



28 MAY, 2022

What to consider with shared equity loans

Adelaide Advertiser, Adelaide

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TOP TIPS

What to consider with shared equity loans

Learn what a shared equity loan is and how you can use it to your advantage

There has been significant talk lately regarding shared equity loans, and how lenders can help more Australians enter the property market when faced with rising house prices and high inflation.

Shared equity can cover the gap between what you can afford and the cost of a property, so you can buy your own home sooner.

A shared equity loan will boost your buying power, however, there are steps homebuyers should consider before taking the plunge.

HomeStart has been offering shared equity loans since 2007 and its chief executive Andrew Mills has these tips if you are considering this type of loan.

Be clear about what you need in a home

Before you look for a home, think about what sort of home would meet your needs and what you can afford. Have you found the right suburb, considered proximity to schools, public transport, parks, shops or employment? Are you looking for your forever home, or a first home to help you step on to the property ladder? Knowing what you want, or need, could

determine if shared equity can help you achieve your home ownership dreams.

Helping you get into the market sooner

A shared equity loan can help you buy the home you need at the price you can afford. For example, if your budget only allows you to buy a home for \$400,000, but a home valued at \$500,000 would suit your needs, shared equity can cover the difference without increasing your repayments. Your lender becomes your 'silent partner' for the remaining \$100,000.

When do I pay for the shared equity loan?

If you have a shared equity loan, you generally

do not make payments on the shared equity portion of the loan. Instead, when you sell or refinance your home the shared equity portion is repaid, and the lender shares in any gain or loss at that time. This is how the lender earns

money from shared equity, rather than charging interest.

Can you buy out the shared equity portion?

As your circumstances change, whether it be a promotion at work, you find a new life partner or you share your house with a mate, some lenders such as HomeStart will allow you to buy out the shared equity portion. However, some lenders will not. Before taking out a shared equity loan, check the conditions which apply to ensure it will suit your needs.

How will interest rate rises affect your shared equity loan?

Interest rate rises could occur at any time over the next 12 to 24 months, with the Reserve Bank of Australia indicating more are likely. An interest rate rise will impact most loans, however certain lenders will only adjust

repayments annually based on inflation rather than lifting your instalment whenever rates go up. This means you know exactly what your repayments will be for the next year, and don't have to worry about the effect of interest rate rises on your repayments.

Paying out your shared equity loan

Shared equity loans are often available via specialist lenders, brokers, not-for-profit organisations, or a state or federal government, and they partner with you in the purchase of your property. If the value of your home rises, that increase will be reflected in how much you will pay out when you discharge your loan. If



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your property falls in value, both you and your equity partner will share the loss if you choose to sell. Always check the conditions of your loan prior to signing and seek advice.

homestart.com.au

Home Loan Repayments (Fortnightly)

LOAN \$	2%	2.5%	3%	4%	4.5%	5%	5.5%	6%
200,000	391.11	413.94	437.54	486.98	512.80	539.32	566.53	594.40
225,000	440.00	465.68	492.23	547.85	576.90	606.73	637.34	668.69
250,000	488.89	517.43	546.92	608.72	608.72	641.00	674.15	708.16
275,000	537.78	569.17	601.61	669.60	705.10	741.56	778.97	817.29
300,000	586.67	620.91	656.30	730.47	769.19	808.98	849.79	891.59
325,000	635.56	672.65	711.00	791.34	833.29	876.39	920.60	965.89
350,000	684.45	724.40	765.69	852.21	897.39	943.81	991.42	1040.19
375,000	733.34	776.14	820.38	913.09	961.49	1011.22	1062.23	1114.49
400,000	782.23	827.88	875.07	973.96	1025.59	1078.64	1133.05	1188.79
425,000	831.12	879.62	929.76	1034.83	1089.69	1146.05	1203.87	1263.09
450,000	880.01	931.37	984.46	1095.70	1153.79	1213.47	1274.68	1337.39
475,000	928.90	983.11	1039.15	1156.58	1217.89	1280.88	1345.50	1411.69
500,000	977.79	1034.85	1093.84	1217.45	1281.99	1348.30	1416.31	1485.99
525,000	1026.68	1086.59	1148.53	1278.32	1346.09	1415.71	1487.13	1560.29
550,000	1075.57	1138.34	1203.22	1339.19	1410.19	1483.13	1557.94	1634.59

Calculated on a 25 year principal and interest repayment and does not take into account any fees or charges.