

Family Pledge

Family Pledge allows parents and other family members to use their own home's equity to provide security for a portion of your customer's loan amount. This solution is particularly useful for first home buyers as it reduces the Loan to Value Ratio (LVR) and can also save them a significant amount of money by reducing or even avoiding the need to pay Lender's Mortgage Insurance.

BENEFITS

BORROWERS

Help you reduce or avoid Lender's Mortgage Insurance, saving you money when you need it most.

Maximise the amount you can borrow - up to 100% of the purchase price, and potentially covering extra costs such as Stamp Duty and legal fees.

There are no extra fees for the Family Pledge option. Standard guarantee and legal fees will apply.

GUARANTORS

Can be a new or existing St.George, Bank of Melbourne or BankSA Home Loan customer or the guarantor can even retain their home loan with their existing home loan provider.¹

The Family Pledge guarantee is a limited guarantee rather than a guarantee for the entire loan amount.¹ Proposed loan amount is \$500k. New purchase property value \$500k would require a limited guarantee of \$125k.

Be released from the guarantee when the LVR requirements are achieved. (Provided at the time of the request the repayments for all borrower's loans are satisfactory and, the loan balance (and LVR) is reduced to the level where LMI is not required or where the borrower is prepared to pay a LMI premium).

RISKS FOR GUARANTORS

- A guarantor is liable for the amount specified in the Family Pledge guarantee. Your clients' ability to borrow may be reduced if they agree to act as a guarantor.
- It is a promise to pay St.George, Bank of Melbourne or BankSA the amount of the guarantee. If the borrower does not have the funds to pay St.George, Bank of Melbourne or BankSA, the guarantors house may be sold to recover the debt.
- Your client will need to read and understand the full terms of the guarantee and seek independent legal advice before signing it.

HOW CAN FAMILY PLEDGE BE USED?

ACCEPTABLE

- Home buyers who purchase a property for:
 - Own occupation or investment where the applicants do not have ownership of any other property at time of application or;
 - Own occupation where the applicants have ownership of a maximum of one other property and the already owned property does not have sufficient equity to provide security for the new purchase (without incurring mortgage insurance).

Note: Ownership rules apply at time of application. The percentage of ownership does not impact the above policy rule.

- Borrowers can be supported by a guarantee from any immediate family member - (Parents, brothers and sisters, sons and daughters).
- The required guarantee amount cannot be greater than 50% of the guarantee property.
- We can consider scenarios where the guarantor has existing debts provided there is sufficient equity for both the existing debt and the proposed new loan. (Excludes scenarios where the existing product is a reverse mortgage styled facility).
- Eligible products include²; Basic Home Loan, Standard Building Loan, Standard Variable Rate Home Loan and Fixed Rate Home Loan.
- Acceptable with an Advantage Package.³

NOT ACCEPTABLE

- Owner builder and relocation loans
- Consolidating smaller debts into the home loan.
- A family pledge cannot be added to an existing loan.
- Applications for refinances.
- More than 1 property offered as a guarantee.
- Guarantor contributing income towards paying off loan. (Borrower must demonstrate that they can service the whole cost of the loan).

TALK TO US TODAY



Contact your BDM



Mortgage Central 1300 137 532

For full details on available solutions please visit



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