



27 JUN, 2022

Shared equity loan opens door for 10,000

The Australian, Australia

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More than 10,000 home buyers around Australia are taking advantage of shared equity loans to buy their first property, using similar schemes to those recently announced by the federal and NSW governments.

While rules and policies vary, shared equity schemes enable home buyers to purchase a property in affiliation with an equity partner, who will pay a percentage of the market price.

This reduces the cost of the initial deposit as well as decreases ongoing housing expenses, enabling low to middle-income earners to purchase a property sooner.

One of the first companies to introduce shared equity in Australia was South Australian government organisation HomeStart, which launched its program in 2007.

HomeStart chief executive Andrew Mills said the company had helped more than 1500 people to purchase a property through its shared equity scheme. "It can help you buy the home you need for a price you can afford," he said. "What that means is you can afford to buy a home for \$400,000 but the property you need is actually \$500,000. Shared equity can cover the difference."

If a homeowner who used HomeStart's shared equity to purchase their home was to sell it, final payment of the loan would include a portion of the gain/loss made upon settlement.

If the homeowner were to re-finance, HomeStart would only share in the property valuation gain. These guidelines vary, across different schemes and states.

Under the NSW scheme, which enables individuals to buy a home with a deposit of as little as 2 per cent, the NSW government will provide an equity share of up to 40 per cent for new homes and 30 per cent for existing homes. Victoria, Western Australia and Tasmania also have similar programs in place.

Keystart, an initiative of the WA government, has approved 8234 shared home ownership loans since 2007.

The Victorian government has helped almost 1500 people purchase a property since the launch of the Victorian Home-buyer Fund in October last year.

Other states could soon participate after the Albanese government proposed a "help to buy" initiative during Labor's election campaign.