



Gifted Deposit vs Family Guarantor

Two common ways family can help with a home purchase – and the different commitments, evidence and risks involved.

Gifted Funds

What it is

Money given to the buyer with no expectation or obligation of repayment.

How it can help

- Contribute towards the deposit and purchase costs
- Reduce the amount the buyer needs to borrow
- Avoid placing another family property at risk

Common lender evidence

- Signed gift declaration
- Proof of the source and transfer of funds
- Confirmation the gift is unconditional and non-repayable

Best suited when

- Family wants a clean, one-off contribution
- The donor can permanently give up the money

Family Guarantor

What it is

A family member uses equity, cash or another acceptable asset as additional security for part of the loan.

How it can help

- May allow a purchase with a smaller deposit
- May reduce or avoid Lenders Mortgage Insurance
- Can help the buyer enter the market sooner

Important risks

- The guarantor may have to pay if the borrower defaults
- The secured asset, including a home, may be sold
- The guarantee may affect future borrowing or refinancing

Before signing

- Understand the maximum guaranteed amount
- Confirm how and when the guarantee may be released
- Obtain independent legal and financial advice

At A Glance	Gifted Funds	Family Guarantor
Cash changes hands	Yes	Usually no
Repayment required	No	Only if the guarantee is enforced
Ongoing involvement	Generally none	Until formally released
Main amount at risk	Gifted money	Guaranteed amount / secured asset
Reduces repayments	Potentially	No - borrower still services the loan

Key Reminders

A guarantee does not replace the lender's assessment of the borrower's ability to repay. It also does not end automatically when the property value rises or the loan balance falls — the lender must formally approve its release.

