

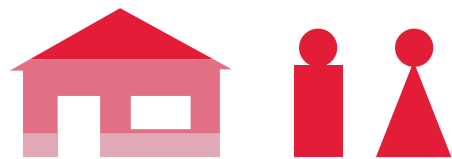


## Family Equity Guarantee or Family Pledge factsheet



Property value = \$500,000

John and Elle have some savings, but not quite enough for a full deposit. They can afford the repayments for the full loan.



Security Support = approx \$100,000

John's parents use their home as additional security to guarantee a limited portion of John and Elle's home, keeping the total borrowed at less than 80% of the combined value of the properties.

- Both loans need to be with the same lender, but your parent's may not need to refinance their loan (if they have one)
- Some lenders will allow you to borrow up to 110% of the value of your property, this is handy to include fees like stamp duty or even consolidate a small loan.
- If you stop making your repayments the lender can ask your parents to take over the repayments on the limited portion, and if necessary they can sell your parents home to recover this amount - so you have to make your repayments!

The benefits to you are:

- Buy your home sooner without needing to save as much money
- Avoid Lender's mortgage insurance and the mortgage insurer's additional rules
- Purchase the property you want, rather than a cheaper one.

The benefits to your parents /family are:

- Guaranteeing a smaller portion than the whole loan
- The guarantee can be lifted when the loan is less than 80 - 90% of the new property value (ie not 30 years)
- Able to help the kids move out of home sooner!

Other ways parents can help

- Gift or lend your kids some money towards the deposit.