
From: HATZVI, Eden
Sent: Monday, 13 May 2019 4:56 PM
To: CLOSE, Cathie ; MCLOUGHLIN, Kate ; COKIS, Tomas
Cc: ADAMS, Nicole ; BLACK, Susan
Subject: RE: First Home Loan Deposit Scheme [SEC=UNCLASSIFIED]

Not at all. It isn't written below, but the point of the estimates is that the various caps on the scheme (10,000 loan cap, income and house prices) are likely to be the binding constraint on the amount of loans provided rather than the scheme's equity funding.

From: CLOSE, Cathie
Sent: Monday, 13 May 2019 4:47 PM
To: MCLOUGHLIN, Kate ; COKIS, Tomas
Cc: HATZVI, Eden ; ADAMS, Nicole
Subject: FW: First Home Loan Deposit Scheme [SEC=UNCLASSIFIED]

Hi Kate and Tomas,

Please find attached a summary of the proposed changes that was put together by Eden this morning.

Eden – EC management was interested in getting across the details of this, hope you don't mind me passing this on.

Cheers
Cathie.

From: HATZVI, Eden
Sent: Monday, 13 May 2019 8:07 AM
To: KOHLER, Marion ; CONNOLLY, Ellis
Cc: DM - IMS Analysts ; FS - HBC Management ; NORMAN, David
Subject: First Home Loan Deposit Scheme [SEC=UNCLASSIFIED]

<https://www.liberal.org.au/our-plan-support-first-home-buyers>

Key points:

- A National Housing Finance and Investment Corporation (NHFIC) will be established with \$500 million in equity for a First Home Loan Deposit Scheme (plus funding for research

to improve housing affordability).

- The scheme will commence 1 January 2020, and will guarantee the additional loan amount for a first home buyer to cover the difference between the amount of the buyer's deposit and a 20 per cent deposit. The buyer must have a minimum 5 per cent deposit.
- Buyer will not have to obtain LMI.
- The scheme will cover up to 10,000 loans each year.
- To be eligible, buyer must have income below \$125,000, or \$200,000 for a couple.
- Maximum loan size to be determined on a regional basis.

The ALP stated it will match this policy. NZ has a [similar scheme](#) (e.g. income and house price caps), with the key difference that Housing New Zealand appears to provide LMI for the entire loan.

To provide some context:

- Based on ABS numbers, in the year to February there were 110,000 loans to first home buyers. The average loan size in February to FHB was \$337,412. Usual caveats apply to these data.
- Using the average loan size to FHB and assuming the scheme covers 15 per cent, the government will guarantee around \$50,000 per loan. If the scheme has \$500 million in funding, this implies
 - 9,879 loans if the scheme holds reserves covering 100 per cent of its commitments.
 - 49,395 loans with 20 per cent reserves.
 - 98,790 loans with 10 per cent reserves.
 - 197,583 loans with 5 per cent reserves.
- Average loan size data are biased downwards, so can use average house prices instead as arguably an upper bound. In the December quarter ABS average house prices were \$650,000. 15 per cent of this is \$97,500.
 - 5,128 loans if the scheme holds reserves covering 100 per cent of its commitments.
 - 25,641 loans with 20 per cent reserves.
 - 51,282 loans with 10 per cent reserves.
 - 102,564 loans with 5 per cent reserves.

From: SHANAHAN, Ben
Sent: Wednesday, 15 May 2019 3:59 PM
To: RYAN, Paul
Subject: RE: First Home Loan Deposit Scheme [SEC=UNCLASSIFIED]

They appear to be doing a reserves to full potential liability ratio (good way to think about it I guess)

From: RYAN, Paul
Sent: Wednesday, 15 May 2019 3:53 PM
To: SHANAHAN, Ben
Subject: RE: First Home Loan Deposit Scheme [SEC=UNCLASSIFIED]

My calcs were:

10,000 loans x 1% defaults x \$650,000 loan size x 15% equity = \$9.75M

How do they get \$500M?

From: SHANAHAN, Ben
Sent: Wednesday, 15 May 2019 3:46 PM
To: RYAN, Paul
Subject: FW: First Home Loan Deposit Scheme [SEC=UNCLASSIFIED]

Did you see this? Eden's calcs at the end cover the calcs you were trying to do at lunch

From: NORMAN, David
Sent: Monday, 13 May 2019 11:27 AM
To: FS Australian Financial System
Subject: FW: First Home Loan Deposit Scheme [SEC=UNCLASSIFIED]

You might be interested in this. It is particularly relevant for LMI, as this is effectively the government taking on the job of insurer for up to 10 000 loans per year. On Eden's figures below for reserves, these should be quite a bit lower as LMI premiums are between 1 and 3½ per cent according to Gish's LMI working group

David Norman | Senior Manager | Australian Financial System | Financial Stability Department
RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
| w: www.rba.gov.au

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