Parliamentary Budget Office

ECR-2025-2109

Home Guarantee Scheme – expanding access	
Party:	The Coalition

Summary of proposal:

The proposal would make the following changes to the Home Guarantee Scheme:

- Increase the income cap for individuals from $125,000 to $175,000.
- Increase the income cap for joint applicants from $200,000 to $250,000.
- Uncap the number of places available under the First Home Guarantee (FHBG) and Regional First Home Buyer Guarantee (RFHBG) schemes.
- Make the RFHBG and Family Home Guarantee (FHG) schemes ongoing.
- Increase the property price caps for newly constructed properties, as per the table below.

Table: Proposed property price caps

Region	Current	Proposal	
	Existing and new property	Existing property	Newly constructed property
New South Wales – capital city/regional centre	$900,000	$900,000	$1,500,000
New South Wales – other	$750,000	$750,000	$800,000
Victoria – capital city/regional centre	$800,000	$800,000	$950,000
Victoria – other	$650,000	$650,000	$650,000
Queensland – capital city/regional centre	$700,000	$700,000	$1,000,000
Queensland – other	$550,000	$550,000	$700,000
Western Australia – capital city/regional centre	$600,000	$600,000	$850,000
Western Australia – other	$450,000	$450,000	$600,000
South Australia – capital city/regional centre	$600,000	$600,000	$900,000
South Australia – other	$450,000	$450,000	$500,000
Tasmania – capital city/regional centre	$600,000	$600,000	$700,000
Tasmania – other	$450,000	$450,000	$550,000
Australian Capital Territory	$750,000	$750,000	$1,000,000
Northern Territory	$600,000	$600,000	$600,000

The proposal would start on 1 July 2025.

Costing overview

The proposal would be expected to decrease the fiscal balance by $74.2 million and the underlying cash balance by $10.8 million over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects an increase in administered expenses.

The differences between the underlying cash balance and fiscal balance estimates reflect differences in when loan defaults and guarantee payments are recognised.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

Table 1: Home Guarantee Scheme – expanding access – Financial implications ($m)[(a)(b)]

	2025-26	2026-27	2027-28	2028-29	**Total to 2028-29**
Fiscal balance	-16.9	-17.6	-19.2	-20.5	**-74.2**
Underlying cash balance	-	-0.1	-2.2	-8.5	**-10.8**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) PDI impacts are not included in the totals.
- Indicates nil.

Uncertainties

This costing is sensitive to assumptions around house price growth, default rates and take-up rates. Based on an assessment of data on first home buyer loan commitments (ABS 2025) and the number of new loans utilising lenders mortgage insurance, the PBO has assumed that total uptake of the 3 schemes would be 73,000 in each year of the medium term.

Under current policy settings, the PBO has assumed that the FHBG and RFHBG would be fully subscribed, but the FHG will have an uptake of 1250 places per year. This is consistent with the Australian Government Actuary's estimates for 2024-25, supplied by the Treasury.

Changing any of these assumptions would alter the costing estimates — particularly the number of defaults, which underpin the expected Budget impacts.

Key assumptions

The PBO has made the following assumptions in costing this proposal:

- All FHBG and RFHBG places would be filled under current policy settings and a total of 73,000 places per year would be taken up under the proposal.
  - Under current policy settings, the FHBG and RFHBG are assumed to be fully subscribed.
  - Take-up of the FHG has been assumed to be 1,250 places per year (consistent with Australian Government Actuary's estimates for 2024-25). This is 25% of the 5,000 available places.
- Around 60% of applicants for the FHBG and RFHBGs program would be individuals, with the remainder being joint applicants.
- The distribution of applicants by location would be unchanged from 2023-24.
- The price of homes purchased under the program would grow in line with average weekly earnings, consistent with the assumption taken by the Australian Government Actuary in similar analysis.
  - Mortgage rates over the medium-term would be around 2% above the projected cash rate.
  - The cash rate is projected to follow 2025-26 Budget estimates up to 2028-29. Over the medium term, it is assumed to follow the projected 10-year bond rate less 74 basis points (the historical average spread) from 2029-30 onwards.

  - For the FHBG and RFHBG schemes, all applicants would have saved a 5% deposit, with the Commonwealth guaranteeing the remaining 15%. For the FHG, all applicants would have a 2% deposit and the Commonwealth would guarantee the remaining 18%.
- Default rates would average around 0.3% in the period that the guarantee applies, consistent with the assumptions taken by the Australian Government Actuary in similar analysis.
- There would be an 18-month gap between when defaults occur and when guarantee payments are made by the Commonwealth. Interest would accumulate on the loan during this period, but there would be no mortgage payments.
- Repossessed homes would be sold at a 20% discount on the sale price.
- Future losses would be discounted at a rate of around 4%.
- Departmental costs to implement the proposal would be negligible.

Where possible, valuation assumptions have been aligned with those used by the Australian Government Actuary when valuing the Home Guarantee Scheme at Budget updates. Assumptions around changes in uptake under the proposal have been informed by current scheme data.

Methodology

Program data for 2023-24, supplied by Housing Australia, was used to inform the average property price and number of guarantees issued by scheme, location, borrower type (single or joint borrower) and income range. Under current policy settings, the proportion of applicants in each of these categories was assumed to be unchanged over the medium term. Applicant incomes and property prices were grown as per *Key assumptions*.

In the policy scenario, property prices for in-scope properties in each location were grown by the increase in the property price caps. The increase in the earnings eligibility criteria was modelled using the existing income distribution and inferring how many higher income applicants would be accepted.

House prices, loan balances, and loan defaults for each cohort of buyers under the scheme were projected forward over the lifetime of the loan guarantee as per the above assumptions. Losses on defaults were calculated for each cohort, and future losses were discounted to calculate their present value.

Financial implications were rounded consistent with the PBO's rounding rules.[1]

Data sources

The Treasury provided economic parameters and valuation information for the Home Guarantee Scheme as at the 2025-26 Budget.

Housing Australia provided a detailed breakdown of Home Guarantees issued in 2023-24.

ABS (Australian Bureau of Statistics) (December 2024) 'Table 24. Households; Housing finance; First home buyers; Owner occupiers; By state; New loan commitments ; Numbers and values', Lending indicators, accessed 8 May 2025.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025,* Commonwealth of Australia.

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[1] https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules

Attachment A – Home Guarantee Scheme – expanding access – Financial implications

Table A1: Home Guarantee Scheme – expanding access – Fiscal cash balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	**Total to 2028-29**	**Total to 2035-36**
Expenses													
Administered													
Accrued liability	*-16.2*	*-16.2*	*-17.0*	*-17.6*	*-21.5*	*-21.8*	*-22.0*	*-22.2*	*-22.2*	*-22.3*	*-22.5*	***-67.0***	***-221.5***
Interest expense	*-0.7*	*-1.4*	*-2.2*	*-2.9*	*-3.7*	*-3.8*	*-3.9*	*-4.0*	*-4.1*	*-4.1*	*-4.1*	***-7.2***	***-34.9***
Total – expenses	**-16.9**	**-17.6**	**-19.2**	**-20.5**	**-25.2**	**-25.6**	**-25.9**	**-26.2**	**-26.3**	**-26.4**	**-26.6**	**-74.2**	**-256.4**
Total (excluding PDI)	**-16.9**	**-17.6**	**-19.2**	**-20.5**	**-25.2**	**-25.6**	**-25.9**	**-26.2**	**-26.3**	**-26.4**	**-26.6**	**-74.2**	**-256.4**

(a) 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 negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

Table A2: Home Guarantee Scheme – expanding access – Underlying cash balances ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	**Total to 2028-29**	**Total to 2035-36**
Payments													
Administered													
Guarantee payments	-	*-0.1*	*-2.2*	*-8.5*	*-16.4*	*-19.7*	*-20.7*	*-22.8*	*-25.0*	*-26.1*	*-26.3*	***-10.8***	***-167.8***
Total – payments	**-**	**-0.1**	**-2.2**	**-8.5**	**-16.4**	**-19.7**	**-20.7**	**-22.8**	**-25.0**	**-26.1**	**-26.3**	**-10.8**	**-167.8**
Total (excluding PDI)	**-**	**-0.1**	**-2.2**	**-8.5**	**-16.4**	**-19.7**	**-20.7**	**-22.8**	**-25.0**	**-26.1**	**-26.3**	**-10.8**	**-167.8**

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

\- Indicates nil.

Table A3: Home Guarantee Scheme – expanding access – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances ($m)[(a)(b)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	**Total to 2028-29**	**Total to 2035-36**
Fiscal balance	-	..	*-0.1*	*-0.3*	*-0.9*	*-1.7*	*-2.7*	*-3.8*	*-5.0*	*-6.4*	*-7.9*	***-0.4***	***-28.8***
Underlying cash balance	-	..	..	*-0.2*	*-0.7*	*-1.5*	*-2.4*	*-3.5*	*-4.7*	*-6.1*	*-7.5*	***-0.2***	***-26.6***

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary[2].

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

.. Not zero but rounded to zero.

\- Indicates nil.

[2] Online budget glossary – Parliamentary Budget Office (pbo.gov.au)