

FREQUENTLY ASKED QUESTIONS SHARED EQUITY SCHEME

What is equity?

Equity is the remaining value in the property once all liabilities are paid. For example your equity in your home will be the difference between the amount your home could be sold for and the amount that you still owe.

What does it mean to share equity?

This means that you and Housing ACT own a share of the property's value.

You will own the property outright but the interests of Housing ACT will be secured by a mortgage over the property.

This means that both you and Housing ACT will have a stake in the value of the property whatever changes there are to the property value over time.

What is the minimum equity share that I am required to purchase?

You will be required to make a purchase of 70% of the market value of the property.

Can I use a lender other than IMB?

For the Shared Equity Scheme, Housing ACT has entered into an agreement with IMB in relation to this scheme. If you wish to use another lender you can do so under the standard sale to tenant scheme where you pay 100% of the purchase price to own the property.

Will I need a solicitor?

Yes, you will need to find a solicitor to provide you with advice and carry out the legal work involved in buying a home (called conveyancing). Your solicitor can also:

- offer you advice about your legal agreement with Housing ACT and IMB and what your obligations will be;
- help you arrange your mortgage with IMB and Housing ACT; and
- help you with any other aspect of the purchase.

Housing ACT will not sell the property to you unless you have provided Housing ACT with a solicitor's certificate in which the solicitor certifies that he or she has explained all aspects of the scheme with you.

Can I purchase more than a 70% equity stake?

No/Yes. However this will require approvals from IMB and may involve a deposit additional to the \$1,000 paid during the process.

How much can I afford to borrow?

You will need to make your own enquiries in relation to this from IMB. Housing ACT also recommends that you seek advice from an accountant and solicitor.

What costs do I need to consider when purchasing a property?

You will need to consider the costs of repayments that need to be made to IMB and Housing ACT.

You will also need to take into account the other costs of buying a home including:

- a deposit of \$1,000 (i.e. your \$300 application fee payable at Step 2 and the \$700 fee payable at Step 5);
- solicitor's fees;
- mortgage protection insurance; and
- stamp duty.

You should discuss these costs with your solicitor.

If I am eligible for the First Home Owner Grant can I use this to pay my costs?

Yes.

Can I pay monthly repayments to Housing ACT?

No. Repayments need to be made for no less than 5% of Housing ACT's equity share.

Before making a repayment, an independent valuation is required to be arranged to determine

the amount that is 5% of Housing ACT's equity share at that time.

What are my responsibilities as the owner of the property?

You will have full legal title to the property and will no longer be a tenant. For example, as the owner you will be responsible for:

- your legal costs on purchase;
- the insurance of the property (e.g. building and contents insurance);
- all maintenance, repair and insurance costs (not just a percentage based on your equity interest;
- rates; and
- water charges

Can Housing ACT still conduct inspections once I own the property?

Yes. Housing ACT is a mortgagee and this is a standard right of a mortgagee. Housing ACT may exercise this right annually.

Once I own the property, if I make improvements to it, will this be taken into account?

No. Once you own the property, the value of your improvements will not be deducted from the valuation used to assess the amount of your repayment.

What happens if I fall behind in my mortgage repayments?

You should always prioritise your mortgage above all other debts. If you fall behind with your mortgage payments, you may be in danger of losing your home, so it's very important that you take action straightaway.

If you fall behind you should contact IMB and Housing ACT to discuss the situation further.

Can I sell the property?

Yes you can but you must first provide Housing ACT with notice and the Housing ACT may exercise its right to purchase the property from you.

If not, then you may sell it privately or publicly. Before selling the property you must pay Housing ACT its equity share.

How should I find out more about the scheme?

For further information regarding the sale of Housing ACT properties under the Shared Equity scheme please refer to the policy located at www.dhcs.act.gov.au.

For information and advice about mortgages from IMB call 133 662 or visit www.imb.com.au

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Full details with respect to all relevant parties rights and obligations are set out in the applicable agreements.

Housing ACT makes no representations or warranties as to the suitability of any property or this scheme for you.

Housing ACT strongly recommends that you make your own enquiries and that you obtain legal, financial and accounting advice prior to making an application and/or purchasing a property under this scheme.