

EXPLANATORY STATEMENT

Issued by authority of the Assistant Treasurer, Minister for Housing and Minister for Homelessness, Social and Community Housing

National Housing Finance and Investment Corporation Act 2018

*National Housing Finance and Investment Corporation Investment Mandate Amendment
(Price Cap Update) Direction 2022*

Subsection 12(1) of the *National Housing Finance and Investment Corporation Act 2018* (the NHFIC 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 NHFIC's functions.

The objective of the NHFIC Act is to establish NHFIC to improve housing outcomes for Australians. NHFIC is a corporate Commonwealth entity dedicated to improving housing outcomes and it commenced operation on 1 July 2018.

NHFIC was initially established to operate the Affordable Housing Bond Aggregator (AHBA), the National Housing Infrastructure Facility and a Capacity Building Program for community housing providers. NHFIC's activities have since expanded to include the administration of the First Home Guarantee (and subsequently, the Family Home Guarantee), and a research function that conducts research into housing affordability in Australia. The First Home Guarantee and the Family Home Guarantee were established with the aim of enabling first home buyers and single parents with dependants to access the housing market sooner.

The purpose of the *National Housing Finance and Investment Corporation Investment Mandate Amendment (Price Cap Update) Direction 2022* (the Instrument) is to amend the *National Housing Finance and Investment Corporation Investment Mandate Direction 2018* (the Investment Mandate) to amend the residential property price caps applicable to the First Home Guarantee (including the Family Home Guarantee).

In accordance with subsection 12(2) of the NHFIC Act, the amendments align with the objectives of the NHFIC Act, which includes assisting earlier access to the housing market by first home buyers and single parents with dependants.

The Instrument amends the residential property price caps applicable to homes purchased with the support of the First Home Guarantee (including the Family Home Guarantee) for loans entered into from 1 July 2022. The changes to the residential property price caps ensure that the scheme remains reasonably accessible to first home buyers and single parents with dependants to enable the scheme to continue to support buyers purchasing or building a modest home sooner.

No public consultation was undertaken on the Instrument as its operation is machinery in nature, with the only changes to the Investment Mandate being amendments to the residential property price caps applicable to the First Home Guarantee (including the Family Home Guarantee). However, the residential property price caps were updated having regard to advice from the Chair of NHFIC based on the requirement for

NHFIC to provide annual advice to the Minister on the appropriate level for the residential property price caps.

Details of the Instrument are set out in [Attachment A](#).

The Instrument is a legislative instrument for the purposes of the *Legislation Act 2003*. The Instrument is exempt from disallowance under section 42 of the *Legislation Act 2003* as a result of regulations made for the purposes of paragraph 44(2)(b) of that Act. Item 2 of section 9 of the *Legislation (Exemptions and Other Matters) Regulation 2015*, provides for class exemptions from disallowance if the instrument is a direction by the Minister to any person or body. The instrument is a direction from the Minister to NHFIC, and therefore is exempt from disallowance.

The explanatory statement for the *Legislation (Exemptions and Other Matters) Regulation 2015* explains that item 2 of section 9 of the regulation preserves the exemption in item 41 of the table in subsection 44(2) of the *Legislative Instruments Act 2003* (superseded), and the exemption recognises that executive control is intended in these instances.

The Instrument commences immediately after the commencement of the *National Housing Finance and Investment Corporation Investment Mandate Amendment (Review Measures) Direction 2022* which commences on 1 July 2022.

The Office of Best Practice Regulation (OBPR) has advised that the amendments do not require a Regulatory Impact Statement because they have been assessed to be machinery in nature. The OBPR reference number is 44741.

Details of the *National Housing Finance and Investment Corporation Investment Mandate Amendment (Price Cap Update) Direction 2022*

Section 1 – Name of the Instrument

This section provides that the name of the Instrument is the *National Housing Finance and Investment Corporation Investment Mandate Amendment (Price Cap Update) Direction 2022* (the Instrument).

Section 2 – Commencement

This section provides that the Instrument commences immediately after the commencement of the *National Housing Finance and Investment Corporation Investment Mandate Amendment (Review Measures) Direction 2022*, which commences on 1 July 2022.

Section 3 – Authority

This section provides that the Instrument is made under the *National Housing Finance and Investment Corporation Act 2018* (the NHFIC Act).

Section 4 – Schedule

This section provides that each instrument that is specified in the Schedule to this instrument is amended or repealed as set out in the applicable items in the Schedule, and any other item in the Schedule to this instrument has effect according to its terms.

Schedule 1 – Amendments

New residential property price caps

For a loan to be eligible for support under the First Home Guarantee (including the Family Home Guarantee), the value of the residential property at the time the loan is entered into must not exceed the price cap for the area in which the property is located. The residential property price caps are intended to reflect the cost of a modest home, or the purchase of land and construction of a modest home in Australia and its external territories and apply different caps on a regional basis taking into account residential home prices in different regions. The Investment Mandate sets out the applicable price caps in relation to the area in which the property is located.

Item 1 repeals the current residential property price caps in subsection 29F(1) and replaces them with new price caps. The new residential property price caps ensure that the scheme remains reasonably accessible to first home buyers and single parents with dependants and reflect the cost of a modest home. This increase follows analysis by NHFIC and its recommendation to the Minister in accordance with section 29F of the Investment Mandate of what adjustments (if any) NHFIC considers should be made to the residential property price caps.

The new residential property price caps are summarised in the table below:

Price Cap for an area		
Item	Area	Price cap
1	New South Wales—capital city and regional centre	\$900,000
2	New South Wales—other	\$750,000
3	Victoria—capital city and regional centre	\$800,000
4	Victoria—other	\$650,000
5	Queensland—capital city and regional centre	\$700,000
6	Queensland—other	\$550,000
7	Western Australia—capital city	\$600,000
8	Western Australia—other	\$450,000
9	South Australia—capital city	\$600,000
10	South Australia—other	\$450,000
11	Tasmania—capital city	\$600,000
12	Tasmania—other	\$450,000
13	Australian Capital Territory	\$750,000
14	Northern Territory	\$600,000
15	Jervis Bay Territory and Norfolk Island	\$550,000
16	Christmas Island and Cocos (Keeling) Islands	\$400,000

The new residential property price caps apply to the First Home Guarantee generally (that is, for guarantees issued under section 29I of the Investment Mandate) and to the Family Home Guarantee. The new residential property price caps apply to guarantees issued on and after 1 July 2022. In circumstances where the Minister has determined to roll over unissued guarantees from a previous financial year, the relevant residential property price cap is the price cap that applies when the guarantee is issued.

While the residential property price caps for the First Home Guarantee (including the Family Home Guarantee) have altered, there is no change to each geographic area that is defined by the Investment Mandate.

Application of subsection 29F(1)

Item 2 inserts a new Division to the Investment Mandate to provide that subsection 29F(1), as inserted by item 1, applies to financial years starting on and after 1 July 2022.