Which family members can provide a Family Guarantee?

- Parents
- Parents-in-law
- Step-parents

Credit Union SA will consider provision of guarantees by other immediate family members where a guarantee from the above-mentioned family members would not be appropriate.

When can a Family Guarantee be used?

Guarantees from family members can only be provided to assist first home buyers/investors to:

- **purchase a new property;**
- **purchase an established property;**
- **build a new home.**

Where a borrower is entitled to a government grant, the entitlement will not be affected by the provision of a Family Guarantee. Family Guarantees will not usually be accepted by the Credit Union where offered to support borrowings for a second/ subsequent property or for any other purpose.

Member protection

To ensure everyone understands all the ins and outs, we will ask all borrowers and guarantors to be interviewed, either face-to-face or over the phone.

Guarantors **must** also be interviewed face-to-face, separately from the borrowers, either by an accredited staff member or by a solicitor at loan contract signing.

Credit Union SA will give all guarantors prominent notice that:

- you can refuse to enter into the guarantee
- you have the right to limit your liability
- there are financial risks involved
- you should consider the information and documents we provide to you, and seek further information or clarification if required
- you should seek independent legal and financial advice before entering into the guarantee (in some circumstances, we may require that you obtain such advice as a condition of accepting your guarantee).

Applicable loan products

- Discounted Variable Rate Home Loan
- Standard Variable Rate Home Loan
- Fixed Rate Home Loan
- Variable Home Loan Package
- Fixed Home Loan Package

Not applicable for Interest-only loans.

Fees and charges

For other fees and charges, please refer to our current *Home Loan Interest Rates* brochure and *Home Loan Fees and Charges* brochure.

Ready to talk to one of Credit Union SA's home loan lenders?
We'd be delighted to help.

Visit creditunionsa.com.au

Call our Member Contact Centre on 13 8777

Drop in to your local branch

Ask a Mobile Manager

Credit Union SA Ltd
ABN 36 087 651 232
AFSL/Australian Credit Licence 241066

Credit Union SA Centre
Level 3, 400 King William Street,
Adelaide SA 5000
GPO Box 699 Adelaide SA 5001

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Family Guarantee
How it can help you

A Family Guarantee helps homebuyers enter the property market now

The Family Guarantee is a flexible home loan solution which enables first home buyers and first-time property investors with limited savings to enter the property market sooner.

This is achieved by leveraging equity in a family member's property (e.g. parents) or securing a portion of the debt by a term investment fund held with Credit Union SA.

Key benefits for first-time borrowers

The Family Guarantee allows borrowers:

- **to qualify for a loan** to get into the property market sooner;
- **to avoid paying Lenders' Mortgage Insurance (LMI)**, which is typically required where the value of the loan exceeds 80% of the value of the property to be purchased; and/or
- **to increase the amount that can be borrowed** – up to 100% of the value of the property. However, borrowers must provide at least 5% of the purchase price from genuine savings, which has been saved regularly over at least 3 months.

Key features for guarantors

- **Limited guarantee** – the amount of the guarantee is limited to the amount required to achieve a Loan to Value Ratio (LVR) of 80%. The LVR is calculated by dividing the total loan amount by the total security amount (the value of the property to be purchased) to be provided expressed as a percentage.
- **Releasing the guarantee** – the guarantee can be released as soon as the LVR calculated against the value of the property to be purchased is 80% or less. Alternatively, the guarantee can be released earlier if LMI is arranged as a substitute for the security provided by the guarantee.
- **Loan repayments** – borrowers are responsible for repaying the full amount of the loan. Guarantors are only responsible for their part of the loan if the borrowers default.

Family Guarantee
Here's how it works

Mia and Dan are First Home Buyers saving towards the goal of purchasing a property in Edwardstown for $400,000.

They are able to meet the repayments on a $400,000 home loan.

They have savings of $22,000 as a deposit.

This deposit will be used entirely to cover acquisition costs such as Government charges, conveyancer fees, valuer fees, conversion rates, taxes and other fees.

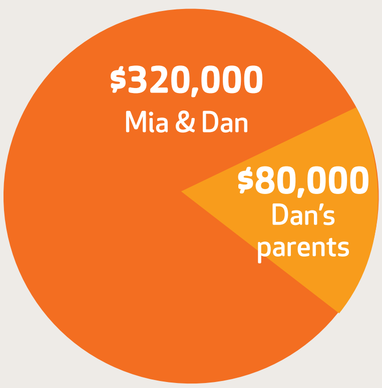
Thus, a loan exactly equal to $400,000 is required to fund the purchase of the property.

1 Mia & Dan have...
$22,000 in savings

which will be enough to cover Government charges and other fees.

2 Mia & Dan want to purchase...
a property valued at $400,000

and can borrow up to 80% of the value. In order to avoid paying LMI they can only borrow $320,000 against that property. They still need another $80,000 to support borrowings of $400,000.



5 **Credit Union SA can now fund a loan of $400,000 without LMI payable**

80% of the loan is supported by Mia and Dan's property, 20% is supported by Dan's parents' guarantee.

In time, Mia and Dan want to relieve the exposure on Dan's parents, by removing them as guarantors on the loan.

6 Mia & Dan later have...
$475,000 property value

This scenario is based on the theory that the value of Mia and Dan's property may increase over time.

LMI is typically required where the value of the loan exceeds 80% of the value of the property to be purchased. Mia and Dan want to avoid this.

So in order to achieve a LVR of 80%, Dan's parents offer their home as security to cover the difference and guarantee Mia and Dan's loan for $80,000.

Mia and Dan can then purchase the property and avoid LMI.

3 Dan's parents agree to...

guarantee $80,000 of the loan

being the remainder required to purchase the property. Dan's parents must have at least $100,000 of equity in their home to support the guaranteed amount ($80,000 divided by 80%).

4 Mia and Dan...

avoid paying LMI, saving them $11,000

– that's a significant saving!

$380,000
100%
Mia & Dan

7 Dan's parents...

guarantee is released

so Dan's parents' property is no longer being used as security for the loan.

8 **The loan now amounts to $380,000**

and is completely Mia and Dan's responsibility. The loan remaining must be no more than 80% the value of the property.