issued, or
- if title to the New Home has been issued, it cannot yet be legally occupied because, for example, it has not yet been finished.

If you are making an 'off-the-plan' purchase of a New Home:

- you must have signed the contract of sale prior to the expiry of your pre-approval period;
- your contract of sale must be dated on or after 7 October 2020; and
- if at the time of entering into the contract of sale, building of your New Home:
  - has not started, then it must:
    - start within 12 months of the date of your contract of sale; and
    - be finished within 24 months of starting,
  - has started, then it must be finished within 24 months of your contract of sale.

You will also need to move into the property within 6 months of the settlement date for your home loan.

Seek professional advice before purchasing your New Home off-the-plan.



There are certain risks you should be aware of before purchasing your New Home off-the-plan. These include:

- the value of the property you purchased may be significantly different at the time you enter into a contract of sale to purchase the property than at the time you are required to settle on your purchase;
- the difference in value may result in you no longer being able to obtain an Eligible Loan (or being able to obtain the amount you need to settle on your purchase); and
- there are strict timeframes within which building must start and finish (as described above) in order to be eligible under the Scheme, but whether building does in fact start and finish within the timeframes required are largely outside of your control.

In addition, your personal circumstances may change from the time you enter into a contract of sale to when you are required to settle and this may impact your ability to obtain an Eligible Loan (or borrow the amount that you need to settle).

If any of the risks that are inherent with an off-the-plan purchase do arise and result in either you no longer being able to obtain an Eligible Loan (or obtain the amount you need to settle your purchase) or your property no longer being an Eligible Property under the Scheme (including, because of events which are outside your control), you could be significantly worse off than you had expected when you entered into the contract to purchase the off-the-plan property.

Prior to purchasing your New Home off-the-plan, you should seek your own independent financial and legal advice to fully understand the risks and to determine whether purchasing a property off-the-plan would suit your particular circumstances.

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## Eligible building contracts

For a building contract to be eligible under the New Home Guarantee, it must:

- be with a licensed or registered builder; and
- specify a fixed price for the construction of the dwelling.

'Owner builder' contracts **are not** eligible building contracts for the Scheme.

Participating Lenders may, or may not, offer these types of home loan products. Even if they do offer these products, the terms of the home loan may be more limited than described above. You should contact your lender and/or ask your professional adviser(s) about the home loan products that are offered and whether they suit the purchase you are intending to make.

Participating Lenders require your land to be titled prior to the issuance of a NHFIC guarantee, therefore the land will need to be titled before the end of your 90 day pre-approval period.