

Family Home Guarantee Scheme

Broker Training - July 2021





Agenda

- > What is the Family Home Guarantee (FHG)
- > Scheme eligibility and key requirements
- > What are the key differences between FHG and the other schemes?
- > Reserving a scheme place
- > Property price thresholds
- > Eligible properties
- > Document checklist requirements
- > Key Callouts
- > Questions



What is the Family Home Guarantee?



- > The Family Home Guarantee is an Australian Government initiative that aims to support eligible single parents with dependants in building or purchasing a family home.
- > From 1 July 2021, 10,000 Family Home Guarantees will be made available over four financial years to eligible single parents with dependants, subject to their ability to service a loan.
- > The Family Home Guarantee can be used to build a new home or purchase an existing home with a **deposit of as little as 2 per cent**, regardless of whether that single parent with dependants is a first home buyer or a previous home owner.
- > In cases where the loan is supported by the Family Home Guarantee, we need to confirm that the customer has savings and/or equity of at least 2% of the value of the security property held for at least 3 months
- > Investment properties are not supported by the Family Home Guarantee.



Scheme Eligibility & Key Requirements

Criteria:

Requirements:

Customer eligibility

- > The borrower does not have a spouse or a de facto partner; AND
- > The borrower must be the only name listed on the loan and title; AND
- > The borrower must demonstrate that they are the natural or adoptive parent of a dependent child.

How does a customer prove that they're single? Do I need to obtain evidence of this?

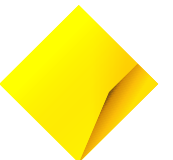
- > You must take reasonable steps to determine that the applicant is single. You may need to request the below documentation if evidence that the customer may not be single or was previously married or in a de-facto relationship exists:
 - o If the person has never been married - a copy of the person's birth certificate and a current driver's licence or passport (to evidence that the person's name has not changed).
 - o If the person has been previously married but is now divorced – a copy of a final Divorce order from the Family Court of Australia (or relevant overseas body).
 - o If the person's spouse has died – a copy of the deceased spouse's Death Certificate.
 - o If the person has never been married but has changed his or her name - a copy of the person's birth certificate, a current driver's licence or passport and legal evidence of change of name.
- > You may wish to review the customer's accounts to determine whether the applicant has a joint bank account with another adult or is contributing to the expenses of another adult.

Note: A person who is separated but not yet divorced is NOT eligible as that person still has a spouse.

What is the income cap and requirements?

- > The FHG is aimed at supporting single parents earning up to \$125,000 a year looking to enter or re-enter the property market.
- > Child support income is NOT included in the income cap (i.e. an applicant could have a taxable income of \$124,999 without child support and additional child support income above this amount and still be eligible for the scheme)
- > Applicants require their most recent (2020/2021) Notice of Assessment to demonstrate that they earn less than the income cap. Ensure your customer lodges their tax return in a timely manner after 1 July so that if they receive a scheme place, their application is not delayed or ineligible.

Note: A Guarantee Certificate cannot be generated without the customer's NOA being imaged to the application.



Scheme Eligibility & Key Requirements

Criteria:

Requirements:

What is classified as a dependant under the Family Home Guarantee?

- > It is expected that the single parent demonstrate that they are the natural or adoptive parent of a dependent child within the meaning of s.5 of the Social Security Act 1991 (Cth).
- > A young person who has not turned 16 is a dependant child of another person if:
 - o The adult is legally responsible (whether along or jointly with another person) for the day to day care, welfare and development of the young person and the young person is in the adult's care OR the young person is not a dependant child of someone else and is wholly or substantially in the adult's care.
- > A young person is also a dependant child of the adult applicant at a particular time if at that time:
 - o The young person has reached 16, but is under 22 years of age and is wholly or substantially dependent on the other person AND the young person's income in the financial year in which that time occurs will not be more than \$6,403.
- > Depending on the terms of any shared custody arrangement, this may enable both individuals in a former couple to separately access the Family Home Guarantee.

How does a customer prove they have a dependant that meets the criteria? Do I need to obtain evidence of this?

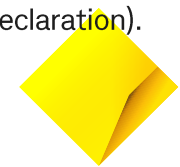
- > Applicants are only required to provide evidence that they have one dependant child meeting the definition as outlined on the NHFIC website. Should the applicant have more than one dependent child, you are only required to obtain evidence for one of these children to satisfy scheme eligibility criteria.
- > **Examples of evidence include:**
 - o If the borrower is the natural parent – the child's birth certificate. The certificate should state the borrower as the natural parent and the date of birth of the dependent child (i.e. to ensure the child satisfies the age test).
 - o If the borrower is an adoptive parent – formal adoption order or other documentation showing the borrower to have adopted the child legally
- > **Optional supporting evidence include:**
 - o If the borrower is divorced – a Consent Order made by the Family Court (a Consent order is a parenting order made by the Court with the consent of the parties, and can be interim or final).
 - o Centrelink documentation that is addressed to the borrower showing that the borrower is receiving a benefit for, or as a result of having, a dependent child (note this should be paired with evidence of the dependent child's age should the documentation not have that detail)
 - o Current year's tax return (Question IT8).

What limitations does the Family Home Guarantee have?

- > **As with the other NHFIC Government Guarantee schemes;**
 - o The loan must be written as an Owner Occupied Home Loan. Investment Home Loans are not eligible under this scheme.
 - o The loan must have Principal & Interest Repayments. Interest Only payments or switches are not allowed while the loan is under the guarantee.
 - o Top up's are not allowed.
 - o Additional loan purposes other than the purchase of property (e.g. new car, personal goods etc.) are not allowed.

Scheme Eligibility & Key Requirements

| Criteria: | Requirements: | | | | | | | | | | | |
|---|--|-------|---------|------------------|--|-----------------------|---|------------------------|---|---------------------------------|---|--|
| <p>What pricing are Family Home Guarantee customers eligible for?</p> | <p>As with the other NHFIC Government Guarantee schemes;</p> <ul style="list-style-type: none"> > The same interest rates, fees and charges will apply as it would for a regular home loan > Where tiered pricing applies (e.g. Extra Variable Rate) pricing is completed at an LVR of 80%. > Where the applicant wishes to take out the MAV Package and either an SVR or Fixed Rate Loan, the pricing request will be honoured at 80% however should be completed at an actual LVR ie 95% this means you must escalate your pricing request through the tool with clear comments that your application is for a specific guarantee and needs to be priced as if it were at 80%. | | | | | | | | | | | |
| <p>What are the four main stages of the process of obtaining and securing a scheme place? I need a refresher.</p> | <table border="1"> <thead> <tr> <th data-bbox="479 499 713 542">Phase</th> <th data-bbox="713 499 2491 542">Details</th> </tr> </thead> <tbody> <tr> <td data-bbox="479 542 713 714">Waitlist Request</td> <td data-bbox="713 542 2491 714"> <ul style="list-style-type: none"> > The digital waitlist form must be completed by you for your customer to participate in the FHLDS, NHG or FHG > As part of completing the digital waitlist form, Scheme eligibility criteria must be confirmed and some customer information such as name, DOB and Medicare number are required > The FHLDS team will contact you when your customer has reached the top of the waitlist </td> </tr> <tr> <td data-bbox="479 714 713 871">Reservation (Phase 1)</td> <td data-bbox="713 714 2491 871"> <ul style="list-style-type: none"> > You will be notified when a reservation is completed for your customer to participate in the FHLDS, NHG or FHG > All supporting documents must be provided and imaged to meet the relevant Scheme eligibility criteria > This must be completed with the 14 day initial reservation period or your customer's reservation will expire (This is a NHFIC rule and no extensions are available) </td> </tr> <tr> <td data-bbox="479 871 713 1142">Pre-approval (Phase 2)</td> <td data-bbox="713 871 2491 1142"> <ul style="list-style-type: none"> > The FHLDS, NHG and FHG Reservation will be progressed to the pre-approval stage once all Scheme eligibility criteria have been met and an application has been assessed as Conditionally Eligible by credit decisioning. > Once Pre-Approved, your customers must sign a Contract of Sale (COS) to purchase or build an eligible property before the 90 days expire. > For customers who have signed a contract within 90 days, where we are unable to issue a Guarantee before the expiry of the 90 days (e.g. as-if-complete valuations), an extension can be requested. Extensions are only granted for a further 30 days. > Customers who haven't found a property within 90 days must reapply to be able to participate in the FHLDS, NHG or FHG. </td> </tr> <tr> <td data-bbox="479 1142 713 1259">Guarantee Certificate (Phase 3)</td> <td data-bbox="713 1142 2491 1259"> <ul style="list-style-type: none"> > A Pre-Approval will be progressed to the Guarantee Certificate stage once the customer's loan documents have generated and your customer satisfies all relevant Scheme eligibility requirements (including returning a completed Home Buyer Declaration). <p>Note: Land registration must occur before a Guarantee Certificate can be issued (for any property type).</p> </td> </tr> </tbody> </table> | Phase | Details | Waitlist Request | <ul style="list-style-type: none"> > The digital waitlist form must be completed by you for your customer to participate in the FHLDS, NHG or FHG > As part of completing the digital waitlist form, Scheme eligibility criteria must be confirmed and some customer information such as name, DOB and Medicare number are required > The FHLDS team will contact you when your customer has reached the top of the waitlist | Reservation (Phase 1) | <ul style="list-style-type: none"> > You will be notified when a reservation is completed for your customer to participate in the FHLDS, NHG or FHG > All supporting documents must be provided and imaged to meet the relevant Scheme eligibility criteria > This must be completed with the 14 day initial reservation period or your customer's reservation will expire (This is a NHFIC rule and no extensions are available) | Pre-approval (Phase 2) | <ul style="list-style-type: none"> > The FHLDS, NHG and FHG Reservation will be progressed to the pre-approval stage once all Scheme eligibility criteria have been met and an application has been assessed as Conditionally Eligible by credit decisioning. > Once Pre-Approved, your customers must sign a Contract of Sale (COS) to purchase or build an eligible property before the 90 days expire. > For customers who have signed a contract within 90 days, where we are unable to issue a Guarantee before the expiry of the 90 days (e.g. as-if-complete valuations), an extension can be requested. Extensions are only granted for a further 30 days. > Customers who haven't found a property within 90 days must reapply to be able to participate in the FHLDS, NHG or FHG. | Guarantee Certificate (Phase 3) | <ul style="list-style-type: none"> > A Pre-Approval will be progressed to the Guarantee Certificate stage once the customer's loan documents have generated and your customer satisfies all relevant Scheme eligibility requirements (including returning a completed Home Buyer Declaration). <p>Note: Land registration must occur before a Guarantee Certificate can be issued (for any property type).</p> | |
| Phase | Details | | | | | | | | | | | |
| Waitlist Request | <ul style="list-style-type: none"> > The digital waitlist form must be completed by you for your customer to participate in the FHLDS, NHG or FHG > As part of completing the digital waitlist form, Scheme eligibility criteria must be confirmed and some customer information such as name, DOB and Medicare number are required > The FHLDS team will contact you when your customer has reached the top of the waitlist | | | | | | | | | | | |
| Reservation (Phase 1) | <ul style="list-style-type: none"> > You will be notified when a reservation is completed for your customer to participate in the FHLDS, NHG or FHG > All supporting documents must be provided and imaged to meet the relevant Scheme eligibility criteria > This must be completed with the 14 day initial reservation period or your customer's reservation will expire (This is a NHFIC rule and no extensions are available) | | | | | | | | | | | |
| Pre-approval (Phase 2) | <ul style="list-style-type: none"> > The FHLDS, NHG and FHG Reservation will be progressed to the pre-approval stage once all Scheme eligibility criteria have been met and an application has been assessed as Conditionally Eligible by credit decisioning. > Once Pre-Approved, your customers must sign a Contract of Sale (COS) to purchase or build an eligible property before the 90 days expire. > For customers who have signed a contract within 90 days, where we are unable to issue a Guarantee before the expiry of the 90 days (e.g. as-if-complete valuations), an extension can be requested. Extensions are only granted for a further 30 days. > Customers who haven't found a property within 90 days must reapply to be able to participate in the FHLDS, NHG or FHG. | | | | | | | | | | | |
| Guarantee Certificate (Phase 3) | <ul style="list-style-type: none"> > A Pre-Approval will be progressed to the Guarantee Certificate stage once the customer's loan documents have generated and your customer satisfies all relevant Scheme eligibility requirements (including returning a completed Home Buyer Declaration). <p>Note: Land registration must occur before a Guarantee Certificate can be issued (for any property type).</p> | | | | | | | | | | | |



What are the key differences between FHG & the other schemes?



Eligible single parents with dependants only



Requires only a 2% deposit



Suitable for subsequent purchasers who do not currently own a property



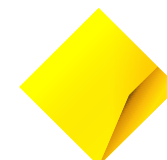
Child support income is not included in income cap



Allows purchase of existing or new property



Must provide evidence of dependants and relationship status*



Identifying signs of vulnerability & financial abuse

If you identify warning signs or a vulnerability or financial abuse, you must take actions to protect the customer. If a third party can be heard, arrange a separate call to be conducted and ask clear, factual, non-threatening probing questions while maintaining a conversational tone. For more information on financial abuse refer to [CommBroker-Regulatory Requirements](#)

- > It's important to remain aware to signs of financial abuse or other vulnerabilities that could mean a customer is being taken advantage of.
- > Customers in vulnerable circumstances may be at a higher risk of experiencing negative outcomes such as financial loss, exploitation or other detriment. Protecting customers in vulnerable circumstances and helping them protect themselves is important.
- > In phone interviews, there are a number of words or phrases to listen for in identifying vulnerable circumstances including:
 - There's no one to help me
 - I don't know where to go
 - I'm confused
 - I'm scared of...
- > Financial abuse is also a serious form of domestic violence that occurs when an abuser uses money as a means to gain power and control in a relationship. This can take a variety of forms including partners, family members or carers. Warning signs can include:
 - The customer staying silent in the interview
 - Someone in the background talking or coercing the applicant
 - The customer indicating they might not be happy to proceed or making you aware they might be in a vulnerable circumstance.



How to reserve a Family Home Guarantee place for your customer



Complete the new digital waitlist form

Things to remember:

- > If eligible, a customer can be on the FHG, FHLDS and NHG waitlists, however where a customer is eligible for FHG, this request will be prioritised over the other waitlists.
- > Once a customer has obtained a spot in one of the schemes we will remove them from the other waitlists.
- > When submitting your application it is crucial in Apply Online comments to quote: FHLDS FHG Application – Approval # xxx.
- > In the security screen you must include 2 securities:
 - > Security 1: Actual security details and actual value
 - > Security 2: Address 1 NHFIC Street and actual suburb and postcode of security 1. Capture as unencumbered security. Calculate value to ensure LVR at 80%.
- > Include mandatory documents to support the NHFIC application.

Failure to note the file or include all mandatory documents may mean pre-approval can not be achieved prior to reservation expiry. Places may be exhausted and the customer will need to reapply when more places become available.



Family Home Guarantee Property Price Caps for FY22

| State | Capital city and regional centres | Rest of State |
|------------------------------|-----------------------------------|---------------|
| New South Wales | \$800,000 | \$600,000 |
| Victoria | \$700,000 | \$500,000 |
| Queensland | \$600,000 | \$450,000 |
| Western Australia | \$500,000 | \$400,000 |
| South Australia | \$500,000 | \$350,000 |
| Tasmania | \$500,000 | \$400,000 |
| Territory | All Areas | |
| Australian Capital Territory | | \$500,000 |
| Northern Territory | | \$500,000 |



Eligible Property Types



An existing house,
townhouse
or
apartment



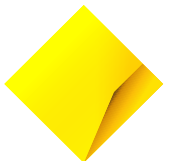
Off the
Plan



House &
Land
Packages



Land and a
separate
contract to
build



Information to provide your customer:

- > Family Home Guarantee Scheme Information Guide
- > Family Home Guarantee Fact Sheet

Additional document and checklist requirements

| Property Type | Document required |
|---|--|
| <ul style="list-style-type: none">> House and Land packages> Land with a separate contract to build a new home | <ul style="list-style-type: none">> Building contract> Proof of dependants (at least one)> Proof of single status (if required)> Home Buyer Declaration (FHG section) |
| <ul style="list-style-type: none">> Off the Plan purchase | <ul style="list-style-type: none">> Contract of Sale> Proof of dependants (at least one)> Proof of single status (if required)> Home Buyer Declaration (FHG section) |
| <ul style="list-style-type: none">> Newly Constructed Dwellings> Substantially Renovated Dwellings | <ul style="list-style-type: none">> Contract of Sale> Proof of dependants (at least one)> Proof of single status (if required)> Home Buyer Declaration (FHG section) |
| <ul style="list-style-type: none">> Established Dwelling | <ul style="list-style-type: none">> Contract of Sale> Proof of dependants (at least one)> Proof of single status (if required)> Home Buyer Declaration (FHG section) |



Always use
your
resources

You must have
evidence for at
least one
dependant and be
comfortable the
applicant is single

Consider
indications of
financial
abuse and the
suitability of
the scheme

Family Home
Guarantees
must always
be priced at
80%

There are no
exceptions to
timeframes,
thresholds or
eligibility

All
applications
must use a
2021 Notice
of
Assessment

Things to remember



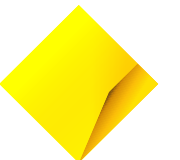
Loan Fulfilment Application Process

Key Points:

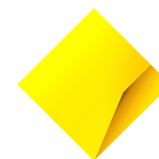
- > Credit will assess the loan and issue the conditional approval with settlement condition of the FHLDS FHG Certificate.
- > Document preparation will produce the docs including the mandatory additions to the contract.
- > The FHLDS Central Team will process the preapproval application and add comments to broker "FHLDS FHG pre-approval submitted. Extended scheme place for 90 days".
- > Once Pre-Approved, your customers must sign a Contract of Sale (COS) to purchase or build an eligible property before the 90 days expire.

For customers who have signed a contract within 90 days, where we are unable to issue a Guarantee before the expiry of the 90 days (e.g. as-if-complete valuations), an extension can be requested. Extensions are only granted for a further 30 days.

- > Customers who haven't found a property within 90 days must reapply to be able to participate in the FHLDS, NHG or FHG.



Thank You



**Commonwealth
Bank**