

Shared Equity Option key features

This key features description is not an offer of credit. It is important you understand the features of the Shared Equity Option and the obligations you will have under the terms and conditions of this loan. This additional loan is designed to increase your purchasing power without increasing your loan repayments.

1. What is the Shared Equity Option?

The Shared Equity Option is commonly referred to as a shared appreciation loan. This means that when you sell your property, refinance your loan or choose to pay out the Shared Equity Option, a portion of the increased value of your property will be shared with HomeStart. The amount of the Shared Equity Option may be up to 25% of the lesser of the property purchase price or the property valuation. If you are building a home, the amount may be up to 25% of the contract price for the build.

- The maximum net household income allowable is \$110,000.
- A maximum purchase price limit of \$675,000 applies.
- The Shared Equity Option is not available for the purchase of a unit or apartment in a building greater than three levels, including the ground floor.
- Only available for properties located in metropolitan South Australia and select regional locations.
- Borrowers may retain up to \$40,000 of personal savings.
- The Shared Equity Option cannot be greater than your home loan and is capped at a maximum of \$200,000.

2. How does the Shared Equity Option work?

There is no pre-determined loan term. The Shared Equity Option and adjustments for "appreciation" or "depreciation" are repaid when the Shared Equity Option is repaid. There is no regular repayment required to the Shared Equity Option. You are still required to make regular payments to your home loan, and you can repay your loan without paying out your Shared Equity Option.

3. Why do I share my home appreciation gain with HomeStart?

HomeStart provides a Shared Equity Option to you and is required to cover the interest costs on that loan until it is discharged. HomeStart borrows this money and must eventually recover the costs that were incurred. These costs are recovered when the Shared Equity Option portion of your loan is repaid by taking a pre-determined share in the appreciation of the property.

4. When does the Shared Equity Option have to be paid out?

The Shared Equity Option must be paid out when ownership of the property changes, you refinance your home loan or the property is no longer your principal place of residence. You may pay out your HomeStart loan without having to repay the Shared Equity Option until one of the events described above occurs.

5. Who owns the property?

You will be the registered owner of the property. HomeStart will register a first mortgage for the HomeStart loan and the Shared Equity Option.

6. Who is responsible for maintaining the property?

As the owner of the property, you take full responsibility for keeping the property maintained to a reasonable standard and are responsible for paying all rates, taxes and levies. You must also maintain a building insurance policy on the property.

7. Can I make home improvements to the property?

Yes, you can make home improvements to your property at any time. However, if you do so, HomeStart's equity share in the property will remain the same before and after completion of the improvements. For example, if HomeStart has a 25% equity share in the property, our equity share will not change after completion of the improvements and will remain at 25%.

8. Do I have to live in the property or can I use it as an investment property?

The property must be your principal place of residence - and you cannot use it as an investment property. If you decide to tenant or operate a business from the property, HomeStart must be informed and the Shared Equity Option must be repaid in full.

9. Are there any other fees?

A fee applies if you wish to restructure the loan at a later date.

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10. Can I make a voluntary payment to the Shared Equity Option?

Yes, you can pay a minimum of \$10,000 at any time, however a valuation is required prior to this. The value determined is then used to calculate the effect of the lump sum voluntary payment on the reduction of HomeStart's share.

11. Can I pay out my Shared Equity Option at any time?

Yes, you can choose to pay out the Shared Equity Option at any time voluntarily, including if you sell the property or refinance with another lender.

12. How is the pay-out figure calculated?

When you advise HomeStart that you wish to repay the Shared Equity Option, the amount you need to repay to HomeStart will be the Shared Equity Option balance, plus HomeStart's share in the appreciation or depreciation of the property value.

The appreciation or depreciation is calculated as the difference between the sale price or property valuation (whichever is higher) at the time of sale or refinance, and the purchase price or property value at the time of settlement (whichever is lower).

To calculate HomeStart's share of this appreciation or depreciation, the equity share percentage that HomeStart has in the property is applied. HomeStart can then calculate its share of any appreciation gain or loss, as set out in the examples on the next page.

13. What happens if I disagree with the property valuation?

You can query the content, value or results of a valuation used to determine the calculation of the amount of appreciation share. You have the right to request another independent valuation from HomeStart's panel of valuers.

Borrower declaration

I declare that I have read this Key Features Guide and the HomeStart Shared Equity Option Target Market Determination and that I fully understand and accept the key features of the HomeStart Shared Equity Option.

Print full name _____

Print full name _____

Signature _____

Signature _____

Date ____/____/____

Date ____/____/____

Loan Consultant declaration

I _____ declare that I have explained the key features of the Shared Equity Option to the above borrower(s) and the effect of property appreciation and depreciation on the amount owing to HomeStart Finance when the borrower(s) pay-out the Shared Equity Option.

Signature _____

Date ____/____/____

Shared Equity Option example

Calculating appreciation or depreciation share

Determine Shared Equity Option percentage (%) allocation for HomeStart

Shared Equity Option amount	\$150,000 (divided by)
Purchase price / property value (lesser of)	\$600,000
Shared Equity Option percentage (%) allocation	25%

If the value of your property goes up

Step 1 – Total gain in property value

Purchase price / property value (lesser of)	\$600,000
Property value / sale price (higher of)	\$700,000
Total gain in property value	\$100,000

Step 2 – Determine final payment to HomeStart

Percentage (%) allocation	25% (multiply with)
Total gain in property value	\$100,000
Shared Equity payment to HomeStart	\$25,000 (added to)
Original Shared Equity Option amount of \$100,000	\$175,000

Step 3 – Determine your final gain

Final payment to HomeStart	\$25,000 (take away from)
Total gain in property value	\$100,000
Your final gain	\$75,000

If the value of your property goes down

Step 1 – Total gain in property value

Purchase price / property value (lesser of)	\$600,000
Property value / sale price (higher of)	\$550,000
Total loss in property value	\$50,000

Step 2 – Determine final payment to HomeStart

Percentage (%) allocation	25% (multiply with)
Total loss on sale of property	\$50,000
Final loss to be paid by HomeStart	\$12,500 (take away from)
Original Shared Equity Option amount of \$150,000	\$137,500

Step 3 – Determine your final loss

Final loss to HomeStart	\$12,500 (take away from)
Total loss in property value	\$50,000
Your final loss	\$37,500

Borrower declaration

I declare that I have read and understand the HomeStart Shared Equity Option example provided.

Print full name _____

Print full name _____

Signature _____

Signature _____

Date ____/____/____

Date ____/____/____

Loan Consultant declaration

I _____ declare that I have explained the Shared Equity Option example provided to the above borrower(s) and the effect of property appreciation and depreciation on the amount owing to HomeStart Finance when the borrower(s) pay-out the Shared Equity Option.

Signature _____

Date ____/____/____