HomeBuilder Scheme

and what you need to know

It's come under intense scrutiny since its launch, however with the right mortgage funding, the Government's HomeBuilder Scheme could be a windfall for homeowners.

The $688 million HomeBuilder Scheme was created to support Australia's struggling construction sector in response to some fairly grim industry forecasts. There has been criticism that the eligibility criteria is limiting, timeframes are too tight and spending requirements exclude lower socioeconomic groups. Regardless of whether the criticisms are valid, the scheme is being implemented.

The fact is, for many Australians this scheme (and others like it) could have a significant positive impact – allowing them to move forward with plans for building, renovating or buying off the plan. The scheme could see tens of thousands of Australians realise their property dreams that may have been put on hold because of COVID-19.

Construction companies and lenders are working furiously to tailor offerings in response to the scheme, and as usual knowledge is power.

What is the HomeBuilder Scheme?

Simply put, it's a tax-free $25,000 grant for eligible owner-occupiers (including first home buyers) to build a new home or substantially renovate an existing home where the cost is between $150,000 and $750,000.

If you are thinking of undertaking building works within this price range.

Think you can't afford to take advantage of the Scheme? Think again.

At first you might think that you do not have the required cash to contribute towards building works to utilise the scheme. However there may be other funding opportunities available to you to take advantage of the $25,000 grant. Remember, over time the grant could ultimately be worth far more than its dollar value with renovated and new homes sometimes attracting premium values. The key to maximizing the opportunity is to understand the big picture.

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There are many factors that will ultimately determine the funding options available including the current value of your home, the cost of the building works, the potential value of the home on completion of works, the amount of available cash you can contribute towards the building works, the amount of any existing loan/s and your current income to service a new loan.

There are a number of different loan products available to fund the works.

A **Home Equity Loan i**s the most common funding option for a renovation and involves utilising the existing equity in your home to secure the loan.

A **Construction Loan** is similar to a home equity loan, except the lender looks at the likely value of your home after completion of the building works rather than its current value.

Whilst not always the preferred, a **Line of Credit** may be appropriate for this scheme as you can establish a revolving credit line up to your approved limit that you can access whenever you want. You only pay interest on the money you use and any repayments can be re-drawn up to the approved limit. Lenders will all differ in their criteria and it is highly recommended that you have a discussion with us if you are considering this option as there are variables and we can work out the best solution for your situation.

There are many considerations in determining the correct funding option, all of which will be determined by your personal situation and the proposed building works. For a confidential discussion to consider your options, please call the office.

Contact us for the fine print of the **HomeBuilder Scheme**. You may be entitled!

alphaloan mortgage group

Graeme Vimpani
AlphaLoan Mortgage Group
Web: www.alphaloan.com.au
E: gvimpani@alphaloan.com.au
Mob: 0411 886 310