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Fact Sheet
Family Guarantee

If you can't afford to buy a property alone, enlisting the assistance of family members can be a good option. This can be in the form of a 'cash gift' to use as part of your deposit, or a family guarantee loan. If a cash gift isn't viable, a family guarantee can provide the security that lenders need to approve your loan.

What is a family guarantee?

In most cases, a family member uses the equity in their own home or an investment property to provide security for your loan. This security is typically only for part of your loan amount, to cover the portion you can't afford on your own.

A family guarantee is usually restricted to immediate family, such as parents or siblings, but exactly who can partake varies from lender to lender.

The benefits of using a family guarantee

- This assistance reduces your loan-to-value ratio (LVR), which may be the difference between getting a home loan approved or not.
- If you can reduce your LVR to below 80% with the guarantee, you won't need to pay Lenders Mortgage Insurance, which is a huge saving.
- You don't need to wait until you have saved for a deposit before you purchase, so you can live in your own home and have your money invested in property earlier.

Things to consider

- It typically doesn't cost extra to get a family guarantee.
- If you default on your repayments, the bank will look to your guarantor to make up the difference in what is owed. Guarantors, therefore, usually need to have the capacity to make repayments if necessary.
- As the applicant you can apply for the guarantor to be released from their guarantee when you have paid off the portion of the loan under guarantee, or when there is sufficient equity in your property for you to take on the loan yourself (if the property appreciates in value), assuming there are no other concerns.
- Mixing family and money has the potential to be problematic. Both parties must trust each other completely and guarantors must fully understand their commitment.
- Being a guarantor can affect your future borrowing capacity. Guarantors should get financial and legal advice before signing a guarantee.

How do I apply?

All lenders are different in terms of whether they will allow family guarantees and who can be a guarantor.

Your Mortgage Adviser can advise you on which lenders suit best for your situation.

Need help?

For further information, please talk to your local Mortgage Adviser on (08) 9527 1800.

This sheet provides general information only and is correct as at the document date (28/1/2018). Please refer to your Mortgage Adviser for full details.

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