

# Shared Equity Option (Construction) key features

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This key features description is not an offer of credit. It is important you understand the key features of the Shared Equity Option and the key 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 in connection with construction of improvements to your property.

## 1. What is the Shared Equity Option?

The Shared Equity Option is a loan which allows for HomeStart to share in increases or decreases in the value of your property. The amount of the Shared Equity Option may be up to 25% of the property valuation (prepared on the basis of completion of the funded improvements). This means that when you:

- sell your property;
- refinance your loan; or
- the property ceases to be your principal place of residence;

a portion of the increased value (or decreased) of your property will be shared with HomeStart.

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

## 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" in the value of your property are calculated 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.

Unless you are required to repay the Shared Equity Option you can make payments in reduction of your HomeStart primary loan without paying out your Shared Equity Option.

## 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. HomeStart borrows this money and must pay the interest costs for a period of time until the Shared Equity Option is repaid and HomeStart must eventually receive money to cover the costs that were incurred. These costs are recovered when the Shared Equity Option portion of your loan is repaid by HomeStart taking a pre-determined share in the appreciation of the property. HomeStart also shares the reduction in the property value, if applicable.

## 4. Who owns the property?

You will be the registered owner of the property. HomeStart will register a first mortgage as security for the HomeStart loan and the Shared Equity Option.

## 5. 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.

## 6. Can I make home improvements to the property?

Yes, you can make home improvements to your property (in addition to those funded by HomeStart) 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 percentage of its entitlement to share in any increased value to the property to reflect any subsequent increase in the value of the property as a result of the improvements.

## 7. 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, then HomeStart must be informed.

## 8. 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 in the value of the property.

## 9. How is the pay-out figure calculated?

When the Shared Equity Option is repayable, 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 to which HomeStart is entitled will then be applied to your Shared Equity Option balance to determine the pay-out figure.

## 10. Can I query 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.

## 11. Other fees and charges.

There may be circumstances in which other fees are payable. All fees applicable for the Shared Equity Option will be shown in the credit contract. Other loan set-up fees, such as valuation fees and Government charges, such as registration fees, or restructure fees have not be included. These will be determined after application.

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## Borrower declaration

I declare that I have read this key features guide and the HomeStart Shared Equity Option Target Market Determination and that I fully understand and accept the key features of the HomeStart Shared Equity Option.

Signature \_\_\_\_\_

Signature \_\_\_\_\_

Print name \_\_\_\_\_

Print name \_\_\_\_\_

Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_

Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_

## Loan Consultant declaration

I \_\_\_\_\_ declare that I have explained the key 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<br>(divided by) |
| Property value  | \$400,000                 |
| <b>Shared Equity Option percentage (%) allocation</b> | <b>25%</b>                |

### If the value of your property goes up

#### Step 1 – Total gain in property value

|   |                 |
|---|-----------------|
| Property value                          | \$400,000       |
| Property value / sale price (higher of) | \$450,000       |
| <b>Total gain in property value</b>     | <b>\$50,000</b> |

#### Step 2 – Determine final payment to HomeStart

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

#### Step 3 – Determine your final gain

|                              |                              |
|------------------------------|------------------------------|
| Final payment to HomeStart   | \$12,500<br>(take away from) |
| Total gain in property value | \$50,000                     |
| <b>Your final gain</b>       | <b>\$37,500</b>              |

### If the value of your property goes down

#### Step 1 – Total gain in property value

|   |                 |
|---|-----------------|
| Property value                          | \$400,000       |
| Property value / sale price (higher of) | \$350,000       |
| <b>Total loss in property value</b>     | <b>\$50,000</b> |

#### Step 2 – Determine final payment to HomeStart

|  |                              |
|--|------------------------------|
| Percentage (%) allocation                                | 25%<br>(multiply with)       |
| Total loss on sale of property                           | \$50,000                     |
| Final loss to be paid by HomeStart                       | \$12,500<br>(take away from) |
| <b>Original Shared Equity Option amount of \$100,000</b> | <b>\$87,500</b>              |

#### Step 3 – Determine your final gain

|                              |                              |
|------------------------------|------------------------------|
| Final loss to HomeStart      | \$12,500<br>(take away from) |
| Total loss in property value | \$50,000                     |
| <b>Your final loss</b>       | <b>\$37,500</b>              |

## Borrower declaration

I declare that I have read and understand the HomeStart Shared Equity Option example provided.

Signature \_\_\_\_\_

Signature \_\_\_\_\_

Print name \_\_\_\_\_

Print name \_\_\_\_\_

Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_

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 \_\_\_\_ / \_\_\_\_ / \_\_\_\_