

HomeShare



HomeShare

Information Booklet

August 2011

HomeShare is a Tasmanian Government Affordable Housing initiative funded by Bendigo Bank and available exclusively through Tassie Home Loans





Introduction

This booklet provides information about HomeShare – a Tasmania Government initiative designed to help low and moderate income Tasmanians to buy their own homes.

The booklet covers the most common questions asked by potential purchasers and provides an overview of how HomeShare works.

The booklet is not designed to recommend whether HomeShare is suitable for you. The information in this booklet is of a general nature only and does not take into account your individual objectives, financial circumstances or needs. As with any major financial transaction, we recommend that you take independent advice before deciding whether HomeShare is right for you.

This booklet contains important information about how HomeShare works. It does not replace the Offer to Borrow, Loan Conditions or Mortgage that set out the terms on which the Bendigo and Adelaide Bank Limited agree to lend. Nor does the booklet replace the Agreement that sets out the terms on which the Director of Housing agrees to co-own with you and any requirements you must meet or continue to satisfy.

You should not rely on this booklet as a substitute for the above documents as it is not part of any legal contract for the HomeShare product.

If information in this booklet varies from information in the Offer to Borrow, the Loan Conditions, the Mortgage or the Agreement, then the terms in those documents always prevail.





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How does HomeShare Work?

Often there is a gap between what people can afford to pay for home ownership, given what they earn, and what they must pay for housing, given what it costs.

HomeShare can turn the dream of home ownership into a reality by reducing the initial cost of buying a home and the monthly cost of owning it. In fact under HomeShare you may be pay little more for home ownership than you are presently paying for rent.

HomeShare involves initially sharing home ownership with the Director of Housing, representing the Tasmanian Government. By sharing ownership, you may be able to buy a home that previously you could not afford.

The Director's share must be bought after 15 years. You can do this by buying the Director's share or by selling the house. The value of Director's share will be calculated on the market value of the property at that time. This means as you and the Director share any capital appreciation (or capital loss); the value of the Director's share will most probably be more than the original amount contributed by the Director.

When you buy a home through HomeShare, no rent or interest is charged on the Director's share. However you must pay rates, insurance and maintain the home.

Buying from Housing Tasmania

If you buy a home from Housing Tasmania, the Director of Housing will retain a 25% share in the property and you would buy the remaining share. This means that you would have a 75% share in the property as co-owner with the Director of Housing.

For example, say the cost of the house is \$135,000; you would have to fund 75% or \$101,250 plus an amount to meet fees and charges. As the First Home Owners Grant can be used to cover your deposit and fees, the amount of money needed to borrow is significantly reduced and as a result your monthly loan repayments would be less.

Buying a Newly Constructed Home

If you buy a newly constructed home on the open market, you and the Director of Housing buy the home together.

You will be required to borrow the maximum loan you can afford to repay.

The amount of the Director's share will then depend on the purchase price and the size of your loan. However the Director's share will be capped at 25% of the price up to a maximum of \$50,000.

Where the loan amount would require you to take out mortgage insurance the Director would increase the equity share to avoid that cost, up to a maximum \$50,000.

For example, you are eligible for the First Home Owner Grant; you have \$5000 savings and want to buy a house for \$230,000. Based on your income, the maximum loan you can afford is \$175,000. Allowing for fees and costs, the Director would contribute \$39,000 towards the purchase to buy a 16.9% share in the house. You would buy the other 83.1% share of the house.



How much can you borrow?

You will be able to borrow an amount related to your assessed income(s) and that will allow for the loan to be repaid in full over a maximum of 30 years. Any existing commitments you have such as credit/store cards or car/personal loans may affect the amount you are able to borrow.

Your loan repayments will depend on the amount you borrow, the interest rate applicable at the time and the loan term you choose.

To find out how much you can borrow and to see if you are eligible for HomeShare, contact Tassie Home Loans

Hobart	6224 2733	Launceston	6331 9202
Devonport	6423 1255	Burnie	6432 1055

About the Loan

- All HomeShare loans are funded by Bendigo Bank;
- Tassie Home Loans Pty Ltd arranges and manages all HomeShare loans;
- A deposit of 5% of the property value is required;
- First Home Owner Grant can be used towards the deposit, fees and debt repayment;
- No savings history required, but you must have the ability to make the repayments;
- Fixed and variable interest rates available;
- Interest calculated daily, charged monthly;
- No lender's mortgage insurance;
- No monthly loan account fees;
- Redraw facilities available – not during the fixed interest rate period;
- Repayments can be made monthly, fortnightly or weekly;
- Loan term up to 30 years;
- Additional payments accepted;
- Transactional account rebates on all eligible transactions (personal banking) – refer to brochure from Bendigo and Adelaide Bank Limited.



What other costs are there?

Buying a home involves paying taxes (duty) and a range of fees. The duty payable will be assessed by the State Revenue Office.

If you are buying a newly constructed house on the open market, the duty is fully payable at the time of purchase. If you are purchasing land for a new construction, duty is only payable on the land component. First home buyers may be eligible for a duty rebate.

Also you will need to have a solicitor or a conveyance firm to process the buying of your share. You will receive \$500 assistance towards the costs of conveyance, preparation of the mortgage documentation and the drafting of the power of attorney.

Are you eligible for HomeShare?

To be eligible for HomeShare you must:

- Satisfy the income and asset limits for the scheme
- Be an Australian citizen or permanent resident, living in Tasmania
- Be a natural person at least 18 years old
- Be able to provide a minimum deposit of \$3,000 or 5% of the purchase price, whichever is the greater (the First Home Owner Grant can be used towards the deposit)
- Not own or have an interest in any other real property (land)
- Not be an un-discharged bankrupt or discharged from bankruptcy within three years before the date of application
- Be free of debt to Housing Tasmania
- Not have received previous assistance under Streets Ahead or HOAP
- Be able to pay legal and establishment fees
- Live in the house as your principal place of residence

HomeShare



What income limits apply?

The amount of income you may receive while remaining eligible for HomeShare, depends on your household "type" as shown below.

Household Type		Gross income limit / limit /week	Gross income limit / annum
Adults	Children		
2	0	1,114	57,916
2	1	1,337	69,522
2	2	1,560	81,128
2	3	1,783	92,734
2	4	2,005	104,283
1	0	1,114	57,916
1	1	1,114	57,916
1	2	1,193	62,012
1	3	1,415	73,562
1	4	1,638	85,168

Your income from all sources will be used to determine income eligibility for HomeShare.

If you are eligible for the scheme, Tassie Home Loans will use your income amounts to work out how much you can borrow.



What asset limits apply?

Your financial assets must be no more than \$55,000.

Financial assets are:

- Cash
- Savings
- Shares, bonds and investments
- Lump sum payments other than compensation payments
- Net fixed assets of a business
- Realised superannuation funds

Your normal household (non-financial) assets are not included unless they represent luxury items of a value that would exceed the financial asset limit. Luxury items are household goods and other possessions that are additional to items assessed as reasonably necessary for normal daily living – items such as large yachts, sports cars etc.

What property can you buy?

If you are buying from Housing Tasmania, the house can be an existing house that you may be renting from Housing Tasmania or a “surplus” house that Housing Tasmania offers for sale:.

All “surplus” houses are offered for sale through real estate agents in Tasmania. A listing of properties for sale by Housing Tasmania may be found on the About Housing website at:

<http://www.dhhs.tas.gov.au/services/channels/abouthousing/>

If you are buying a newly constructed home on the open market, the house must be a house which has never been previously occupied as a residence, including occupation by the builder, a tenant or other occupant and the purchase must be the first sale of the house.

What are the benefits of HomeShare?

The benefits of buying a home through HomeShare include:

- The initial cost of entering home ownership is lower as you are required to fund only your share in the home.
- The ongoing cost of home ownership is lower, as you must make repayments on a loan only for your share in the property.
- As the Director of Housing will co-own the house with you, you are not subject to many of the uncertainties that may arise if you co-owned the house with another person.
- For homes purchased from the Director of Housing, you have the option of obtaining an independent building report paid for by the Director.
- You may obtain independent financial counseling, paid for by the Director.
- You control the home, subject to your obligations under the HomeShare agreement.



- You will receive \$500 towards the costs of conveyance and preparation of the mortgage and associated documentation.
- When you buy the Director of Housing's share, the value will be calculated on the market value at that time. Any approved improvements you have made to the property since the initial purchase will be taken into consideration.

Do you pay rent to Housing Tasmania?

No rent or interest is charged on the Director of Housing's share in the home. The Agreement you sign with the Director gives you the exclusive right to occupy the house and enjoy the benefits of home ownership.

You must pay rates, insurance and maintenance on the property.

The only repayments you are required to make are those through your loan contract with Bendigo and Adelaide Bank Limited.

Will you be subject to property inspections?

No. Housing Tasmania does not conduct routine inspections on houses owned under HomeShare. So long as you comply with your obligations under the mortgage and the Agreement, you may occupy the house peaceably and without disturbance by Housing Tasmania.

What if you wish to renovate the property?

You can improve the property at any time so long as you comply with the terms in the Agreement.

Generally, if the work does not require approval from the relevant authority (local council) then you do not have to notify Housing Tasmania, but you might have to notify Bendigo and Adelaide Bank Limited.

If however, the work is major, such as adding a room, and approval is required by the relevant authority, before doing anything else you must obtain approval from Housing Tasmania and from Bendigo and Adelaide Bank Limited.

When the approved work is finished, Housing Tasmania will change the equity share to reflect the increased value through the improvements. For example, adding a bedroom would increase the value of the home, reducing the Director of Housing's share down from 25% and increasing your share upwards from 75%. The Agreement provides for how this equity change is worked out.

Must you live in the property?

Yes. Under the terms of the Agreement and the mortgage, you must occupy the property as your principal place of residence.

You are not to rent out the house. If you have to leave the property (transfer of employment, illness) you must contact Tassie Home Loans to discuss your particular circumstances.



How soon can you purchase the Director's Share?

You can choose to buy the Director of Housing's share at any time. After 15 years however, you must buy out the Director's share. The value of the Director's equity share will be based on the market value of the property at the time when you buy the Director's equity share.

If you have made approved capital improvements to the property, the Director's equity share will have been adjusted downwards. For example, if the market value of the property is \$250,000 and the Director's share is 18% (down from the initial 25% because you had made approved capital improvements), your price to buy out the Director would be \$45,000.

Selling the Property

You may offer the property for sale at any time, provided you first notify Housing Tasmania and comply with the sale process in the Agreement. There is no minimum period of ownership under HomeShare.

If you decide to sell the house, Housing Tasmania may inspect it to ensure that you have maintained it at a reasonable level.

The sale price will be used to calculate the value of the Director's share as described above, provided the sale is independent and at "arms length" to the purchaser.

If the property has been devalued because you have not maintained it properly, the Director may take this into account and adjust the value of the Director's share so that you bear the loss caused by failure to maintain.

If you sell the property through a real estate agent, the selling agent's commission will be your responsibility.

Who undertakes valuations?

Housing Tasmania will arrange to have required valuations done through the Office of the Valuer General, at no cost to you:

- when you buy your initial share in the property
- when you undertake improvements requiring approval
- when you buy the Director's share; and
- before the property is sold as a result of you not meeting your obligations (default).

What are the risks of HomeShare?

The Director of Housing is registered on the property title as the owner of a share in the property; both you and the Director have "shared equity" in the property.

An Agreement is also signed by you, Bendigo and Adelaide Bank Limited and the Director of Housing setting out the rights of all three parties.



Some of the risks of having the Agreement and a HomeShare loan include:

- The Director of Housing will have a power of attorney to make sure your obligations under the Agreement are completed. The Director could:
- Undertake your obligations in connection with, or arising out of, the Agreement
- do anything to complete a sale as if it were a sale by you
- do anything the Director considers desirable to preserve the benefits to the Director under the Agreement
- If you default in observing or performing any of your obligations under the Agreement, the Director of Housing may take action against you.
- If you default in observing or performing any of your obligations under the terms of the mortgage, Bendigo and Adelaide Bank Limited may take action against you. This is no different to any normal mortgage arrangement.
- Property prices can rise and fall over time, therefore the value of your equity may be less than the original purchase price depending on when you choose to sell the property. This also applies to any property purchase.
- Interest rates may rise which could result in increased repayments on your loan. This also applies to any variable rate home loan.

Other important information

You must always hold over the property fire and general insurance equal to the full insurable value. The policy must note the Director's interest and Bendigo and Adelaide Bank Limited's interest.

You must also maintain and keep all existing buildings in clean and serviceable order and occupy the property as your principal place of residence.

The Director of Housing will lodge a caveat over the property to protect the Director's interest and will remove it when you acquire a 100% interest in the property.

If you have any further questions about the information in this booklet please contact Tassie Home Loans on 1800 672 198.