

Equity mortgage revolution
Today Tonight
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It's never been harder to buy a house in Australia, but now a new-style mortgage is offering hope to first-time buyers and investors alike.

Just putting a roof over your head can soak up more than a third of your weekly income, and even then you can't buy where you want because you just can't afford it.

But what if you had a silent partner, who paid 20 per cent of the cost, and you didn't pay one cent in interest on that portion of your loan?

It's called an equity finance mortgage, the latest attempt to make it easier for people to get a foot on the housing ladder.

It works like this: say you need \$100,000 to buy an apartment. First, you get a small deposit of \$10,000 together. Then your equity partner invests 20 per cent, or \$20,000, and you take out a regular mortgage of \$70,000.

You never pay interest on your equity partner's share, enabling you to borrow more than you could have, or keep your repayments much lower.

"Potentially it's the most innovative product to hit the mortgage market in at least the last decade," said Dennis Orrick from consumer advisory group Info Choice.

The only catch comes when you want to sell your house - the silent partner takes 40 per cent of the capital gain.

So if the house you bought for \$100,000 makes \$200,000 at sale time then \$40,000 goes to your equity partner and you walk away with \$60,000, in lieu of never having paid one cent in interest on this added investment.

Equity Finance Mortgages or EFMs will be launched tomorrow (13 March) by the Adelaide Bank.

And it might not be too long before other major banks pick up on the idea.

"We expect these loans to be available to 80 per cent of the population in every mainland capital city," said the EFM's inventor, Chris Joye.

For more information on Equity Finance Mortgages, click here:
www.efm.info