

## **EXPLANATORY STATEMENT**

### **Issued by authority of the Minister for Housing and Assistant Treasurer**

*National Housing Finance and Investment Corporation Act 2018*

*National Housing Finance and Investment Corporation Investment Mandate  
Amendment (First Home Loan Deposit Scheme) Direction 2019*

Subsection 12(1) of the *National Housing Finance and Investment Corporation Act 2018* (the Act) provides that the Minister may, by legislative instrument, give the Board of the National Housing Finance and Investment Corporation (NHFIC) directions about the performance of the NHFIC's functions.

The *National Housing Finance and Investment Corporation Investment Mandate Amendment (First Home Loan Deposit Scheme) Direction 2019* (the Instrument) amends the *National Housing Finance and Investment Corporation Investment Mandate Direction 2018* (the Investment Mandate).

The *National Housing Finance and Investment Corporation Amendment Act 2019* amended the Act to:

- authorise and fund the NHFIC to provide a limited guarantee to lenders to allow eligible first home buyers to purchase or construct a dwelling sooner; and
- authorise the NHFIC to undertake research into housing affordability, supply and demand.

The Instrument amends the Investment Mandate to provide the NHFIC with the function to provide limited guarantees for first home loans to give effect to the First Home Loan Deposit Scheme.

On 12 May 2019, the Government announced the First Home Loan Deposit Scheme under which the Commonwealth, through the NHFIC, would provide a guarantee to allow eligible borrowers to purchase a modest home with a deposit of as little as 5 per cent. The Government announced that the First Home Loan Deposit Scheme is intended to provide up to 10,000 guarantees each year to support purchases of dwellings by first home buyers, and that eligibility criteria will incorporate income and regional dwelling price caps.

Research demonstrates that the ability to save a deposit has become a greater constraint on home ownership for first home buyers than the ability to service a home loan. The First Home Loan Deposit Scheme is designed to allow first home buyers to access the housing market sooner.

The Government also announced that the NHFIC will develop the capacity to conduct research into housing demand, supply and affordability. The NHFIC's new research function is intended to support the monitoring of housing demand, supply and affordability in Australia – highlighting current and potential gaps between housing supply and demand while also complementing existing Australian housing-related research.

The First Home Loan Deposit Scheme complements other measures the Government has taken to reduce pressure on housing affordability in Australia. The Government has successfully implemented most of the measures announced in the Reducing Pressure on Housing Affordability 2017-18 Budget package, including the First Home Super Saver Scheme which assists savers to build a deposit for a first home inside their superannuation fund by making voluntary contributions, and reducing barriers to downsizing to free up homes for younger families.

The Government has undertaken consultation on the design and implementation of the First Home Loan Deposit Scheme, including the development of the Instrument. Consultation has occurred through:

- release, in October 2019, of an exposure draft of the Instrument; and
- extensive consultation with the NHFIC throughout the development of the Instrument.

Feedback from each consultation process has informed the drafting of the Instrument.

Under section 2, the Instrument commences on the day after the day it is registered on the Federal Register of Legislation.

Details of the Instrument are included in the [Attachment](#).

## **ATTACHMENT**

### **Details of the *National Housing Finance and Investment Corporation Investment Mandate Amendment (First Home Loan Deposit Scheme) Direction 2019***

#### **Part 1 – Preliminary**

##### **Section 1 – Name of the investment mandate**

Section 1 provides that the title of the Instrument is the *National Housing Finance and Investment Corporation Investment Mandate Amendment (First Home Loan Deposit Scheme) Direction 2019*.

##### **Section 2 – Commencement**

Section 2 provides that the Instrument commences the day after it is registered.

##### **Section 3 – Authority**

Section 3 provides that the Instrument is made under subsection 12(1) of the Act.

##### **Section 4 – Amendments**

Section 4 has the effect that the *National Housing Finance and Investment Corporation Investment Mandate Direction 2018* (Investment Mandate) specified in Schedule 1 of the Instrument is amended as set out in the applicable items in the Schedule.

#### **The First Home Loan Deposit Scheme**

Item 2 of Schedule 1 to the Instrument inserts a definition of FHLDS in section 4 of the Investment Mandate that is consistent with the meaning set out in section 8A. Section 8A provides that the NHFIC must establish and operate the First Home Loan Deposit Scheme in accordance with Part 5A of the Investment Mandate.

Item 6 of Schedule 1 to the Instrument inserts new Part 5A in the Investment Mandate that provides an outline of the First Home Loan Deposit Scheme and the Government's expectations for the operation of the Scheme.

##### **Eligibility criteria**

Section 29A provides that the NHFIC's power to issue guarantees is limited to guarantees for eligible loans entered into by eligible lenders. These eligibility criteria give effect to the First Home Loan Deposit Scheme.

## Eligible lenders

Subsection 29B(1) provides that a loan is only eligible for a guarantee if the lender is approved by the NHFIC (as an eligible lender) for the financial year in which the NHFIC approves the issue of the guarantee. This allows an eligible lender to approve a loan under the First Home Loan Deposit Scheme in a financial year and enter into the loan in the following financial year (regardless of whether they are still an eligible lender for that following financial year).

The Government expects that the approval of lenders will involve commercial negotiations between the NHFIC and lenders to ensure that the objectives of the First Home Loan Deposit Scheme and the Government's expectations for the operation of the Scheme are achieved. The NHFIC may decide to approve a lender for multiple financial years to attract participation by lenders, subject to processes for the review of lender performance and lender termination that ensure lenders act consistently with Government expectations.

Under subsection 29B(2), in selecting lenders for a financial year, the NHFIC has the discretion to determine the criteria and processes it adopts to approve entities as eligible lenders. However, this discretion is subject to subsection 29B(3), which requires the NHFIC to take into account all of the following criteria to ensure that the First Home Loan Deposit Scheme operates in accordance with the Government's expectations:

- a lender's standard of customer care, including their treatment of borrowers in financial hardship;
- the competitiveness of loan products offered by a lender for the purposes of the First Home Loan Deposit Scheme, including interest rates and other fees;
- the quality of a lender's loan origination processes and the associated level of financial risk to the Commonwealth;
- the reputation of the lender—informed by, for example, the lender's appropriate treatment of customers, and any offences, breaches, and conduct matters that may materially adversely affect the lender's standing in the community;
- the extent to which the decision to approve a lender will promote competition in lending markets and related markets—including, for example, by reference to the pricing of the products offered by the lender in the markets in which it operates;
- the extent to which all the lenders approved for the financial year when considered together can undertake credit activities (including through other entities providing credit services) across Australia.

Credit activities and credit services are defined in subsection 29B(5) by reference to their meaning in sections 6 and 7 of the *National Consumer Credit Protection Act 2009* respectively. These concepts encompass a range of services associated with the supply of credit in the form of a loan and include services provided by mortgage brokers. It is the Government's expectation that the NHFIC seeks to ensure loans guaranteed under the First Home Loan Deposit Scheme are able to be issued through both proprietary and third party lending channels (e.g. mortgage brokers).

The Instrument does not set a limit on the total number of lenders the NHFIC may approve to participate in the First Home Loan Deposit Scheme, though subsection 29B(4) provides that no more than two major banks (as well as their related bodies corporate) can be approved as eligible lenders for a financial year. The NHFIC will set the number of lenders it wishes to approve for a financial year (or years).

The term major bank is defined in section 4 of the Investment Mandate as inserted by item 2 of Schedule 1 to the Instrument. For the purposes of the First Home Loan Deposit Scheme, a major bank is any of the following entities and their related bodies corporate (within the meaning of the *Corporations Act 2001*):

- Australia and New Zealand Banking Group Limited (ANZ Bank) (ACN 005 357 522) and any entity that is a related body corporate;
- Commonwealth Bank of Australia (ACN 123 123 124) and any entity that is a related body corporate;
- National Australia Bank Limited (NAB) (ACN 004 044 937) and any entity that is a related body corporate;
- Westpac Banking Corporation (ACN 007 457 141) and any entity that is a related body corporate.

Section 4 provides that a related body corporate has the same meaning as in the *Corporations Act 2001*, which includes holding companies and subsidiaries. This reflects the policy intention that, where the ANZ Bank, the Commonwealth Bank, the NAB, or the Westpac Banking Corporation is approved as an eligible lender in a financial year, then their subsidiaries and other related bodies corporate are also approved as eligible lenders. Accordingly, for example the ANZ Bank and its related bodies corporate are treated as one major bank only.

Under subsection 29I(2), a maximum of 5,000 guarantees can be issued to major banks in a financial year.

These rules are designed to ensure the Government's expectation that smaller lenders play a significant role in the First Home Loan Deposit Scheme to boost competition is met.

#### Eligible loans – general criteria

Subsection 29C(1) provides that an eligible loan must satisfy the requirements of subsection 29C(2) (the general criteria) or subsection 29C(4) (the refinancing criteria) as well as any further criteria or processes established by the NHFIC.

Allowing the NHFIC to establish criteria and processes for the approval of eligible loans is intended to enable the NHFIC to support the framework established in the Instrument. Any criteria and processes established by the NHFIC must not be inconsistent with the requirements of section 29C.

Subsection 29C(2) provides that an eligible loan must have the following features at the time it is entered into:

- the loan must be made by an eligible lender;

- there must be no more than two borrowers under the loan agreement;
- where there are two borrowers, each borrower must be the spouse or de facto partner of the other borrower;
- each borrower under the loan must be an eligible first home buyer;
- the loan must be for the purchase of residential property;
- if vacant land is acquired under the loan, the loan arrangements must also relate to the construction of a dwelling on that vacant land within a period of time agreed with the lender. In circumstances where the lender requires separate loans for the purchase of land and the construction of a dwelling on that land, the NHFIC will issue only one guarantee in respect of a combined land and construction arrangement with the eligible lender;
- the value of the residential property at the time the loan is entered into must not exceed the relevant price cap for the area where the property is located;
- the residential property acquired through the loan must be for owner occupation. An investment loan for the purchase of an investment property is not an eligible loan under the First Home Loan Deposit Scheme;
- the loan-to-value ratio of the loan must be between 80 and 95 per cent. The loan-to-value ratio of the loan is worked out according to standard industry lending practice;
- the loan must require regular repayments of the principal for the full period of the loan. However, the capacity for a lender to enter into arrangements with a borrower should they suffer financial hardship during part of the term of the loan will not make the loan ineligible; and
- the loan must have a term of no more than 30 years. Together with the exclusion of interest-only loans, this requirement supports responsible lending outcomes and limits the long-term costs of the loan to eligible first home buyers.

The First Home Loan Deposit Scheme is available for the purchase of both existing dwellings and new dwellings.

The requirement concerning eligible loans in paragraph 29C(2)(j) that the loan require payments of interest and principal for the full period of the loan is subject to subsection 29C(3) concerning land and dwelling construction. Where the loan relates to the purchase of an interest in land on which a dwelling is to be built, the loan may be an eligible loan where it allows interest-only payments in the period of construction of the new dwelling. This period is provided in the terms of the loan agreement that the lender enters into with the borrower. At the conclusion of the construction period, the terms of the loan agreement must require repayments of the principal of the loan and the payment of interest for the remaining period of the agreement.

Where a loan agreement contains terms that would allow interest only payments where a hardship arrangement is entered into, the existence of these terms would not prevent the loan from being an eligible loan.

Item 2 of Schedule 1 to the Instrument amends section 4 of the Investment Mandate to define residential property. The definition takes the meaning of the term in the National Credit Code (in the *National Consumer Credit Protection Act 2009*) to mean ‘land on which a dwelling is or will be affixed predominantly for residential purposes’, a long-term Crown lease, an occupancy licence, or company title interests.

The conditions apply at the time the loan is entered into. The conditions do not continue to need to be met over the term of the loan as this would impose high compliance costs on participants in the First Home Loan Deposit Scheme.

#### Eligible loans – refinanced guaranteed loans

Subsection 29C(4) provides that a loan made by an approved lender is eligible if its sole purpose is to refinance the debt owed under an existing loan that was guaranteed under the First Home Loan Deposit Scheme immediately prior to refinancing. This allows loans subject to a guarantee under the First Home Loan Deposit Scheme to be refinanced with other eligible lenders, promoting consumer choice and competition, despite the new loan otherwise not being an eligible loan at the time it is entered into. For example, the new loan can be subject to a guarantee under the First Home Loan Deposit Scheme despite, in later income years, the owner’s taxable income exceeding the income threshold or they have also acquired an investment property.

To be eligible, the new loan (the refinancing loan) must be for the refinancing of an existing guaranteed loan. The refinancing loan cannot be greater than the remaining principal amount owing on the existing loan. In addition, the guarantee on the existing loan must be in force up until the time of the refinancing (at which point it is extinguished) and that guarantee must not have been subject to a claim.

Under paragraph 29K(1)(b), the NHFIC must seek to prevent properties purchased under the First Home Loan Deposit Scheme being used other than as owner-occupied residences. Where there is a refinancing of a guaranteed loan, the NHFIC should decline the issue of a guarantee in relation to a new loan if the borrowers no longer intend to continue to live in the relevant property to which the loan relates.

#### Eligible first home buyers

Section 29D provides that the First Home Loan Deposit Scheme is only available for home loans where, at the time the loan agreement is entered into, each purchaser is an eligible first home buyer.

To be an eligible first home buyer, under paragraph 29D(b), a purchaser must be an Australian citizen aged 18 years or older at the time of entering into the loan.

A purchaser is not an eligible first home buyer under paragraph 29D(a) if at the time of entering into the loan they have ever owned an interest in Australian land comprising:

- a freehold interest in real property (including an investment property, vacant land or commercial property);
- a long-term (50 years or more) lease of land or a renewal or extension of such a long-term lease on substantially the same terms as the lessor owned the real property or held it under a lease; or

- a company title interest in land.

The test for whether a purchaser has owned an interest in Australian land is based on paragraph 138-10(2)(a) in Schedule 1 to the *Taxation Administration Act 1953*, which also applies for the purposes of the First Home Super Saver Scheme.

Applicants must also satisfy the income test under paragraph 29D(c) at the time of entering into a loan agreement to be eligible first home buyers. Section 29E provides that an individual applicant for a loan must have a taxable income of \$125,000 or less. Joint applicants (as a couple) must have a combined taxable income of \$200,000 or less. Taxable income refers to the taxable income assessed in the income year preceding the income year in which the loan is entered into.

If the property is to be purchased by two people as joint applicants, the joint applicants must be a couple that is legally married or in a de facto relationship. An eligible loan under the First Home Loan Deposit Scheme is not available to more than two joint applicants.

The income threshold applies only at the time of entering into the loan and recognises that future increases in income during the term of the loan will not affect the provision of a guarantee that is already issued.

#### Price cap for the purchase or construction of a modest home

To ensure the First Home Loan Deposit Scheme is only available for the purchase of a modest home, or the purchase of land and construction of a modest home in Australia, dwelling price caps apply on a regional basis. The following dwelling price caps apply under subsection 29F(1) to restrict the value of properties that may be purchased, or the on-completion value of new residential premises, under the First Home Loan Deposit Scheme:

<b>Price Cap for an area</b>		
<b>Item</b>	<b>Area</b>	<b>Price cap</b>
1	New South Wales—capital city and regional centre	\$700,000
2	New South Wales—other	\$450,000
3	Victoria—capital city and regional centre	\$600,000
4	Victoria—other	\$375,000
5	Queensland—capital city and regional centre	\$475,000
6	Queensland—other	\$400,000
7	Western Australia—capital city	\$400,000
8	Western Australia—other	\$300,000
9	South Australia—capital city	\$400,000
10	South Australia—other	\$250,000
11	Tasmania—capital city	\$400,000
12	Tasmania—other	\$300,000
13	Australian Capital Territory	\$500,000
14	Northern Territory	\$375,000
15	Jervis Bay Territory and Norfolk Island	\$450,000
16	Christmas Island and Cocos (Keeling) Islands	\$300,000



Under subsection 29F(3) the States are divided into two categories: the first category is the capital city and significant regional centres, and the second category is the rest of the State. The geographic boundaries of the capital city of a State are those set out in the relevant Greater Capital City Statistical Area determined in accordance with the 2016 edition of the *Australian Statistical Geography Standard*. Further information about the Standard is available on the Australian Bureau of Statistics' website: [www.abs.gov.au](http://www.abs.gov.au).

Regional centres are defined by reference to the relevant Statistical Area 4 determined in accordance with the 2016 edition of the *Australian Statistical Geography Standard*. The regional centres were selected on the basis that they have a concentrated population in excess of 250,000. Property purchased in these areas is subject to the higher price cap applying in the relevant State. For the purposes of the First Home Loan Deposit Scheme, the following are a regional centre:

<b>Item</b>	<b>State</b>	<b>Regional Centre</b>
1	New South Wales	Newcastle and Lake Macquarie Illawarra
2	Victoria	Geelong
3	Queensland	Gold Coast Sunshine Coast

The Australian Capital Territory and the Northern Territory are not divided into categories. A single price cap applies to all property purchased within each territory.

For the territories of Jervis Bay Territory, Norfolk Island, Christmas Island and the Cocos (Keeling) Islands, the relevant price cap is the same as the rest of state cap that applies in the closest State – New South Wales (for Jervis Bay Territory and Norfolk Island) and Western Australia (for Christmas Island and the Cocos (Keeling) Islands).

The price caps for the capital cities, regional centres and remaining areas have been set having regard to the price of dwellings in the different property markets whilst also ensuring that the caps are easy for first home buyers to understand.

The price caps for the regional centres are higher than other regional areas as median dwelling prices in these regional centres are typically significantly higher than other regional areas.

Subsection 29F(2) provides that the NHFIC must make recommendations to the Minister as soon as practicable after the end of each 12 month period ending on 31 December outlining what (if any) changes should be made to the dwelling price caps. The Government will consider the NHFIC's recommendations in deciding whether to adjust the dwelling price caps. The NHFIC may make recommendations at other times if it considers there are factors that warrant an adjustment to the price caps outside of the annual review period.

Item 2 of Schedule 1 to the Instrument inserts a definition of value in section 4 of the Investment Mandate in relation to a residential property as the value assessed by the eligible lender at the time at which the loan is entered into. The value is determined by the lender in a manner that is consistent with standard lending practice in the residential mortgage lending sector. In practice, the value assessed by the eligible lender is generally the lesser of the purchase price and the value of the property.

Where there is a loan for both the purchase of land and construction of residential premises, the value is the projected market value of the residential premises (including the land) estimated at the time the loan is entered into, assuming that construction had been already completed.

### **NHFIC may rely on information**

Under section 29G, the NHFIC can rely on information provided to it directly or indirectly by an eligible lender, eligible borrower or any other third party (for example, a mortgage broker) involved in the application under the First Home Loan Deposit Scheme or in verifying the guarantee or guarantee claim processes.

### **Form of guarantees**

Under section 29J, the NHFIC is not entitled to charge a fee for the issue of a guarantee. This ensures that loans are provided to first home buyers at the lowest possible cost to maximise the benefits from the First Home Loan Deposit Scheme.

Section 29H provides that a guarantee issued by the NHFIC only applies upon the application of the proceeds of sale of a property that was sold by the lender as a result of the default by the borrower under the terms of the loan agreement.

In these circumstances the guarantee applies to the lesser of:

- the outstanding balance of the loan after applying the proceeds of the sale of the residential property (paragraph 29H(2)(a)); and
- the amount of the guarantee worked out using the formula in paragraph 29H(2)(b).

The formula in paragraph 29H(2)(b) provides that the maximum amount guaranteed by NHFIC is the difference between the amount of the initial deposit paid and 20 per cent of the value of the property at the time the loan is entered into.

The limit provided in paragraph 29H(2)(a) ensures that the guarantee only applies to the extent of any shortfall in the sale proceeds of the property. For example, assume an eligible first home buyer purchases a home worth \$500,000 with a 10 per cent deposit (\$50,000). The original guaranteed amount is \$50,000 (representing 20 per cent of the initial value (\$100,000) less the initial deposit paid). Assume, following a default, the lender exercises its power of sale and the net sale proceeds reduce the amount owing to the lender to \$30,000. The amount claimable under the guarantee and payable by the NHFIC is \$30,000.

### Cessation of guarantee

Under subsection 29H(3), guarantees cease once the balance of the loan is 80 per cent or less of the value of the residential property when the loan was entered into. This is because the guarantee is only intended to cover the risk of default for loans of 80 per cent or more of the property value.

However, under subsection 29H(4), this rule on the cessation of guarantee does not apply where there is a default of the borrower, and the proceeds of sale following that default is applied to the loan, resulting in a balance of the loan that is 80 per cent or less of the value of the residential property (at the time the loan was entered into). In these circumstances, the guarantee does not cease and the amount of guarantee payable is calculated according to the rules under subsection 29H(1). This ensures that the intent of the provision of the guarantee is not unwound where a shortfall occurs on default.

The NHFIC may negotiate other terms that identify other circumstances in which the guarantee ceases, such as when the property is no longer for use as an owner-occupied residence.

### **Limit on guarantees in a financial year**

Under subsection 29I(1) the NHFIC must not issue more than 10,000 guarantees in a financial year. Although, the First Home Loan Deposit Scheme cannot come into operation any earlier than 1 January 2020, the NHFIC may still issue 10,000 guarantees for the 2019-20 financial year.

Subsection 29I(2) limits the number of guarantees that the NHFIC can issue to major banks in a financial year. The NHFIC must not issue more than 5,000 guarantees to major banks in a financial year.

A guarantee is issued in relation to a financial year when it is offered to an eligible lender in relation to an eligible first home buyer approved to participate in the First Home Loan Deposit Scheme. The offer may occur before the eligible first home buyer purchases the residential property and before the eligible lender issues a loan.

There may be circumstances where a guarantee is offered in one financial year but is not accepted until the subsequent financial year. For example, assume a loan is approved and a guarantee is offered in June 2020 but the property settlement occurs in July 2020. The guarantee is still taken under paragraph 29I(3)(a) to be issued in relation to the 2019-20 financial year for the purposes of the First Home Loan Deposit Scheme.

There may also be circumstances where not all guarantees offered result in the issue of a guarantee at general law. If an offer of a guarantee is not accepted or the offer expires (according to its terms), the offer of the guarantee is not counted towards the cap for the relevant financial year because the cap is intended to include only the guarantees that are ultimately issued. If fewer than 10,000 guarantees are issued in relation to a financial year – for example, because some guarantees offered in that year were not accepted in the following year – the shortfall is not rolled-over to become available in a subsequent financial year.

Under paragraph 29I(3)(b), where a guarantee is issued in relation to a refinanced loan under subsection 29C(4), the guarantee issued for the new loan does not count towards the number of guarantees that may be issued in a financial year.

### **Principles for the operation of the scheme**

The contractual design of guarantees is the primary responsibility of the NHFIC to determine in negotiation with eligible lenders. The Government expects the NHFIC to operate the First Home Loan Deposit Scheme in a responsible and commercial manner (subject to the other requirements of the Investment Mandate) to give effect to the objects of the Scheme. This requirement under subsection 29K(2) to administer the First Home Loan Deposit Scheme in a responsible and commercial manner is not limited by the principles set out in subsection 29K(1) under which the NHFIC is expected to operate the Scheme.

In designing the guarantee and its other operational processes, subsection 29K(1) provides that the NHFIC must operate the First Home Loan Deposit Scheme in a manner that seeks to:

- maximise the integrity of the First Home Loan Deposit Scheme;
- prevent properties purchased or constructed under the First Home Loan Deposit Scheme continuing to be subject to a guarantee if they are used otherwise than as an owner-occupied residence (including as collateral for another loan);
- encourage and incentivise borrowers to repay loans as soon as possible. This also covers the consequences of redrawing amounts on the loan;
- ensure all eligible first home buyers have used the maximum amount of their savings as a deposit. The reference to a maximum amount of a first home buyer's savings is subject to the lender's credit policies, including with reference to their responsible lending obligations.
- minimise the amount of payouts under the guarantees in accordance with industry best practice applied to typical loans with parental guarantees;
- monitor the status of guarantee loans and identify if there is a significant likelihood that a borrower will default on their obligations under a loan; and
- reduce as much as possible, the cost of guaranteed loans to borrowers.

### **Reporting requirements**

The NHFIC has reporting responsibilities under section 29L. The NHFIC must report to the Minister, as soon as practicable after the end of every successive six-month period starting from 1 January 2020 on the status of guaranteed loans, the operating costs of the First Home Loan Deposit Scheme, the total value of guarantee liabilities and any other information requested by the Minister. Accordingly, the first report is due as soon as practicable after 30 June 2020.

### **The NHFIC's research function**

Item 6 of Schedule 1 to the Instrument inserts new Part 5B in the Investment Mandate, including a guide to the Part to provide direction to the NHFIC on undertaking its research function.

Under section 29M the NHFIC must:

- conduct comprehensive research into housing demand, supply and affordability in Australia, highlighting current and potential future gaps between housing supply and demand; and
- complement existing research, reflecting on the adequacy of housing construction rates and land supply to meet future housing needs.

Section 29N provides that in performing its research function, the NHFIC is expected to:

- undertake research on its own initiative;
- undertake specific research as requested by the Minister;
- publish the results of its research; and
- liaise with relevant stakeholders, particularly relevant state and territory bodies, Federal and State and Territory government agencies, research institutions, market participants and the housing sector.

It is intended that the NHFIC will establish a strong working relationship with relevant stakeholders, and particularly relevant Commonwealth, State and Territory bodies that possess relevant data and policy responsibility as well as research institutions and market participants and the housing sector. Establishing arrangements with these stakeholders will ensure that the work being undertaken by the NHFIC does not duplicate the work of other organisations but instead focuses on where relevant information and research gaps exist.

### **Consequential amendments**

Item 1 of Schedule 1 to the Instrument amends the note to section 4 of the Investment Mandate to include a reference to guarantee liabilities as a definition in the Instrument that is already defined in the Act.

Item 3 of Schedule 1 to the Instrument inserts sections 8A and 8B into the Investment Mandate to authorise the NHFIC to:

- establish and operate a First Home Loan Deposit Scheme to issue guarantees to eligible lenders for eligible loan consistent with Part 5A of the Investment Mandate; and
- undertake research into housing affordability in Australia consistent with Part 5B of the Investment Mandate.

Item 4 of Schedule 1 to the Instrument amends paragraph 9(1)(a) of the Investment Mandate to ensure that the NHFIC is able to spend money for the purposes of administering the First Home Loan Deposit Scheme.

Item 5 of Schedule 1 to the Instrument also substitutes new section 10 into the Investment Mandate to require the NHFIC to exercise commercial discipline when making decisions in relation to the First Home Loan Deposit Scheme. This ensures that the NHFIC operates the First Home Loan Deposit Scheme based on commercial principles, other than charging for the provision of the guarantee.

Section 34 of the Investment Mandate requires the Board of the NHFIC to seek the approval of the Minister and the Minister for Finance before allowing its liabilities to exceed \$2 billion. The Act establishes a standing appropriation to meet guarantee liabilities (within the meaning of the Act as amended). Item 7 of Schedule 1 to the Instrument amends subsection 34(2) to exclude the First Home Loan Deposit Scheme's guarantee liabilities from the requirement to seek approval if those liabilities exceed the \$2 billion threshold. This is because the First Home Loan Deposit Scheme's guarantee liabilities are separately funded and are not intended to form part of the liability cap.