



# News release

Insurance Council  
of Australia

Sunday, 13 April 2025

## Labor's Home Guarantee expansion poses significant risks

Labor's plans to guarantee all low-deposit home loans for first home buyers would effectively nationalise a long-standing and effective financial product and may increase systemic financial risk, the Insurance Council of Australia (ICA) said today.

Lenders' mortgage insurance (LMI) is a critical component in Australia's housing market and has supported millions of Australians since it was introduced in 1965 by facilitating access to credit and home ownership, supporting the stability of the financial system, and underpinning competition in the lending market.

Effective nationalisation of the LMI market for first home buyers as proposed today will have the effect of reducing the pool of LMI customers so significantly that the market may become unviable, making it harder for those who are not included in the Government scheme to access finance.

It will also place all the default risk on the Government's balance sheet rather than on private sector providers, potentially exposing taxpayers to billions of dollars in losses in the event of a housing downturn.

Rather than expand the Home Guarantee Scheme and further increase demand-side pressure for housing, all Australian governments should be focused on meaningful supply-side solutions to housing constraints.

The Home Guarantee Scheme should be more effectively targeted to those borrowers that are in greatest need of assistance that could not otherwise access home ownership – for example, single parent families, essential workers, and key workers in regional areas – rather than expanded to all first home buyers.

Separately, Labor's plans to support the delivery of an additional 100,000 new homes needs to ensure these homes are not built on floodplains or other areas exposed to high levels of extreme weather risk.

Quote attributable to ICA CEO Andrew Hall:

Labor's announcement today contains significant risks to the stability of the financial sector and the ability of many Australians to access the home market.

By subsidising all first homebuyers, including those with a good income and savings in the bank, the purpose of the First Home Guarantee scheme is lost and a functioning private market may be severely and irreversibly impacted.

LMI insurers have played an important role in the stability of the financial sector and the economy for 60 years and any policy that may eliminate this needs to be considered very carefully.

The insurance sector looks forward to engaging with Labor if it is returned on 3 May and raising the significant concerns we have about this proposal.