ALTERNATIVE DEPOSITS.

You don't always need a full cash deposit saved. Here's what gifted funds and guarantor arrangements actually are.

Allsorts Of Loans

YOU DON'T ALWAYS NEED A FULL CASH DEPOSIT

The traditional path — saving 20% in cash over several years — isn't the only way to get into the market. Depending on your situation, gifted funds, a family guarantee, or a government scheme may all help bridge the gap. Here's what each one actually is, in plain terms.

GIFTED DEPOSITS

A cash gift from a family member (most commonly a parent) can generally count toward your deposit. The key thing lenders want to see is that it's genuinely a gift — not a loan you're expected to repay, and not something the gifting family member still has a claim over. This is usually confirmed in writing, often through a signed gift letter or statutory declaration.

Beyond that basic concept, the specifics — how long the funds need to be in your account, whether it needs to sit alongside your own savings, what paperwork a particular lender wants to see — vary from lender to lender. This is exactly the kind of detail your broker can walk you through for your specific situation, rather than something with one fixed answer.

GUARANTOR ARRANGEMENTS

A guarantor arrangement is different to a gift — no money changes hands. Instead, a family member (again, often a parent) offers equity in their own property as additional security for your loan, rather than gifting or lending you cash directly. The basic idea is that the guarantor's equity helps cover the gap between your deposit and what a lender would otherwise require. Beyond that concept, the details — who can act as a guarantor, how much of the loan is actually guaranteed, and what's required to release the guarantee later — differ significantly from lender to lender. These are important questions worth asking directly, rather than assuming they work the same way everywhere.

A guarantor takes on real risk. If repayments aren't met, the guarantor's property could be called on. This is a significant commitment for whoever is helping you, and it's strongly worth them getting their own independent legal advice before agreeing to anything — this isn't something to work out informally within the family.

LENDERS MORTGAGE INSURANCE (LMI) — WHAT IT ACTUALLY IS

LMI is insurance that protects the lender, not you, if you default on the loan and the sale of the property doesn't cover what's owed. It's typically charged when you're borrowing more than 80% of the property's value, and the cost is added to your loan — it isn't something you get back, and it doesn't protect you personally. A guarantor arrangement or a government guarantee scheme may help you avoid it, but it's worth understanding what it actually is before assuming it's simply a cost to minimise at all costs.

GENUINE SAVINGS — WHAT IT ACTUALLY IS

Genuine savings is a term lenders use for evidence that you can manage money responsibly over time, usually shown through a pattern of your own savings building up gradually rather than one lump sum appearing right before you apply. These days, some lenders take a broader view — a steady history of on-time rent payments can sometimes be accepted as an alternative to genuine savings, even where the deposit itself has come from elsewhere entirely (a guarantor, a gift, or borrowed funds). Not every lender on the market takes this approach, so it's worth asking your broker specifically which of their panel lenders do.

WORTH DISCUSSING AS A FAMILY BEFORE YOU APPLY

Both gifting and guarantor arrangements involve someone else's money or property. It's worth everyone involved — you and whoever is helping — sitting down with your broker together, so the actual policy of the specific lender being considered is explained clearly to everyone, rather than relying on general assumptions about how these things "usually" work.

GOVERNMENT SCHEMES

- **First Home Guarantee** — may allow a low deposit without LMI for eligible buyers (see our Grants & Concessions fact sheet for details)
- **First Home Super Saver Scheme** — releasing voluntary super contributions to help fund your deposit

NON-BANK LENDERS

Outside the major banks, some non-bank lenders may take a different approach to deposit sources or serviceability, particularly for borrowers whose situation doesn't fit a standard bank's criteria neatly. Whether this is the right fit, and what the trade-offs might be, is again something worth discussing directly with your broker rather than assuming.

NEXT STEPS

If a full cash deposit isn't realistic for you right now, it's worth having a conversation before ruling anything out. Gifts, guarantors, government schemes, and alternative lenders each work differently depending on who you're dealing with — your broker's role is to explain the actual policy that applies to your situation, not a general rule of thumb.

Talk to Allsorts of Loans — 07 5619 9511 · www.allsortsofloans.com.au · admin@allsortsofloans.com.au

Carter McLean Pty Ltd trading as Allsorts of Loans · Australian Credit Licence 491549 · AFCA Membership 38764