

Allstate Home Loans Pty Ltd

Allstate Review

STOP!
A must read!

First time ever offered in Australia 'Shared Appreciation Mortgage' – A Lending Revolution!

Allstate Home Loans' (Allstate) Shared Appreciation Mortgage (**SAM**) will have a huge impact for customers purchasing a home or for borrowers with existing mortgages wishing to reduce loan repayments. Why? Because it makes residential property in Australia up to 20% more affordable. Alternately customers with existing loans may refinance and reduce their current repayments by up to 20%. Hard to believe? We are very excited about this revolutionary product

and believe existing borrowers and potential borrowers will benefit from reading this article.

SAM is simply a second mortgage loan for up to 20% of the property value. The difference with **SAM** compared to other residential mortgage loans is that there are no repayments during the life of the loan.

The reason no repayments are required is that our lender will derive its return by sharing in the capital gain

when the property is sold. That is the lender is taking a risk that the property will appreciate and provide a sufficient return.

For a 20% **SAM** second mortgage loan the lender will require a 40% share of the capital gain and in the unlikely event of a capital loss a 20% share of the capital loss.

The **SAM** second mortgage is provided with an Allstate first mortgage. When we assess an application for

qualification purposes we only include the loan repayments on the first mortgage as there are no repayments on the **SAM** mortgage. This means more applicants will qualify for loans.

It may also mean reducing loan costs as it may remove the need to obtain lenders mortgage insurance. And it certainly reduces loan repayments compared to borrowing the full amount on a traditional first mortgage.

So, how does it work?

Traditional Mortgage Only

Property value	\$500,000
SAM	\$0
Home Loan (95%)	\$475,000
Deposit	\$25,000
Lenders Insurance (approx)	\$11,000
Monthly Loan Repayments (7.75%)	\$3,068

SAM to reduce costs

Property value	\$500,000
SAM (20%)	\$100,000
Home Loan (75%)	\$375,000
Deposit	\$25,000
Lenders Insurance (0%)	\$0
Monthly Loan Repayments	\$2,422

A saving of \$646.00 per month



- ◆ In the example both loans total \$475,000, in the second example made up of a first mortgage for \$375,000 and the **SAM** second mortgage for \$100,000. Loan repayment calculated on an interest only basis.
- ◆ In the second example there is a saving of \$11,000 on lenders mortgage insurance which would otherwise be required and charged to the borrower.
- ◆ Monthly loan repayments significantly reduced in the second example.
- ◆ In the second example the **SAM** Mortgagee is entitled to receive 40% of the capital gain.



Customer Forms
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You can do all of these things by simply logging onto the Allstate website: www.allstatehomeloans.com.au and follow the prompts. Remember you will need to print and sign all forms before submitting.

Shared Appreciation Mortgage – A Lending Revolution!



You can now pick the home of your choice!

The question is who would benefit from this type of product? Let's consider your circumstance:

Existing borrowers

Existing borrowers may consider refinancing to this facility if they wish to reduce their loan repayments by up to 20%. Any borrower may consider they have more important uses for this cash other than loan repayments. For example if you are building a business or just trying to meet your household expenses. Alternatively, you may have suf-

ficient equity in your property and may wish to borrow more but not increase your loan repayments. How would the refinance work? If your existing first mortgage was 90% of the value of your property we would provide an Allstate first mortgage for 70% of the value of the property and a **SAM** second mortgage for 20% of the value of the property.

First Homebuyers

Prospective first homebuyers that currently do not qualify for the loan amount they require may now qualify. For qualification purposes applicants may qualify to borrow up to 20% more than previously on traditional first mortgages.

First homebuyers will now qualify for a higher loan amount enabling them to look at a better property or

better location or both!

Upgrades

Current homeowners that wish to upgrade may now have up to 20% more borrowing power. This means an up-grader who could previously qualify to buy a \$400,000 property may now be able to buy a \$500,000 property.

Retirees

It may suit retirees whether they have limited income or plenty of income. For example a retiree may wish to provide a lump sum to a family member however does not wish the borrowing or additional borrowing to reduce their current standard of living by having to make loan repayments or additional loan repayments.

Investors

Some of you have signifi-

cant equity in your own property and want to use that equity to assist in borrowing sufficient to purchase an investment property. Unfortunately you may not have been able to borrow sufficient to buy that investment property due to your income situation. You may now qualify by refinancing your existing traditional home loan with this product, thus reducing your home loan repayments enabling you to borrow more for your investment property. Look at this as giving away 40% of your potential capital gain on your home to enable you to get 100% of the benefit on your investment property.



Always wanted the perfect pool!

Questions & Answers

When will the SAM facility be available?

We expect this facility to be available in the next quarter.

What is the maximum borrowing on my home with this product?

We can provide a first mortgage up to 75% of the value of your property combined with a 20% **SAM** second mortgage. Total 95% of the value of your home.

Do I have to do 20% on the SAM second mortgage?

The **SAM** second mortgage may be either 10%, 15% or 20% of the value of your home. Of course this would mean parting with either 20%, 30% or 40% respectively of the capital gain.

What type of property qualifies?

The security property must be an existing residence (no construction) and your home (not investment).

How is the property value determined?

Generally it is the purchase or sale price. If a purchase or sale is not involved the lender will rely on an independent panel valuer.

Does this affect the First Home Owners Grant?

No.

Does the first mortgage have to be with Allstate Home Loans?

Yes.

What happens if I wish to payout the SAM mortgage?

We obtain a valuation and determine the amount of the capital gain. You will then repay the loan amount and the agreed percentage of the capital gain.

For more information about **SAM** please call our toll free number: 1800 101 368 and ask for Peter Allen, or you can visit our website: www.allstatehomeloans.com.au and complete a **SAM** enquiry form.