



News release

Insurance Council
of Australia

Monday, 28 March 2022

Statement on expansion of Home Guarantee Scheme

The Insurance Council of Australia (ICA) today noted the Federal Government's announcement of an expansion to the Home Guarantee Scheme.

The insurance sector remains supportive of the central objective of the Scheme to facilitate earlier access to home ownership for certain first home buyers, provided it does not further stimulate the property market or operate in a way that impacts on the viability of a well-functioning Lenders Mortgage Insurance (LMI) market.

The importance of LMI was reaffirmed by last year's independent statutory review of the operation of the National Housing Finance and Investment Corporation Act, which recommended potential impacts on the viability of the LMI sector should be carefully considered if changes to the number of guarantees offered or eligibility criteria were contemplated.

The Insurance Council and those members who offer LMI remain concerned about the continued expansion of the Scheme, which removes the need for eligible borrowers to have LMI.

By displacing a proportion of the LMI market, the cost of providing LMI to borrowers who do not access the Scheme is potentially impacted.

Without a strong and stable LMI sector, small and medium lenders will be at a disadvantage compared to larger lenders, impacting market competition. This could disproportionately impact borrowers on lower-than-average incomes including first home buyers.

Comment attributable to Andrew Hall, CEO Insurance Council of Australia:

Lenders Mortgage Insurance provides creditworthy borrowers without a substantial deposit with a timely and cost-effective way to access home loans.

Since the post-war period LMI has played a crucial role in supporting prudent high loan to value lending in Australia.

In establishing the Scheme, we were pleased the Government acknowledged the value of the LMI sector and the important role it plays in the housing market.

The insurance sector supports initiatives that improve access to home ownership, however it's important that unintended consequences are carefully considered and that policy settings support the ongoing health of the successful LMI sector.