



Summary of a Family Guarantee features & benefits

A Family Guarantee is a type of security that is primarily designed to assist first homebuyers. The guarantee is given by family members (such as parents) and must be secured by a 1st Registered Mortgage over residential property

The guarantee is primarily targeted at, but not limited to first home buyers who are trying to save a large enough deposit and/or hoping to avoid paying Lenders Mortgage Insurance (LMI).

What is it?

- It is a limited guarantee
- available on all home loan products (with the exception of Low Doc)
- must be supported by 1st Registered Mortgage over residential property
- has the effect of reducing the borrowers LVR (Loan to Value Ratio)
- the borrower must be able to service the debt without the guarantors assistance
- can be used as security for Owner Occupied or Personal Investment loans
- provides an alternative to those who want to avoid paying LMI
- assists clients who don't have sufficient savings to cover the deposit for the property
- only one Family Guarantee can support a home loan

How does it work? - Example

- Sarah & John are purchasing their first home for \$350,000.
- They are able to meet the repayments on a \$350,000 loan.
- Sarah & John do not have sufficient savings to cover the cost of the deposit and fees and charges, so would like to borrow 100% of the purchase price.
- Sarah & John would also like to avoid paying Lenders Mortgage Insurance (LMI) and so need to reduce the Loan to Value Ratio (LVR) down to 80%.

A Family Guarantee can help Sarah & John to purchase their first home sooner. With the additional guarantee security from Sarah's parents, the LVR on Sarah and John's loan has **been reduced to 80% which means they can avoid paying LMI.**

Guarantor's obligation

Unlike Consumer Guarantees and Guarantee & Indemnities, the Family Guarantee can be limited to an amount nominated by the family guarantor(s). This amount must be less than the loan amount.

In the event the borrower defaults, the family guarantor(s) may be liable for the amount of the Family Guarantee, not the full amount of the loan.

LVR Calculations & Rules

The limited amount of the Family Guarantee must not exceed:

- 50% of the value of the Guarantor's supporting 1st Registered Mortgage security
- 100% of the face value of the property offered as supporting security
- The family guarantor's overall exposure (including any other debts with the lender or that rely on the security), must not exceed 80% LVR, where the supporting security is a 1st Registered Mortgage.