

Benefits

For the Borrower

- Help you reduce or avoid Lender's Mortgage Insurance, saving you money when you need it most.
- Maximise the amount you can borrow – up to 100% of the purchase price, plus costs such as Stamp Duty and Legal Fees.

For the Guarantor

- Nominate a specific amount that your guarantee is limited to, rather than a guarantee for the entire loan amount.¹
- Be released from the guarantee (provided the borrower is not in default and we would not require Lender's Mortgage Insurance on the then outstanding loan balance under our credit criteria) much sooner than would normally occur.

Use Family Pledge with a choice of home loans.

The Family Pledge option is available for all owner-occupier purchases and first home buyers purchasing an investment property and is available on a range of our most popular home loans.

You can select the best home loan product for your needs from our market leading range, or choose to split your loan to get the benefits of a combination of home loan features and interest rates.¹

¹Conditions apply.

For further information

 www.stgeorge.com.au/familypledge

 **Speak to a St.George home loan expert on 13 33 30**

 **Drop by a St.George branch**



Credit criteria, fees, charges, T&Cs apply. You will be required to seek independent legal advice before offering your home to guarantee a loan. ©2018 St.George Bank – A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL and Australian credit licence 233714. ST90271 0318

Family Pledge



Buying a home is exciting and St.George offers some options to help.

Often when you set your sights on saving for a deposit, many additional expenses crop up; Stamp Duty, legal costs, even moving and furnishing your new home can add to the financial burden. If you're trying to save a large enough deposit to avoid paying Lender's Mortgage Insurance on your home loan, it can be even harder.

St.George Family Pledge option can help. Family Pledge allows for a family member to guarantee **part of your home loan** - while having the peace of mind to set the guaranteed amount.

The result is that you could get into your home faster, with help from your family.

St.George Family Pledge in a nutshell.



The guarantor can use their home's equity to guarantee part of their family member's loan.



There's no cash to pay and you choose the amount



Request to release the guarantee when the Loan to Value ratio requirements are achieved.

With Family Pledge, you can borrow up to the full purchase price of your new property. Keep in mind you will need additional funds to cover the costs associated with buying, such as Stamp Duty and legal fees.

Of course this depends on how much your family member is willing to guarantee, and you must be able to meet the repayments for the amount you wish to borrow.

How Family Pledge Works.

Lender's Mortgage Insurance (LMI) is generally payable on loans where the Loan to Value Ratio (LVR) exceeds 80%. With Family Pledge, you are able to reduce or avoid the added cost of LMI, making the purchase of your home more affordable. Traditionally, when buying a new home or investment property, a LVR is calculated as follows:

$$\text{LVR} = \frac{\text{Loan Amount}}{\text{Property Value}}$$

For example:

If you wanted to borrow \$270,000 (to cover Stamp Duty and other costs, but not LMI) for a property valued at \$300,000.

$$\text{LVR} = \frac{\$270,000}{\$300,000} = 90\%$$

With an LVR of 90%, LMI is applicable, which is an added cost. However, if you were to add a Family Pledge guarantee of \$40,000 as additional security, the LVR on your loan reduces.

$$\frac{\text{Loan Amount}}{(\text{Property Value} + \text{Family Pledge amount})} = \text{LVR}$$

$$\frac{\$270,000}{(\$300,000 + \$40,000) \times 100\%} = 79\%$$

With a new LVR of 79%, LMI would no longer be required, which can be a significant saving.

Risks for Guarantors.

A guarantor is liable for the amount specified in the Family Pledge guarantee. Your ability to borrow may be reduced if you agree to act as a guarantor. It is a promise to pay St.George the amount you nominate to guarantee. If the borrower does not pay the loan, if you do not have the cash to pay St.George if asked, your house may be sold to cover it. You will need to read and understand the full terms of the guarantee and seek independent legal advice before signing it.

Frequently Asked Questions:

Who can be a guarantor?

- Parents, siblings, sons and daughters.

Where is more information available on being a guarantor?

- Please ask for our Information Statement - *Things you should know about guarantees.*