

Parent Equity Home Loan

Information Sheet

If you want to buy a home but have little or no deposit, our Parent Equity Home Loan can help. All you need is a family member who is willing and able to guarantee part of your home loan by giving us additional security over their own property, and you will get into your own home sooner!

A Parent Equity Home Loan allows borrowers, especially first home buyers, to:

- borrow up to 100% of the home purchase price,
- borrow up to an additional 10% of the purchase price to cover costs associated with the purchase, and
- either avoid the need to pay for Lender's Mortgage Insurance (LMI) or reduce the amount of LMI that is required.

Of course this depends on how much your family member is willing to guarantee, and you must be able to afford the repayments for the amount you wish to borrow.

We always encourage family members to obtain independent legal and financial advice before they agree to give guarantees in relation to Parent Equity Home Loans.

Specific product features.

- ✓ No deposit or genuine savings is required
- ✓ Borrow up to 100% of the purchase price of a residential property
- ✓ Borrow up to 10% extra at the time of the original loan for costs associated with the purchase of the property, including statutory fees and immediate structural improvements
- ✓ By reducing your LVR, you can avoid paying Lender's Mortgage Insurance
- ✓ Allows the guarantor(s) to be released from their guarantee much sooner than would normally occur[†]
- ✓ Guarantor(s) do not need to have cash available to help a family member
- ✓ The guarantee must be supported by a registered mortgage over a residential property
- ✓ The guarantor(s) must be a parent, parent-in-law or step-parent of the borrower
- ✓ Available on all of our Home Loan products including Investment Loans (excluding Interest Only Loans and All-in-One Account)
- ✓ Fixed and variable interest rates available
- ✓ Loans are principal and interest repayments
- ✓ Can be used for building a residential property
- ✓ Loan purpose must not be debt consolidation or business purposes
- ✓ Package benefits apply if you borrow \$200,000 or more*

Terms, conditions, and normal lending criteria apply. Fees and charges are payable. [†]Provided the borrower(s) are not in default and the LVR on the outstanding loan balance is below 80%. *Package benefits are applicable to the borrower(s) only.

United Community

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Parent Equity Home Loan

Information Sheet (Continued)

How a Parent Equity Home Loan works.

The maximum amount you can borrow to purchase a home usually depends up on what the 'Loan Valuation Ratio' (LVR) would be. The LVR is calculated as the loan amount divided by the property value. The maximum LVR usually available is 80%, which means that the loan can be for no more than 80% of the property value. Sometimes higher LVRs are available if LMI is obtained, but this can be quite expensive and cannot always be obtained.

A Parent Equity Home Loan works by allowing a family member to assist you by giving us a guarantee for an amount which, if subtracted from the loan amount, would result in the LVR being 80% or less.

This means that you can borrow up to 110% of the purchase price and that LMI is not required. An acceptable family member is a parent, step-parent or parent-in-law. The family member must support their guarantee by giving us a registered mortgage over their own property. Their guarantee is limited to a specific amount and we will release them from it when we are satisfied that the LVR has been reduced to at least 80% (because the loan balance has been reduced and/or the value of the home has increased).

<i>For Example:</i>	
Home purchase price*	\$300,000
Borrow 100% of home purchase price	\$300,000
Borrow costs associated with the purchase (up to 10% of purchase price), say	+ \$20,000
Loan amount	\$320,000
Loan Valuation Ratio is	107%
80% of the home purchase price is	\$240,000
The amount that the family member's guarantee must be for is calculated as follows:	
Loan amount	\$320,000
Less 80% of the home purchase price and value	- \$240,000
Family member's guarantee is for[^]	\$80,000

*Example assumes a residential house property located in a metropolitan area and that purchase price is market value.

[^]Plus interest and costs

In this document, the expressions 'the Credit Union', 'we', 'our' and 'us' refer to United Community – A Division of Community CPS Australia Ltd ABN 15 087 651 143; and the expression 'you' and 'your' refer to any person who has obtained a United Community product or service.

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