

Shared Equity Option

key features

Due to the nature of this loan it is important you are aware of and understand the features of the Shared Equity Option and the additional obligations that are imposed on you.

The Shared Equity Option is designed to increase your purchasing power by up to 33% without increasing your regular loan repayments.

The Shared Equity Option is taken in conjunction with a HomeStart Loan and is only available 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, some 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 total loan and does not incur ongoing interest or fees.

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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 required to make regular payments to your HomeStart Loan (often referred to as the "primary loan").

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

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3. What is "appreciation" and "depreciation"?

Appreciation is the increase in value of your property between the time of purchase and the time of repayment of the Shared Equity Option (refer to section 13 to see how it is applied).

Depreciation is the decrease in value of your property between the time of purchase and the time of repayment of the Shared Equity Option (refer to section 13 to see how it is applied).

The value of your home will be determined at the start of your loan by the lesser of the purchase price and property valuation (conducted by a licensed valuer) and again when you are about to repay the Shared Equity Option (by the sale price or current valuation, whichever is higher). These values will be used as a base to determine how much your property value has increased or decreased.

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4. Why should 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 an indefinite period of time. These costs compound over time – and so HomeStart must eventually receive money to cover the costs that were incurred.

Because you are not paying interest on the Shared Equity Option, 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.

HomeStart has no way of knowing how much the value of the property will increase or decrease at the time the Shared Equity Option is taken out.

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5. 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 with another financial institution 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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6. 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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7. 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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8. 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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9. 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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10. Are there any other fees?

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

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11. 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 at your cost to determine how much the value of the property has increased or decreased from the time of taking out your loan. 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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12. 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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13. 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 (undertaken by a licensed valuer) or sale price, whichever is higher. This will determine whether your property has increased or decreased in value and by how much. 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.

Calculating appreciation or depreciation share

Determine Shared Equity Option percentage (%) allocation for HomeStart

Shared Equity Option amount	\$100,000 (divided by)
Property value / purchase price (lesser of)	\$412,371
Shared Equity Option percentage (%) allocation	24.25%

If the value of your property goes up

Step 1 – Total gain in property value

Property value / purchase price (lesser of)	\$412,371
Property value/sale price (higher of)	\$442,371
Total gain in property value	\$30,000

Step 2 – Determine final payment to HomeStart

Percentage (%) allocation	24.25% (multiply with)
Total gain in property value	\$30,000
Shared Equity payment to HomeStart	\$7,275 (added to)
Original Shared Equity loan amount of \$100,000	\$107,275

Step 3 – Determine your final gain

Final payment to HomeStart	\$7,275 (take away from)
Total gain in property value	\$30,000
Final gain	\$22,725

If the value of your property goes down and you are refinancing or making a voluntary payment or paying the Shared Equity Option in full, HomeStart will not share in the loss.

If you sell the property HomeStart will share in the loss as follows:

If the value of your property goes down

Step 1 – Total gain in property value

Property value / purchase price (lesser of)	\$412,371
Property value/sale price (higher of)	\$382,371
Total loss in property value	\$30,000

Step 2 – Determine final payment to HomeStart

Percentage (%) allocation	24.25% (multiply with)
Total loss on sale of property	\$30,000
Final loss to be paid by HomeStart	\$7,275 (take away from)
Original Shared Equity loan amount of \$100,000	\$92,725

Step 3 – Determine your final gain

Final loss to HomeStart	\$7,275 (take away from)
Total loss in property value	\$30,000
Your final loss	\$22,725

Note: In the event that the property has been neglected or mistreated or you do anything that lowers the value of the property, HomeStart is entitled to amend its share of appreciation or depreciation.

LVR restrictions apply if you wish to payout your Shared Equity Option by refinancing the whole facility into a Standard HomeStart loan.

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14. How does HomeStart calculate its share when I already have equity in my home?

HomeStart does not share in any of the appreciation gained from the equity you have in the property when taking out a Shared Equity Option. The Shared Equity Option percentage is calculated on the property value, therefore HomeStart's Shared Equity Option percentage will be less as your equity in the property is taken into account.

The amount of equity you have will determine the Shared Equity Option percentage - **your loan consultant will explain your individual situation.**

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15. Can I dispute the valuation of the property?

Yes, you can dispute 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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16. What happens if I do not maintain the property or mistreat it?

HomeStart will be entitled to increase the share of appreciation payable, or will not share in any depreciation, in the event that the property has been mistreated or neglected or you do anything that lowers the value of the property.

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17. Be sure you understand the product

In the event of a substantial increase in the value of the property over the term of the Shared Equity Option, the appreciation share payable to HomeStart may constitute a significant amount.

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BEFORE PROCEEDING WITH THIS PRODUCT PLEASE ENSURE YOU FULLY UNDERSTAND THE FEATURES OF THE SHARED EQUITY OPTION. YOU SHOULD SEEK INDEPENDENT PROFESSIONAL ADVICE IF YOU DO NOT FULLY UNDERSTAND.

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 _____ confirm that I have fully 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 ____ / ____ / ____