Should deposits be waived for first-timers with good rental history?

YES

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They should – however, as long as it's available only to those with three years of unblemished rental history and it being a prerequisite that servicing assessments are no more than 10% above current rental payments as the maximum they can borrow. This will safeguard the fabric of the financial system that we all rely on. As a result, this initiative would embrace only those people who are considered a good credit risk but are struggling to get ahead of the curve with respect to saving a deposit.

Ultimately, the markets that would qualify would be self-filtering given the need for the rent to closely reflect the mortgage repayment, which is unlikely in the metropolises of Melbourne and Sydney, but the positive flow-on effect could be to markets that could benefit from an injection of demand right now – namely some regional locations as well as the oversupplied new apartment market.

Equally, this will help level the playing field for the first-home buyer who is often competing with the property investor leveraging against existing equity rather than providing a cash deposit as well as getting a tax deduction on the interest that they are paying. In some states, such as Victoria, if they were to purchase under $600,000, the state government has proposed to abolish stamp duty from July 1, 2017, which would further benefit the eligible first-home buyer to get in on the great Australian dream.

WHAT YOU NEED TO KNOW

Australian couples need to save for an average of 4.4 years for a 20% deposit on a median-priced house, according to the latest Bankwest First Time Buyer Deposit Report.

NO

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While the millennial audience may react adversely to this statement at first, there is a bigger picture and a better answer. Not only should this not happen, it will not happen, and here's why …

Can anybody say GFC?

The US sub-prime crisis that triggered the 2007 GFC stemmed from negative equity: the value of real estate assets was lower than the debt they were secured against, resulting in around 7 million Americans losing their homes.

Much of the crisis was caused by lending with minimal or no deposits and interest rate increases due to instability.

The Australian Reserve Bank cash rate is at an all-time low with housing prices at an all-time high. Any concerns yet?

The Australian Prudential Regulation Authority (APRA) keenly watches and regulates against such things and is why 100% lending won't happen.

Even if APRA was in favour, equity isn't the only issue; repayments are too. The median rental yield on houses across capital cities currently stands at about 4%. So, as an example using the median house price in Australia of about $631,000 (ABS, September quarter 2016), your rental repayments would be about $485 a week, whereas your repayments on a home loan at the current average standard variable rate (about 5.5%) on a principal and interest basis would be $826 a week.

A deposit isn't the only start-up cost in establishing a mortgage. Without a deposit of 20% or more, you are charged lenders mortgage insurance (LMI). Using the above example, LMI for a home worth $631,000 would cost in excess of $25,000 to be paid by the borrower.

But wait, there's more …

And, yes, don't forget that stamp duty of $20,000 to $30,000 is payable, depending on the state and the property.

Maybe a revisit to the first home owner grant scheme could be up for debate instead.