



Government of **Western Australia**
Department of **Communities**



Keystart Home Loans

Shared Equity Home Ownership Loans

Keystart Loans Ltd
ABN: 2700 942 7034
Australian Credit Licence: 381437

Keystart's Role

- ▶ Keystart Loans Ltd (Keystart) is an initiative of the Western Australian State Government and wholly owned by the Housing Authority
- ▶ Our role is to provide home ownership options to people who do not meet the lending criteria of the major financial institutions in Western Australia
- ▶ Keystart provides a stepping stone that allows clients to move from private or public rental into home ownership
- ▶ Transitional lender – ultimate goal is for borrowers to transition to a mainstream lender once they have sufficient equity in the property ~ 15-20%
- ▶ Since 1989, Keystart have assisted over 102,000 Western Australians into home ownership
- ▶ Keystart currently assists 50% of the first home buyer market in Western Australia



What is shared equity (shared home ownership)?

- ▶ Shared equity is a unique home loan option designed to help West Australians on moderate incomes into affordable home ownership. It is a very effective social policy tool for Government
- ▶ Shared equity schemes allow a home buyer to share the capital cost of purchasing a home with an equity partner. In the case of Keystart, the equity partner is the State Government (through the Housing Authority)
- ▶ The shared equity loan products offered by Keystart help reduce the costs associated with becoming a home owner as the upfront costs of buying a property e.g. deposit and monthly loan repayments are lower.



What are the benefits of shared equity?

- ▶ The major benefit of shared equity schemes is that it allows lower income homebuyers to enter the housing market sooner, relieves pressure on demand for Government Housing
- ▶ As the initial deposit and loan will be based on the borrowers equity share not the full value of the property, the loan amount is reduced saving substantial up front and ongoing costs
- ▶ With the shared equity schemes that Keystart provide, the homebuyer takes out a loan to buy their proportion of the property (typically 70%) and the Housing Authority provide the balance of the purchase price. During the loan term the homebuyer can purchase further equity if they can afford to, so that eventually they bring their ownership to 100%
- ▶ Homebuyers can also choose to buy an established property or build a new home depending on which loan product they choose



About the shared equity scheme

- ▶ As the Housing Authority do not charge any rent or interest on their equity share, it is the responsibility of the homebuyers to maintain the property and pay all outgoings such as council and water rates
- ▶ If the homebuyer wishes to sell the property, both they and the Housing Authority will benefit from any capital gains and if the homebuyer has made any capital improvements to the property this will be taken into account when determining the value of their share
- ▶ To protect their interest, the Housing Authority lodge a caveat over the property and the homebuyers are also required to co-sign a Co-owners Deed which sets out the terms and conditions of the shared home ownership loan
- ▶ This ensures that the property can't be sold or refinanced without the consent of the Housing Authority and that there are set procedures for processes such as purchasing further equity, selling the property or making capital improvements to the property



About the shared equity scheme *(Cont.)*

- ▶ To ensure the shared equity scheme is assisting those most in need, Keystart set maximum income limits and property values. This ensures that we provide assistance to those households who require access to affordable home ownership options
- ▶ Keystart also encourage shared equity clients to increase their equity if they can afford to. To facilitate this process, shared equity clients are required to provide Keystart with proof of their income on an annual basis so that we can determine if they have additional borrowing capacity
- ▶ Keystart also encourage homebuyers to transition to another lender once their borrowing capacity increases to the point where they can refinance their Keystart loan and purchase all of the Housing Authority equity
- ▶ In the case of the SharedStart scheme, the Housing Authority also offer discounts on their equity share if the clients purchase this within a specified timeframe.



What shared equity products do Keystart offer?

- ▶ Keystart provides the largest range of shared equity loan products in Australia and has been involved with shared equity schemes for over 24 years.
- ▶ The shared equity loan products we offer include:
 - **SharedStart**
Targeted at households with limited borrowing capacity who wish to purchase a property through the Housing Authority
 - **Access loan**
Helps people with disabilities or who care for a person with a disability
 - **Aboriginal Home Loan**
Assists indigenous Australians in home ownership
 - **Goodstart loan**
Assists tenants in public housing into affordable home ownership
 - **Sole Parent loan**
Helps sole parents retain the family home

