

Thank you for the opportunity to provide feedback on the **National Housing Finance and Investment Corporation Investment Mandate Amendment (First Home Loan Deposit Scheme) Direction 2019.**

Background.

I am 60 yo and have owned my own home for 34 years. I value ownership for stability of the family and financial security.

My daughter and husband own their own home.

My son and his wife will be first home buyers hopefully in 2020. They have saved a \$60,000 deposit. This deposit was partially accumulated with the assistance of a previous Government Co-Contribution deposit scheme. They will not be eligible to participate in the scheme as the Price Cap for Brisbane at \$475,000 is too low to buy a freestanding dwelling in Brisbane.

I have, over the years, studied many Government Schemes that have been grossly mis-managed and rorted, (eg VET_FEE-HELP).

First Home Loan Deposit Scheme Issues

I have reviewed the Exposure Draft and I believe that this scheme seems to be specifically designed to benefit property developers and to be detrimental to first home owners and tax-payers.

- FHLDS is a signature government policy – and must be seen to be successful. There will be pressure to fulfil the quote of 10,00 places. This pressure will lead to irresponsible lending, and poor administration of the scheme.
- The scheme has a built-in FOMO – fear of missing out. As there are only 10,000 places available, an unrealistic time pressure will be placed on First Home Buyers to make a quick decision on possible the most important financial decision of their lives. This pressure will be exerted by mortgage brokers and property developers. This will lead to exploitation and poor decision making by First Home Buyers.
- In Brisbane, the property market I am most familiar with, the \$475,000 cut-off is too low to purchase a free standing dwelling close to transport and education. This will push First Home Buyers without a deposit, into unit developments, off-the-plan schemes, or outlying suburbs with poor facilities in land and home packages.
- Unlike the financial service industry which is regulated to protect consumers, the property industry is unregulated. Real estate agents selling off-the-plan units for property developers are not regulated to act in the best interests of the First Home Buyer. The FHLDS is being

launched into an unregulated industry and unscrupulous operators will take advantage of tax-payer funded 'free money'.

- The promise of the FHLDS is to get First Home Owners onto the first rung of the property ladder, by purchasing their own home with no deposit, and a free big screen TV. With the promise of capital growth, and re-sale to their dream home in the future.
- The Rort : The call centres in India will be gearing up to call every potential First Home Owner in Australia. " The Australian Government will give you a new home, and a free big-screen TV, with no deposit. You do not want to miss out. Its-A-Rort homes have many apartment and house and land packages for you, sign up today, only 10,000 places. "
- The Reality : First Home Buyers will be falsely marketed the dream, and sold an over-priced unit or house and land package by unregulated property developers taking advantage of the poor administration of the FHLDS. The properties will be remote to services of transport and education required by First Home Buyers.
- If the first Home Owner is not able to meet the repayments, the FHLDS guarantee actually protects the bank money, it does not protect the First Home Buyer in any way. The bank re-possess the house, the bank receives the deposit guarantee from the scheme. The First Home Buyer is left with no house, and the debt remaining after the house is sold. The First Home Buyer will be bankrupted.
- The scheme relies totally on the banks doing the right thing. Yeah right! The scheme relies on bank lending to those only capable of making the repayments. However, as we have seen in past schemes mortgage brokers and property marketers by-pass these protections, and this scheme is specifically designed to by-pass the criteria required to ensure loan repayments can be met repayments by guaranteeing the deposit.
- When the program fails, which I forecast it will, the First Home Owner will be left with a home worth much less than the price they paid for it.
- The FHLDS appears to only protect the banks deposit. The scheme does nothing to protect the vulnerable First Home Buyer.
- The scheme appears to be the creation of property developers and of little worth to First Home Buyers.
- I would strongly recommend that this scheme not proceed in its current form, as it will be rorted by property developers selling otherwise unsaleable properties. First Home Buyers certainly need assistance, but I suspect in 3 years time, the government will be forced to quietly forgive irresponsible loans, that will have bankrupted the First Home Buyers involved with this scheme, as it is currently doing with the VET-FEE-HELP scheme.