POLICY BRIEF: THE KICK START HOME LOAN

Restoring Housing Affordability by Removing Bank Risk Markups and Anchoring Prices to Wages

THE PROBLEM

Australian housing affordability has been undermined by excessive credit creation and speculative tax incentives that push property prices far beyond wage growth. Under current low-deposit schemes, taxpayers underwrite default risk via government guarantees, yet banks frequently continue to charge first home buyers higher interest rates than borrowers with a 20% or 40% deposit—effectively charging borrowers for risk that taxpayers have already removed.

THE SOLUTION: MASTER ENTERPRISE AGREEMENT

The **Kick Start Home Loan** is a 5-year Master Enterprise Agreement between the Australian Government, Treasury, and participating banks to provide genuine low-interest, 5% deposit loans (95% LVR) to first home buyers without inflating house prices.

FIVE CORE PILLARS OF THE PROPOSAL

1. Targeted 6% Government Default Guarantee

- Treasury sets the benchmark industry default loss rate on 5% deposit loans at 3% amortised across the loan book.
- Housing Australia provides participating banks with a **6% default shortfall guarantee** (double the industry benchmark) to cover realised recovery shortfalls if a borrower defaults, including severe economic shocks. The guarantee protects the lender's capital, not the borrower's deposit.

2. End to "Double Dipping" on Interest Rates

- Because the 6% government guarantee removes the bank's default risk, participating banks must price Kick Start loans at their advertised **60% LVR base mortgage rate**, minus the bank's standard loan impairment provision (adjusted only for actual realised losses and RBA cash rate movements).
- Banks retain full commercial freedom to compete on base rates and margins, but cannot charge first home buyers a high-LVR risk penalty once the taxpayer guarantees the risk.

3. Independent Certified Valuations to Stop Price Inflation

- Every Kick Start loan requires an **independent certified property valuation** provided to both buyer and lender prior to contract completion, preventing low-deposit credit from bidding up prices beyond fair value.

4. Compulsory Everyday Offset for Rapid Equity Growth

- Borrowers link a single **Kick Start Everyday Offset Account** (protected by an increased $500,000 government deposit guarantee).
- 100% of daily offset interest savings apply directly to reducing loan principal, accelerating equity buildup while giving banks stable domestic deposit funding. After 5 years, the loan reverts to standard terms.

5. Structural Guardrails & Tax Alignment

- **Owner-occupier commitment:** Kick Start borrowers cannot purchase an additional property during the 5-year agreement term.
- **Investor distinction:** Wage earners retain existing rules for a single investment property, while portfolios of two or more investment properties must be held under an ABN and taxed as a commercial business.
- **Wage-aligned price monitoring:** Treasury reviews housing price growth quarterly alongside BAS lodgements with a mandate to align long-term property appreciation with wage growth rather than speculative credit.

WORKED EXAMPLE: 5-YEAR IMPACT ON A FIRST HOME BUYER

Assumptions: $600,000 certified property purchase price, **$30,000** deposit (5%), **$570,000** loan (95% LVR) over a 30-year term. Compares a standard 95% LVR loan at **6.40% p.a.** (with $0 offset) against a Kick Start Loan priced at the bank's 60% LVR base rate minus impairment provisions (**4.80% p.a.**) with an average **$15,000** balance held in the Kick Start Everyday Offset Account.

Metric (Over the Initial 5-Year Term)	Standard 95% LVR Loan (6.40% p.a.)	Kick Start Loan (4.80% p.a. + $15k Offset)	Net Benefit to First Home Buyer
Required Monthly Repayment	$3,565 / month	$2,991 / month	**Saves $575 / month ($34,487 cash flow)**
Total Interest Paid (Years 1–5)	$176,888	$127,297	**Saves $49,591 in interest**
Loan Principal Paid Off (Years 1–5)	$37,035	$52,138	**Builds $15,103 extra equity**
Remaining Loan Balance at Year 5	$532,965	$517,862	**$15,103 lower debt at transition**

Key Takeaway: By removing the high-LVR interest markup and channelling household cash flow through the linked offset account, the first home buyer saves **$49,591 in interest** over five years—keeping **$34,487** in household cash flow while paying down an extra **$15,103** of mortgage principal before the loan transitions to standard terms.