QUESTIONS AND ANSWERS

20 October 2025

E kāinga toku – I have a home

How many people will get the grant?

MFEM estimates that around 20 borrowers a year could qualify for the grant. Based on this number, the government has set a fiscal cap for the scheme equivalent to 20 recipients per year, for five years (100 total recipients). Grants will be processed and approved in the order they are received by MFEM, up to the annual cap each year.

We have a major housing shortage on Rarotonga – why can't anyone who is building a house get the grant?

The Government has limited funds, and every dollar spent on one policy means less money available for other priorities. So, the Government has decided to target the modest, entry-level end of the market. This will help ensure that the money goes to the people who need it the most, and give us the best "bang for the buck" for taxpayers' money.

We also don't want to give the grant to people who are already building a house, or would be building one anyway, as that would be a waste of money (they will build it without the grant).

Will grant recipients be required to live in the house or can they rent it out?

Yes, grant recipients will be required to live in the home as their primary residence for at least five years after completion. They must not rent or sell the property during this time, either as short-term accommodation or long-term rental.

When can I apply?

The funding for this initiative started in the 2025/26 financial year. MFEM opened the first funding round on 1 July 2025.

Applicants must have a mortgage that has been approved on or after 1 July 2025.

The government announced this policy in 2022 – why can't anyone who got a home loan approved since then get the grant?

Before becoming formal Government policy, the scheme needed to be approved by Cabinet and the funding must be appropriated through legislation. Cabinet approved the policy on 13 May 2025. The funding was appropriated through the Appropriation Bill 2025, and was made available from the start of the 2025/26 fiscal year (1 July 2025).

$13,800 doesn't sound like much compared to the cost of building a home, why bother?

$13,800 might not seem like a lot when you think about the cost of building a home, but it can make a real difference. How much it helps depends on your loan size. For example, it could cover over one month's repayments each year for five years for a $300,000 loan, or over two months' repayments each year for a $150,000 loan.

The value of the grant compares favourably to grant schemes in other countries. For example, Australia's First Home Owner Grant is AUD10,000. New Zealand's Tenant Home Ownership grant for Kāinga Ora (state housing) tenants is 10% of the purchase price of selected Kāinga Ora houses, up to a maximum of NZD20,000.

The maximum home loan is set at $500,000. What if the price of construction or materials goes up before my house is finished?

This is a risk that home builders face, and you should check how price increases are managed in the contract with your builder.

What about people who don't have a home loan because their land is not leasehold?

The purpose of the policy is to reduce the cost of borrowing. So, people who don't have a home loan will not qualify for the grant.

What happened to the 2022 promise of a 5% interest rate over 5 to 10 years?

MFEM analysed a range of options for providing financial support for first home builders, including different ways of reducing the interest rate paid by borrowers, tax concessions for home loans, government-backed housing loans, and providing a cash grant. They assessed the pros and cons of each of these options, to make sure we get the best "bang for the buck" for taxpayers' money. The government has limited funds, and every dollar spent on one policy means less money available for other priorities.

Compared to the alternative options, grants are simpler, less costly to administer, more transparent, more equitable, and have less fiscal risk. This is the option that was approved by Cabinet.

The amount of the cash grant is roughly equivalent to the cost of subsidising market interest rates to a cap of 5% over a five-year period, but avoids the downsides of that option (being more complex to implement, for both the government and banks, and less transparent).

If this increases the amount of land being used as security, won't this mean that the banks are controlling more of our land?

The aim of the grant is to help more people build their own home. This should increase the supply of housing and improve wellbeing.

Banks will be operating their usual lending criteria and requirements, including for security on the loan. This includes assessing borrowers' credit worthiness and ability to repay the loan. We do not expect the grant scheme to increase the likelihood of defaults or mortgagee sales.

Do I have to spend the money on my home loan?

Yes. The grant money will be provided directly to your loan facility, to offset some of the costs of your home loan.

How much is this going to cost?

The total fiscal costs of the policy will be capped. The fiscal cost of the scheme is $632,000 over the next four years.

I have already taken out a mortgage to build my first home, but I meet all the other criteria. Can I get the grant?

No, the grant is only available to new borrowers, who get a mortgage approved after the start of the policy. Applications opened on 1 July 2025.

I want to get a home loan for less than $500,000. Can I get the grant?

Yes, provided you meet all the grant eligibility criteria, and your bank's lending criteria.

I live in the Pa Enua – can I get the grant?

Yes, provided you meet all the grant eligibility criteria, and your bank's lending criteria.

However, we recognise that people from the Pa Enua face additional challenges in getting a home loan, like being able to use land as security for the bank. The grant on its own will not fix these other barriers – other policy solutions are needed.

The grant will be evaluated after two years to see how well it's working, including for people from the Pa Enua. This evaluation may recommend changes to the scheme to improve access and make it work better.

What is a "livable dwelling"?

A livable property has: weathertight floor, walls and roof; supply of water for general purposes (cooking, washing, personal hygiene); electricity source; water heating (electricity, gas or solar); private toilet (flush or composting, not shared with any other household); shower or bath; cooking facility (gas or electric stove); kitchen sink.

We have an old dwelling on our land and want to convert this into multiple houses for our extended family. Can I get the grant?

No, because you are building multiple dwellings.

I want to convert an old warehouse into a residential house. Can I get the grant?

Yes, provided you have all the relevant building and environmental consents and approvals, and meet all the eligibility criteria.

I want to build a sleepout for my elderly mother, so she can live near us. Can I get the grant?

If you are the one taking out the loan, then no, because you won't be living in the sleepout yourself.

I already have a house but it doesn't have a flush toilet or shower. Can I get the grant to make improvements to the bathroom facilities, to make it into a "livable dwelling"?

No, because you are not creating a new dwelling or renovating a derelict and unoccupied dwelling.

I want to build a duplex, so I can live in one unit and rent the other out. Can I get the grant?

No, because you are building a multi-dwelling complex.

What if my circumstances change and I need to move out of my house or rent it out?

You must inform MFEM as soon as the change occurs. The government will not make any further grant payments to you.

For further information contact

Economic Planning Division
Ministry of Finance and Economic Management
PO Box 120, Avarua, Rarotonga, Cook Islands

Telephone: +682 29511
Email: tooukainga.mfem@cookislands.gov.ck
Website: www.mfem.gov.ck