

STEPS IN THE SHARED EQUITY PROCESS

STEP 1 - REGISTERING YOUR INTEREST

To register your interest in purchasing your Housing ACT home, you must complete the **Registration of Interest Form**. The completed forms can be delivered to Housing ACT as below;

BELCONNEN	CANBERRA CITY	WODEN	TUGGERANONG
Applicant Services Centre Nature Conservation House Cnr Emu Bank & Benjamin Way	City Health Centre 1 Moore Street DROP OFF BOX ONLY	Phillip Health Centre Cnr Corinna & Keltie Sts DROP OFF BOX ONLY	Canberra Connect Shop 17-21 Homeworld Reed St DROP OFF BOX ONLY

Or mailed to; Housing ACT
 Locked Bag 3000
 Belconnen ACT 2617
 Attention; Capital Program Team

Eligibility Assessment

On receipt of your **Registration of Interest Form**, Housing ACT will assess your eligibility to purchase the home and whether the property is available for sale (see criteria on Fact Sheet). If you are not eligible under the scheme and/or the property is not available for sale, you will be notified of this in writing.

If you are eligible and the property is available for sale, you will receive:

- i. An **Acknowledgement letter** confirming your eligibility;
- ii. A slip to take with you to IMB for initial consultation about your ability to finance the purchase which states that you have been deemed eligible;
- iii. A **Proceed with Market Valuation** form; and
- iv. A **Miscellaneous Receipt**, which is used to pay the 1st \$300 **Administration Fee**.*

The **Acknowledgement letter** will include information regarding recent sales activity in your area. This information is derived from the “allhomes” website. You should take note of the sales history advice and carefully consider whether you can afford to proceed with the purchase.

*[*An **Administration fee (\$300) and Assurance fee (\$700)** will be used by Housing ACT to pay for the administrative process and also to subsidise the payment of valuers and other consultants to undertake work related to the sale of the property. The fees will not be refunded to you if you do not proceed; therefore you should consider your ability to purchase prior to making any payments. If you proceed to completion the \$1000 total will serve as a partial deposit and credited to you at settlement].*

STEP 2 - PROCEEDING TO VALUATION

Once you have considered the information regarding average sale prices in your area, have made initial approaches to IMB and are confident you are able to proceed, you should pay the **\$300 Administration Fee** using the Miscellaneous Receipt at any ACT Government Shopfront. You will need to return a copy of the receipt with the completed **Proceed with Market Valuation form** to Housing ACT, by the due date specified in the acknowledgement letter.

On this form you will be required to list all relevant improvements you have made to the property.

When Housing ACT receives the **Proceed with Market Valuation** form including the paid receipt, it will initiate a formal market valuation of the property by one of its qualified independent valuers. The valuer will contact you to make an appointment to gain access to the property. They will compile the valuation report and will send it to Housing ACT.

Advice of Sale Price

On receipt of the Valuation Report, Housing ACT will advise you, in writing, of the sale price. Attached to the letter will be:

- A **Proceed to Reports** form; and
- A Miscellaneous Receipt, which is to be used to pay the \$700 **Assurance Fee**.

STEP 3 - FINANCIAL ASSESSMENT

At this stage you will be required to be assessed by IMB to determine your capacity to borrow and obtain conditional loan approval.

To assist with this process, Housing ACT will notify IMB of the valuation price and provide them with a printout of their rental payments for the preceding 12 months.

Should you wish to proceed, you should pay the \$700 **Assurance Fee** using the Miscellaneous Receipt at any ACT Government Shopfront. You will also need to return a copy of the paid receipt with the completed **Proceed to Reports** form to Housing ACT, by the due date specified in the advice letter.

STEP 4 - BUILDING INSPECTION AND RELATED REPORTS

On receipt of the completed **Proceed to Reports** form including the paid receipt, Housing ACT will arrange for Building, Pest and Energy Rating Reports. The Building Inspector will contact you to make an appointment with you to gain access to the property. The cost of the Building Report (approximately \$850.00) is to be met by you, the purchaser, and is included in the Settlement Statement.

STEP 5 – ACCEPTANCE OF OFFER

When the Building Inspection Report is received Housing ACT will request their Solicitor to prepare a draft contract.

A **Shared Equity Offer Package** will be comprised of the draft Contract including the Equity Loan Agreement, a Deed of Priority and the Building, Pest and Energy Rating Reports; a blank Solicitor's Certificate and Financial Advisor's Certificate; a **Letter of Offer** and an **Acceptance of Offer** form for you to complete and return to Housing ACT, by the due date

specified in the letter. The **Letter of Offer** will confirm the sale price of the house and advise the cost of the building reports, which is the amount to be paid by you at settlement.

Before returning the **Acceptance of Offer** form you:

- must take the contract to your solicitor who will check the contract and other documentation and provide any legal advice relevant to the purchase. *
- provide a copy of the contract to IMB for them to finalise your loan approval.
- must seek Financial Advice about the Shared Equity Scheme and the repayment process. *

*(*A sum of \$300 will be refunded to the Eligible Scheme Participant at Settlement to assist in the costs involved with obtaining these services)*

STEP 6 – SIGN CONTRACTS

When Housing ACT receives the completed **Acceptance of Offer** form Housing ACT will instruct its solicitor to prepare 2 copies of the sale contract in readiness to prepare for Exchange of Contracts.

The Commissioner's of Social Housing (Housing ACT) **Equity Loan Agreement** and mortgage will be included.

IMB will provide you with its relevant loan agreement to you directly.

Your solicitor will be required to sign a **Solicitors' Certificate** which certifies that he/she has explained all of the documents to you.

The Financial Advisor will be required to complete the **Financial Advisor's Certificate** which certifies that he/she has explained the financial details of the Shared Equity Scheme.

STEP 7 - EXCHANGE OF CONTRACTS

When Contracts are exchanged, Settlement should occur within the specified timeframe on the contract (usually 30 days), or penalties may be incurred. No payment is required at Exchange of Contracts as the \$1,000.00 paid during the process will be credited as the 'deposit'.

Ceasing Rent Direct Debit Payments

Two weeks prior to the settlement date you should arrange to cease your rental 'direct debit' payment arrangements with your Bank/Building Society. If the direct debit was initiated by Housing ACT, you will need to speak to your Housing Manager about ceasing the payment arrangements. You may speak to your Housing Manager about any sundry debt that may be outstanding.

STEP 8 – SETTLEMENT

At settlement you are required to pay 70% of the price for the property (less the \$1,000 deposit already paid and, subject to adjustments for land charges and rental payments). You will be responsible for your legal expenses and associated costs relating to the purchase of the property. **This includes Stamp Duty, Mortgage Protection Insurance and Solicitor's Fees.**

Once settlement takes place you become the homeowner and you will no longer have to pay rent. As a Homeowner you will be responsible for making payments usually required by homeowners such as being responsible for all maintenance, rates and water consumption.

POST SETTLEMENT - Repayments

After Settlement, you will be required to make repayments to IMB in accordance with your loan agreements (e.g. monthly repayments). You should make your own enquiries with IMB concerning the amount and frequency of your repayments. IMB will hold a mortgage over your property until all monies owing are paid.

In accordance with the Equity Loan Agreement with Housing ACT you are required to make at least two lump sum payments:

STEP 9 – FIFTH ANNIVERSARY PAYMENT

The Fifth Anniversary payment requires payment of 15% of Housing ACT's Equity share at the date of the anniversary. Housing Act will notify the client prior to the anniversary to arrange an independent valuation of the property.

Eg: At this stage Housing ACT has a 30% equity share then this means that you will need to pay 4.5% (15% of 30%) of the current total value of the property.

For example, if after 5 years the property is valued at \$400,000 this means you will need to pay:

- i. $\$400,000 \times 4.5\% = \$18,000$.
- ii. Housing ACT's equity share will then be 25.5%

The client has 90 days from the date of notice is given until the payment is due.

STEP 10 – ADDITIONAL PAYMENTS

Payments may also be made in instalments of a minimum of 5% of Housing ACT's equity share. To make these payments, you are required to submit a **Notice of Intention to Increase Equity Share Form**. Additional payments of less than 5% of Housing ACT's Equity share will not be accepted.

When this intention notice is received, Housing ACT will arrange for an independent valuation. After receiving the valuation Housing ACT will prepare the **Additional Payment Notice stating** the Additional Payment and the Minimum Additional Payment required.

Eg: Minimum additional repayment will be 5% of Equity which may be \$9,400.00
Client may have shown intent to repay \$10,000.00.
The choice of repayment will be given to the client

The client has 90 days from the date of notice is given until the payment is due.

STEP 11 – FIFTEENTH ANNIVERSARY PAYMENT

The second payment is at the 15 year mark, and will be for the remaining Housing ACT's equity share

Eg: If after 15 years Housing ACT has a 25.5% equity share and the property is currently valued at \$600,000 then you will need to pay:

$\$600,000 \times 25.5\% = \$130,050.$

Housing ACT's equity share will then be reduced to 0%.

All repayments will be calculated as a percentage of the market value of the property **at the time** of making the repayment. As a result, you and Housing ACT will share in increases or decreases in the property value (i.e. share the equity in the property).

Housing ACT will arrange for an independent valuation for each repayment. Your improvements to the property will **not** be deducted from the market value of the property (as they were when the original price for the property was determined).

DISCLAIMER

The material available on this fact sheet is distributed by Housing ACT as a general reference source. Housing ACT makes this material available on the understanding that you will exercise your own skill, care and judgment with respect to its use.

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.