



Australian Government

Department of Finance

The Treasury

## PUBLIC RELEASE OF 2019 ELECTION COMMITMENT COSTING

<b>Name of proposal costed: First Home Loan Deposit Scheme</b>	
<b>Costing Identifier:</b>	COA062
<b>Summary of costing:</b>	<p>The proposal is to establish a First Home Loan Deposit Scheme (the Scheme) which will help eligible first home buyers by providing support if they do not have a 20 per cent deposit.</p> <p>The costing request states that the Scheme will be capped at 10,000 recipients a year.</p> <p>The Scheme will be run by the National Housing Finance and Investment Corporation (NHFIC).</p> <p>The Australian Government will make an equity investment of \$500 million to the NHFIC and provide an additional \$25 million to establish and administer the Scheme and to conduct comprehensive research on housing demand, supply and affordability in Australia.</p>
<b>Ongoing or Terminating (including date)<sup>(a)</sup></b>	Ongoing
<b>Person making the request:</b>	Prime Minister
<b>Date costing request received:</b>	13 May 2019
<b>Date of public release of policy:</b>	12 May 2019
<b>Date costing completed:</b>	15 May 2019
<b>Additional information requested (including date):</b>	Not applicable.
<b>Additional information received (including date):</b>	Not applicable.

(a) Ongoing policies continue indefinitely (until a decision is made to cease or alter the program). Terminating measures end on a date set out in the initial policy and a further decision is required to continue the program beyond this date.

### Financial implications (outturn prices)<sup>(b)</sup>

Impact on	2018-19	2019-20	2020-21	2021-22	2022-23
Underlying Cash Balance (\$m)	0.0	-4.0	-7.0	-7.0	-7.0
Fiscal Balance (\$m)	0.0	-4.0	-7.0	-7.0	-7.0

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

**Where relevant, state that the proposal has been costed as a defined or specified amount.**

The equity investment of \$500 million to the NHFIC and the additional \$25 million to establish and administer the Scheme and to conduct comprehensive research proposal have been costed as defined amounts.

**Where relevant, include separate identification of revenue and expense components.**

Impact on	2018-19	2019-20	2020-21	2021-22	2022-23
Net Receipts of the Scheme (\$m)	0.0	5.0	12.0	13.0	13.0
Payments (PDI) (\$m)	0.0	-5.0	-12.0	-13.0	-13.0
Departmental Funding for the NHFIC	0.0	-4.0	-7.0	-7.0	-7.0
Total Underlying Cash Balance (\$m)	0.0	-4.0	-7.0	-7.0	-7.0

**Where appropriate, include a range for the costing or sensitivity analysis.**

Not applicable.

**Qualifications to the costing (including reasons for the costing not being comprehensive).**

Subject to the details of the Scheme being settled, the costing assumes:

- that the NHFIC will provide support to first home buyers by guaranteeing part of their borrowings from financial institutions; and
- the net return earned by the NHFIC, including from interest earned by investing the \$500 million equity injection, will be sufficient to cover the public debt interest (PDI) costs and any default costs associated with the Scheme. The costing assumes that the NHFIC investment mandate would be adjusted, if required.

The costing assumes that the Scheme will be part of the General Government Sector. However, the same net budget impact would be achieved if the Scheme was assessed to be outside the General Government Sector and the NHFIC paid dividends to the Australian Government sufficient to offset the PDI costs.

**Where relevant, explain effects of departmental expenses.**

Funding of \$25 million will be provided to the NHFIC to establish and administer the Scheme and to conduct comprehensive research on housing demand, supply and affordability in Australia.

Consistent with the costing request, the costing assumes the Department of the Treasury will absorb any associated departmental operating or capital expenses in excess of the \$25 million funding.

**Where relevant, explain the reason for any significant differences between the assumptions specified in a party costing request and those used in a Treasury or Finance costing.**

Not applicable.

**Other comments (including reasons for significant differences between the estimated impact on the fiscal and underlying cash balances).**

The \$500 million investment will result in an equivalent increase in both net and gross debt.

**Where relevant, include an explanation of the medium term implications of the proposal<sup>(c)</sup>.**

The medium term financial implications of the proposal would need to be assessed after the details of the Scheme have been further developed.

<sup>(c)</sup> Information on the medium term implications will be provided if the cost of the policy is expected to be significantly different beyond the forward estimates period.

## **Background information**

### **Costing methodology used:**

The PDI impact is calculated based on the average weighted annual cost of borrowing of around 1.9 percent each year, which is consistent with 2019-20 Budget and 2019 PEFO assumptions.

The costing assumes that the Scheme will be administered by the NHFIC with a business model that provides sufficient net returns to offset the PDI costs associated with the Australian Government's \$500 million equity investment and any default costs associated with the Scheme. The details of this business model have yet to be determined.

Further consideration of the detailed arrangements would be required to determine whether the Scheme would form part of the General Government Sector. The NHFIC is a corporate Commonwealth entity, operating a housing bond aggregator that is a Public Financial Corporation outside of the General Government Sector. The NHFIC also administers the National Housing Infrastructure Facility that is included in the General Government Sector.

### **Behavioural assumptions used (as appropriate)**

Not applicable.