

A Family approach to Home Ownership

The benefits of Family Guarantees



Entering the property market can often feel like an uphill battle, especially when it comes to saving for a deposit. With ever-increasing property prices, many potential homebuyers find themselves stuck on a financial treadmill, where just as they start to save, the goal seems to move further away.

Thankfully, there is a solution that can help you break free from this cycle: the family Guarantee.

What Is a Family Guarantee?

A family guarantee allows you to leverage a family member's property as a guarantee in place of a deposit on both residential and investment properties. This can include parents, parents-in-law, stepparents, or even siblings. Instead of needing the full deposit yourself, you can use the equity in your family member's home to secure your mortgage.

How Does It Work?

When you utilize a family guarantee, the guarantee will generally cover the deposit amount, which can be up to 20% of the property's purchase price. For example, if you're looking at a property valued at \$500,000, a family guarantee of 20% would equate to \$100,000 secured against your parents' home. This means:

- Your new property provides security for the remaining 80% of the mortgage.
- You will still need to qualify for the full amount of the funds being borrowed. The loan will be assessed on your income only and the guarantor's income and financial position will not be taken into consideration at all in calculating your borrowing capacity.
- The lender will also assess the suitability of the guarantor and so they will be required to provide a similar amount of information as if they were borrowing the funds themselves.
- While a family guarantee reduces the upfront deposit burden, it is a significant commitment that can put both your and your guarantor's property at risk if mortgage payments default.

Benefits of a Family Guarantee

Using a family guarantee can offer several advantages:

- Finance: With the deposit taken care of, you may be able to secure a home sooner.
- Avoid Lenders Mortgage Insurance (LMI): Usually required for loans above an 80% Loan to Value Ratio (LVR), a family guarantee can help you skip this additional expense.
- Increase Borrowing Power: With the deposit covered, it's possible to borrow the entire value of the property—up to 100% of the purchase price and associated costs.
- Eligibility for First Home Owner Grant (FHOG) & Stamp Duty Concessions: Using a family guarantee still gives you access to First Home Owner Grants and Stamp Duty Concessions while still allowing you access to a large range of mortgage options.



■ Potential Drawbacks

While a family guarantee can be beneficial, it's essential to be aware of the risks involved:

- **Putting the Family Home at Risk:** If you default on your loan, your guarantor's property may be at stake, so it's vital to consider all options before proceeding.
- **Lack of Expert Advice:** Consulting a financial advisor or mortgage specialist is crucial to fully understand the implications for the guarantor and ensure informed decisions are made.
- **Narrow Lender Options:** Not all lenders offer family guarantee loans, which can lead to wasted time if you're not guided properly through this process.

■ What's Next?

If you're considering entering the property market, let's discuss how a family guarantee could be the right option for you. We invite you to meet with your parents and chat about the advantages, risks, and steps involved.



Don't hesitate to reach out for personalised advice—our goal is to ensure you have the support and information you need to make informed decisions about your property journey.



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