



## Home Guarantee Scheme (Effective 1 October 2025)

**From 1 October 2025, the federal government's Home Guarantee Scheme (HGS) undergoes major changes designed to make buying a home more accessible. The reforms remove income limits, remove annual caps, and increase property price caps — opening the door to thousands more Australians. But while the scheme offers opportunities, it also carries risks that buyers need to understand.**

### What is the Home Guarantee Scheme?

The HGS is a government initiative administered by **Housing Australia** that helps eligible buyers purchase a home with a smaller deposit.

Instead of saving a full 20% deposit, buyers may enter the market with as little as **5% deposit** (or 2% for eligible single parents), without paying costly **Lenders Mortgage Insurance (LMI)**.

### Standard Deposit

20%

### With HGS (First Home Buyers)

5%

### With HGS (Family Home Guarantee)

2%

### Key Changes from 1 October 2025

Feature	Before	After 1 Oct 2025
Scheme Places	Limited number per year	<b>Unlimited places</b>
Income Caps	\$125k single / \$200k couple	<b>Removed</b>
Property Price Caps	Lower (varied by state)	<b>Raised significantly</b> (e.g. QLD capital \$1m, NSW \$1.5m, SA \$900k)
Regional Guarantee	Separate stream	Merged into First Home Guarantee



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## Who is Eligible?

To qualify under the scheme (post-October 2025), buyers must:

- Be **Australian citizens or permanent residents** (NZ citizens with 444 visa also eligible).
- Be at least **18 years old**.
- **Live in the property** as their home (not investment use during guarantee period).
- Not have owned property in Australia in the past **10 years** (for First Home Guarantee).
- Have at least **5% genuine savings** (2% for single parents under Family Home Guarantee).
- Buy within the **property price caps** for their region.
- Apply through a **participating lender**.

## Advantages of the Scheme

- Lower deposit needed — as little as 5%.
- Avoid LMI costs.
- Unlimited places — no more rush or waiting lists.
- Higher price caps — greater choice of locations.
- Entry into the market sooner.

## Disadvantages and Risks

- Increased buyer demand could push up prices.
- Higher repayments due to larger loan size.
- Risk of **negative equity** if property values fall.
- Limited refinancing flexibility (may need 20% equity to switch lenders later).
- Still must meet bank serviceability tests.

## First Home Buyers: What This Means for You

For first-time buyers, these changes are designed to **make the market more accessible**:

- You can get into a home **sooner**, without waiting years to save a 20% deposit.
- **No income cap** means more young professionals can now qualify.
- **Higher caps** give more options in capital cities where prices are high.

**Tip:** While the scheme can save thousands upfront, you'll still need to factor in stamp duty, legal fees, inspections and ongoing costs. Budget beyond the deposit.

## Investors: What to Keep in Mind

While the scheme isn't designed for investment purchases, the **flow-on effect** matters for investors:

- **Increased demand** from first home buyers may lift competition at the entry-level end of the market.

- **Price growth pressure** may arise in suburbs within the new caps.
- Investors may face **tighter competition** when targeting the same stock as first home buyers.
- Rental market pressure could ease slightly in some regions if more renters transition to ownership.

## Practical Tips Before Applying

- Stress-test your repayments at higher interest rates.
- Compare lenders — not all banks participate.
- Consider paying more than the minimum deposit if you can.
- Plan ahead for long-term affordability — not just entry.

## Conclusion

The Home Guarantee Scheme reforms are a **significant opportunity** for many Australians, especially first-home buyers. But while the doors are opening wider, careful planning is essential to avoid financial strain.

If you're considering your options, seek advice early and ensure the scheme truly fits your financial situation.



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