



## COMMONWEALTH BANK LAUNCHES FAMILY EQUITY – A HELPING HAND FOR FIRST TIMERS

**Sydney, Australia, March 29:** In a bid to ease the pressure on first home buyers, the Commonwealth Bank has today launched an innovative range of financing options called *Family Equity* that will allow family members to help them buy their first home.

The *Family Equity* arrangement provides five affordable financing options that range from the family member acting as guarantor providing security towards a loan, to providing assistance with mortgage repayments (an option unique to the Commonwealth Bank), or a combination of these.

Recent Commonwealth Bank/Newspoll research has shown that one in two first home buyers would be comfortable with their parents helping them buy their first home, with 40% saying that the best way their parents could help would be by assisting with the deposit<sup>1</sup>.

The same research shows, on average, first home buyers believe that buying their first home is about five years away, but with their family's support this could become achievable in about three years.

According to Commonwealth Bank's Group Executive Retail Banking, Hugh Harley, *Family Equity* will give more first home buyers the opportunity to enter the property market. It also helps meet a desire of Australians to see their families in a secure financial position, a desire clearly defined in the survey results.

"In reality, most parents really want to help their children on the road to achieving home ownership but are not sure how to go about it. *Family Equity* encompasses a range of financing options whereby parents can give their children financial assistance," he said.

"The Commonwealth Bank is opening the doors for first home buyers with family members who would like to help them in covering their monthly repayments or by providing additional security to obtain the loan they require."

With the increase in wealth through home ownership estimated to be over \$1,000 billion in the five years to 2002, as the largest home loan provider, the Commonwealth Bank recognises the importance of putting home ownership in the reach of today's generation.

Mr Harley said the Commonwealth Bank also recognised that structuring a contract to reflect the help being given would be an important ingredient to achieving the right outcomes for families.

"This might entail a series of regular repayments or sharing capital that can help ensure that funds are returned to assist other members. In a unique development the Bank has designed a set of Draft Forms of Agreement to help families work out what might be best for them. These must be formalised by an independent legal representative," he said.

### **Survey Support and new Stamp Duty payment aid**

The major reasons given by first home buyers regarding why they haven't yet bought a home include not having saved enough for the deposit (60%), not being able to afford the mortgage repayments (53%), and not being able to afford the additional costs like stamp duty (50%).

To help combat this problem, the Commonwealth Bank is introducing a new arrangement on the payment of the Transfer Stamp Duty. Eligible borrowers can now increase their home / investment home loan to cover this cost and the Bank will release these funds prior to settlement.

<sup>1</sup> Commonwealth Bank / Newspoll Family Equity Survey, March 2004



## COMMONWEALTH BANK'S FAMILY EQUITY FINANCING OPTIONS

	<b><u>How does it work?</u></b>	<b><u>Who is it suitable for?</u></b>	<b><u>What does it mean?</u></b>
<b><u>Financing option 1:</u></b>  <b><i>Guarantor providing servicing support</i></b>	Family member is guarantor on the loan and is required to help make loan repayments.	Borrowers who are unable to service the loan (i.e. make the full repayments each month)	Family member is guaranteeing to help make loan repayments. The guarantee is for the total amount of the loan.
<b><u>Financing option 2:</u></b>  <b><i>Second mortgage</i></b>	Family member takes out a second mortgage on the property being purchased.	Borrowers who cannot repay the loan based on their current income and commitments.	Family member gives borrower money to put towards the property purchase and is responsible for the amount of their individual loan.
<b><u>Financing option 3:</u></b>  <b><i>Guarantor providing security support</i></b>	Family member goes guarantor on the loan, using his or her own property as security.	Borrowers who do not have enough security for their loan because the value of the property being purchased is less than the amount of money they need.	Family member is guaranteeing the total amount of the loan.
<b><u>Financing option 4:</u></b>  <b><i>Gift of loan proceeds</i></b>	Family member takes out a mortgage on their own property and gives borrower the money.	Borrowers wanting to reduce the amount of their loan.	Family member is responsible for their individual loan.
<b><u>Financing option 5:</u></b>  <b><i>Guarantor providing security and servicing support</i></b>	Family member provides their property as security and is required to help the borrower make loan repayments.	When the value of the property being purchased is less than the amount of money needed to borrow (i.e. borrower does not have enough security for the loan) and borrower cannot make full repayments on the loan each month.	Family member is guaranteeing to provide security and is guaranteeing to help make loan repayments. The guarantee is for the total amount of the loan.

To apply for a Family Equity financing option, drop into any branch of the Commonwealth Bank and speak to a personal lender, arrange for a Mobile Banker to visit you at home or log onto [www.commbank.com.au](http://www.commbank.com.au). Applications are subject to the Bank's normal credit approval. Full terms and conditions will be included in our loan offer. Fees and charges are payable.

ENDS

*Media contacts, for more information:*

Steve Cookson or Bryan Fitzgerald, Group Corporate Relations  
 Ph: 02 9378 2504 or 9378 2663 / Mobile: 0414 789 649  
 Email: [cooksos@cba.com.au](mailto:cooksos@cba.com.au) or [fitzgeb@cba.com.au](mailto:fitzgeb@cba.com.au)