

**Equity trade-off for bigger home loans**  
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A NEW mortgage has been unveiled that can boost a home buyer's spending power by a quarter, but the lender keeps 40 per cent of any capital gain.

Australia's first shared equity mortgage in mainland capitals was launched by Adelaide Bank yesterday. Under the scheme, up to 20 per cent of the purchase value of a new home is funded by an "equity finance mortgage".

In contrast to a traditional loan, the lender gets 40 per cent of any future capital appreciation, or 20 per cent of any capital losses, on the borrower's property as a substitute for a traditional interest rate.

The home buyer must have a 5 per cent deposit and the remainder of the purchase price - up to 75 per cent - is funded by a conventional home loan.

Dennis Orrock, from the consumer information firm Infochoice, said it was the most innovative product to hit the mortgage market in the past decade. "It's a product that will have a very broad appeal, especially to middle-class families wanting to upgrade to a bigger home or move closer to work or schools," he said.

The chief general manager of Adelaide Bank, Stephen Small, said the product would target first-time buyers lacking the full finances for entry into the home-owner market. "Equity finance mortgages can be used by borrowers to buy homes that are up to 25 per cent more expensive than they might have been able to afford using a traditional home loan," he said.

But the most important market for the new mortgage may be second-time buyers who want to purchase a more expensive property, or existing borrowers who refinance to reduce their monthly loan repayments.

"Equity finance mortgages can also be used to help existing home owners lower their current monthly mortgage repayments by more than 20 per cent, reducing their ongoing debt servicing costs," Mr Small said.

Under the scheme, the equity finance mortgage lender never owns the borrower's property: the borrower always retains 100 per cent legal equity ownership and title to their home. The equity finance mortgage can be repaid in full by the borrower at any time.

Mr Small expects the equity finance mortgage to account for 10 to 20 per cent of its new lending over the next two years.

The new mortgage was developed with a real estate fund manager, Rismark International, which developed and patented the product.

The equity finance mortgage loans are only available to individuals buying a property to live in. About 80 per cent of properties in mainland capital cities will be eligible.

The equity finance mortgage is based on recommendations made to the 2003 Prime Minister's Home Ownership Task Force, chaired by Malcolm Turnbull - who is now the federal Environment Minister - before he entered Parliament.

The governments of Victoria, South Australia and Western Australia have announced shared equity schemes.

Last week Labor's housing spokeswoman, Tanya Plibersek, said it would consider a federal government role in shared equity schemes to assist low-income earners enter the housing market.

