

Shared Equity Option

key features

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 loan is designed to increase your purchasing power without increasing your loan repayments. The Shared Equity Option can only be used for established properties.

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.

The Shared Equity Option cannot be greater than your primary loan and is capped at a maximum of \$200,000.

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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 HomeStart Primary Loan. You can repay your HomeStart Loan without paying out your Shared Equity Option.

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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 you sell your property or refinance your loan. HomeStart borrows this money and must pay the interest costs for a period of time until the Shared Equity Option is discharged and HomeStart must eventually receive money to cover the costs that were incurred. HomeStart must recover these costs in some way. 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.

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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 primary 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.

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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.

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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.

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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, you need to be aware that HomeStart will not adjust the Shared Equity Option loan amount or the Shared Equity Option percentage to reflect any subsequent increase in the value of the property.

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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 - so, no 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.

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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 pay a voluntary payment to the Shared Equity Option?

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

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

Yes, you can choose to payout the Shared Equity Option at any time, should you sell the property or refinance with another lender.

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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 determined with reference to a property valuation or sale price, whichever is higher. The value of the appreciation or depreciation will then be applied to your Shared Equity Option balance to determine the pay-out figure. The value of the appreciation or depreciation is applied to the Shared Equity Option as a percentage of the purchase price or valuation of the property (whichever is less)* when the loan is settled, so that HomeStart can calculate its share of any appreciation gain or loss as set out in the following example.

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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.

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Borrower declaration

I declare that I have read, fully understand and accept the key features of the HomeStart Shared Equity Option.

Signature _____

Print name _____

Date ____ / ____ / ____

Signature _____

Print name _____

Date ____ / ____ / ____

Loan consultant declaration

I _____ declare that I have explained the 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	\$100,000 (divided by)
Purchase price / property value (lesser of)	\$400,000
Shared Equity Option percentage (%) allocation	25%

If the value of your property goes up

Step 1 – Total gain in property value

Property value / purchase price (lesser of)	\$400,000
Property value / sale price (higher of)	\$450,000
Total gain in property value	\$50,000

Step 2 – Determine final payment to HomeStart

Percentage (%) allocation	25% (multiply with)
Total gain in property value	\$50,000
Shared Equity payment to HomeStart	\$12,500 (added to)
Original Shared Equity Option amount of \$100,000	\$112,500

Step 3 – Determine your final gain

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

If the value of your property goes down

Step 1 – Total loss in property value

Property value / purchase price (lesser of)	\$400,000
Property value / sale price (higher of)	\$350,000
Total loss in property value	\$50,000

Step 2 – Determine final payment to HomeStart

Percentage (%) allocation	25% (multiply with)
Total loss in property value	\$50,000
Final loss to be paid by HomeStart	\$12,500 (take away from)
Original Shared Equity Option amount of \$100,000	\$87,500

Step 3 – Determine your final loss

Final payment 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 fully understand the HomeStart Shared Equity Option example provided.

Signature _____

Print name _____

Date ____ / ____ / ____

Signature _____

Print name _____

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 ____ / ____ / ____