

Hello All,

Just a quick update on probably the two most relevant topics in finance currently:

- Covid-19
- The \$25K HomeBuilder Grant

### **Covid-19**

Although we can see the light at the end of the tunnel with Covid, the banks are still very much affected! ANZ in particular, but most banks have experienced delays due to Covid. These delays are due largely to offshore operations centres closing and a lot of staff having to work from home in Australia.

Part of the reason for the delays also; is tougher credit criteria. In response to Covid-19, the banks have tightened up in the following areas:

- Some banks do not allow for overtime, bonuses or commission now
- Some banks now only allow for 60% of overtime, bonuses, or commission now. Where previously it was 80%-100%
- Some banks do not want to lend if you are in an occupation that has been the most affected, such as: beauty, hospitality, entertainment etc
- Some banks will not allow for the JobKeeper subsidy

But there has been some good with Covid! Apart from smaller lines at coffee shops and the world being essentially cleaner in general, we have also seen:

- Cheaper rates available to soften the economic negatives of Covid
- Home Loan repayment deferrals for up to 6 months, with no negative credit rating implications
- The CBA allowing easier access to interest only repayments, with hopefully other lenders to follow suit

### **HomeBuilder Grant**

Another benefit of Covid-19 is the recently announced \$25K HomeBuilder Grant. To help boost the economy and get the building industry and related trades/professions firing again, the government is giving away free money! The criteria is below, but when you look at the fine print; the majority of the population may not even qualify! I think it is a great idea in theory, but it will be interesting to see how many people can actually get it though....

To access HomeBuilder, owner-occupiers must meet the following eligibility criteria:

- you are a natural person (not a company or trust);
- you are aged 18 years or older;
- you are an Australian citizen;
- you meet one of the following two income caps: \$125,000 per annum for an individual applicant based on your 2018-19 tax return or later; or \$200,000 per annum for a couple based on both 2018-19 tax returns or later;

- you enter into a building contract between 4 June 2020 and 31 December 2020 to either: build a new home as a principal place of residence, where the property value (house and land) does not exceed \$750,000; or substantially renovate your existing home as a principal place of residence, where the renovation contract is between \$150,000 and \$750,000, and where the value of your existing property (house and land) does not exceed \$1.5 million;
- construction must commence within three months of the contract date.

One 'catch' we have identified is this:

*The registered or licensed builder (depending on the state or territory) must demonstrate that the contract price for the new build or substantial renovation is no more than a comparable product (measured by quality, location and size) as at 1 July 2019, if requested by the purchaser.*

Being that builder's prices go up every year with; inflation, rising wages, rising cost of materials etc. Not sure how a builder could demonstrate that the price is the same as a year ago! Especially with China essentially closing down and us not being able to import cheaper Chinese materials? So just be mindful of this point. To me its an out for the government to say no! You may qualify, but what if your builder doesn't?

For more information on the grant, please visit:

<https://treasury.gov.au/coronavirus/homebuilder>

As always, any questions, please feel free to reach out!

Daniel and the PFS Team

