

## Media release

For immediate release

Friday, 23 April 2010

### **First home buyers turn to alternative financial solutions to fund home ownership dream**

Increasing numbers of first home buyers are turning to shared appreciation loans as an alternative financial solution to break into the housing market, according to South Australian lender HomeStart Finance.

Take up of HomeStart's Breakthrough Loan, one of the nation's only shared appreciation loans, increased by more than 90 per cent in the 2008-09 financial year compared with the previous 12 months.

Over 85 per cent of first home buyers who have a Breakthrough Loan would not have been able to buy their property with a standard home loan.

HomeStart CEO John Oliver says that the added borrowing capacity of up to 35 per cent provided by the Breakthrough Loan can be of considerable assistance for people trying to buy their first home, especially with the increase in median house prices.

'With the increase in the median house price, the gap between what people earn and house prices has reached the point that for many, they are unable to enter the housing market with a traditional home loan,' Mr Oliver said.

'Shared appreciation allows people to borrow more without increasing loan repayments, in return for a portion of their property's future capital gain, and is providing an alternative way to start their home ownership dream,' he said.

'With house price growth and the major lenders requiring more deposit, it makes sense that first home buyers are turning to different financial models to buy a home,' said Mr Oliver.

HomeStart customer Rhianna Pettersson, 28, used the Breakthrough Loan to buy her first home and to get off the rent cycle.

'I always wanted to buy a house but I found finance difficult to get as I did not have much deposit and couldn't afford the repayments. The Breakthrough Loan was a better option for me to get my foot in the door, and I can manage my repayments easily,' said Rhianna.

'When I speak to people renting they are paying about the same amount as I am in repayments, but I own my own home,' said Rhianna.

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### A snapshot of the Breakthrough Loan

Breakthrough customers can borrow up to 35 per cent more than they otherwise would, with no additional monthly repayment requirements. They will share a portion of the home's capital gain with HomeStart when the property is sold.

The rest of the money required to buy a home would be borrowed through a standard HomeStart Home Loan, which attracts standard repayments.

The percentage of the appreciation shared will depend on how much was borrowed through the HomeStart Breakthrough Loan, and how much through a standard HomeStart Home Loan.

#### Example:

HomeStart's share will depend on the percentage of Breakthrough Loan when compared with the original property value, multiplied by an appreciation factor of 1.4.

#### Example:

HomeStart loan	\$300,000
Breakthrough Loan	\$80,000
Total loan facility	\$380,000

Property value (at start of loan)	\$400,000
Breakthrough Loan as a percentage of Property value (\$80,000 ÷ \$400,000)	20%
HomeStart's share in future appreciation gains (20% x 1.4)	28%

Using the above scenario, if the appreciation gains in the property from the time of purchase to the time of sale were \$50,000, the entitlements would be:

Appreciation gains	\$50,000
HomeStart entitlement (28% of \$50,000)	\$14,000
Your share of gains (72% of \$50,000)	\$36,000

Rhianna Pettersson is available for further comments – contact Charlie Hooper on  
8203 4723 for further information