

# Shared Equity Option and Help to Buy Scheme

## How do they compare?

Shared equity can help make home ownership possible for customers who believe it is beyond their reach.

HomeStart's **Shared Equity Option** and Housing Australia's **Help to Buy Scheme** both contribute an interest-free share of the purchase price, with no required monthly repayments. In return, the provider shares in part of any future capital gain.

While the concepts are similar, key differences may influence product selection. This guide provides a **side-by-side comparison** to support your conversations.

|                          | Shared Equity Option (SEO)   | Help to Buy (HTB)  |
|--------------------------|--|--|
| <b>Lending model</b>     | HomeStart provides both the SEO and the home loan to complete the purchase of the house.   | Housing Australia provides the HTB loan while a participating lender provides the remaining principal and interest home loan.  |
| <b>Lending criteria</b>  | Must satisfy HomeStart's lending criteria and meet the eligibility criteria of the Shared Equity Option.   | Must satisfy the lending criteria of the participating lender (currently CBA and Bank Australia) and meet the eligibility criteria of the Help to Buy scheme.                  |
| <b>Share of purchase</b> | Up to 25% of the purchase price. Customer owns the home and HomeStart has a first mortgage on the property.  | Up to 30% for established homes and up to 40% for new builds. Customer owns the home and Housing Australia has a second mortgage.  |
| <b>Payout</b>            | When customers sell their home, the SEO is repaid, with HomeStart sharing in a portion of the gain or loss in property value. If the loan is refinanced, HomeStart only shares in any gain, not in any loss. | When customers sell or refinance to a non-participating lender, the HTB loan amount is repaid. The Government will proportionally share in any gain or loss in property value. |
| <b>Deposit</b>           | 2% deposit requirement when utilising SEO with the Graduate Loan. No Lenders Mortgage Insurance (LMI).   | 2% deposit requirement and no Lenders Mortgage Insurance (LMI).  |
| <b>Interest</b>          | The SEO is interest free with no required monthly repayments. Interest and repayments are payable on the home loan portion.  | The HTB loan is interest free with no required monthly repayments. Interest and repayments are payable on the loan with the participating lender.                              |
| <b>Income limits</b>     | Household income limit of up to \$120,000 net for both singles and couples.  | Household income limit of \$100,000 gross for singles and \$160,000 gross for couples.   |

## Shared Equity Option (SEO)

## Help to Buy (HTB)

|                                      |  |  |
|--------------------------------------|--|--|
| <b>Purchase price limits</b>         | Purchase price limit of \$750,000 in metropolitan and regional areas.  | Purchase price limit of \$900,000 in metropolitan areas and \$500,000 in regional areas.   |
| <b>Loan term</b>                     | There is no pre-determined loan term. Customers can retain the SEO even after the main home loan has been repaid. However, the SEO must be repaid when the house is sold or refinanced.  | No specified loan term but the customer must repay the HTB Loan when the house is sold, refinanced to a non-participating lender, or their income or financial capability exceeds set limits.                  |
| <b>Loan purpose</b>                  | Established and construction. Not available for land only purchases or apartments/units in buildings greater than three stories.   | Established and new builds, including houses, townhouses, units and apartments. Can buy land if a build contract is signed.  |
| <b>Ongoing eligibility</b>           | The eligibility criteria for SEO only applies at settlement. Customers are not required to repay the SEO if incomes exceed the limit after settlement has occurred.  | Reviews will be undertaken at least every five years to determine ongoing eligibility. If income exceeds the limit post-settlement, customers may be required to repay part or all of the Help to Buy loan.    |
| <b>Number of places</b>              | No set number of places available, although lending must remain within internal policy limits.   | 10,000 places available per annum nationally, equating to approximately 700 for South Australia. The HTB program is expected to run for 4 years unless extended by the Government.                             |
| <b>Assets &amp; retained savings</b> | Customers can retain \$40,000 in savings at settlement. All liquid assets are assessed (cash, shares, term deposits, etc.).  | Financial capability test undertaken – customers with large savings or assets may not qualify for the scheme.  |
| <b>Renovations</b>                   | No requirement to notify HomeStart to conduct renovations. HomeStart will share in any value gains from renovations.   | Housing Australia will not share in the value gains of renovations if customers notify them before commencing renovations over \$20,000.   |
| <b>Voluntary repayments</b>          | Voluntary repayments of \$10,000 or more can be made toward the SEO anytime.   | Voluntary repayments of 5% of the property value or more can be made toward the HTB loan anytime.  |
| <b>Home loan instalments</b>         | For a given home loan amount, initial instalments with HomeStart will often be lower than other lenders, due to our unique calculation method. With the Repayment Safeguard, instalments only change once a year in line with inflation. | The principal and interest home loan with the participating lender has a set loan term, so instalments will change when interest rates change – increasing if rates increase, or decreasing if rates decrease. |
| <b>Opting in</b>                     | Customers can still use SEO even if they have sufficient borrowing capacity through a standard home loan to fund the purchase.   | If customers have sufficient savings or borrowing capacity to fund the purchase without HTB, they cannot use HTB.  |
| <b>Other assistance</b>              | SEO can also be used alongside the Starter Loan to assist with upfront costs, plus the First Home Owner Grant and Stamp Duty relief if applicable.   | When using HTB, some other government programs cannot be used, although the First Home Owner Grant and Stamp Duty relief can still apply.  |
| <b>Approval &amp; timings</b>        | Pre-approvals are valid for 4 months and can be extended once. Settlement can occur once contracts are signed and returned.  | Pre-approvals are valid for 90 days and can be extended once. Must allow at least 30 days for settlement.  |
| <b>Borrowing capacity</b>            | Borrowing capacity for the standard home loan is determined using the multiplier, household income, and other commitments.   | Borrowing capacity with the participating lender is determined using current interest rates, household income, and other commitments.  |