

## OWNING A HOME IS STILL THE GREAT AUSTRALIAN DREAM.

But for many, buying that home, whether it's your first home or a subsequent one, feels just out of reach. For others, managing home loan repayments can sometimes become a struggle or simply just prevent you from doing some of the things you want to do.

Now there is a new home loan available that can help you reduce your home loan repayments or even purchase a more expensive property than you may otherwise be able to afford. An Equity Finance Mortgage (EFM)<sup>®</sup> works in conjunction with a traditional home loan. Together they let you move some of the expense of a traditional home loan to later when you eventually sell your property. Here's how:

An EFM<sup>®</sup> allows you to borrow up to 20% of a property's value. There is no annual percentage rate applicable to an EFM loan unless you are in default. You are not required to make any regular monthly interest repayments throughout the term of the EFM loan. Instead, when you sell the property or repay the EFM for some other reason, you repay the EFM amount you originally borrowed plus up to a 40% share of any increase in the value of the property.

And while nobody likes to talk about property values decreasing, if this does happen when you have an EFM and you are selling your property, you may not have to repay the full EFM loan amount - a feature unique to an EFM. Read on for some examples of how an EFM can help

### BUYING A HOME - TWO WAYS TO BENEFIT.

Whether you're looking for your first home or a bigger home, an EFM can make the journey easier.

**The break you've been waiting for. Reduce your monthly loan repayments by up to 20%!<sup>1</sup>**

Jack and Adrian want to purchase a home for \$400,000. They have a \$20,000 deposit and sufficient additional funds

to meet most of the costs associated with the purchase, such as stamp duty on the transfer and conveyancing costs. They could borrow \$380,000 using a traditional home loan which would require them to repay \$2,883 per month in regular home loan repayments or they could take advantage of an EFM to reduce their monthly repayments. Here is how an EFM could work for them:

#### TRADITIONAL HOME LOAN ONLY

Property value:	\$400,000
Deposit:	\$20,000
Loan needed:	\$380,000
Traditional home loan (95% of property value):	\$380,000
Lenders Mortgage Insurance premium:	\$7,471
Monthly repayments required:	\$2,883

#### ADDING AN EFM TO MAKE PURCHASING A HOME AFFORDABLE

Property value:	\$400,000
Deposit:	\$20,000
Loan needed:	\$380,000
EFM (20% of property value):	\$80,000
Traditional home loan (75% of property value):	\$300,000
Lenders Mortgage Insurance premium:	\$4,652
Monthly repayments required:	\$2,276

Adding an EFM reduces the monthly repayments required on a traditional home loan by up to 20%.

Example excludes application fees and other fees associated with the loan such as valuation fees, account keeping fees and transaction fees as well as transaction costs associated with purchasing a home such as stamp duty and government fees.

By using an EFM in conjunction with a traditional home loan and agreeing to share any future increases in the value of their property, Jack and Adrian have made their purchase more affordable by reducing:

- their regular monthly home loan repayments by \$607 a month
- the Lenders Mortgage Insurance premium by \$2,819.

For the assumptions used in calculating this example please refer to the back cover of this brochure. Monthly loan repayment comparisons may vary depending on changes to these assumptions.

<sup>1</sup>Based on the example 'ADDING AN EFM TO MAKE PURCHASING A HOME AFFORDABLE' shown in the brochure. Depending on individual circumstances an EFM may not reduce your total loan repayment.

**More home than you ever thought possible.  
Purchase a 25% more expensive property!**

Jenny and Matt are looking to purchase a bigger house in a better suburb to accommodate their growing family. They know that they would have approximately \$75,000 of equity from the sale of their existing apartment – enough to cover the purchase costs and still have a \$50,000 deposit to put towards their purchase. Jenny and Matt can afford to borrow \$375,000 using a traditional home loan making repayments of \$2,845 per month. This would allow them to purchase a home for \$425,000. But by adding an EFM, they can purchase a more expensive home and make the same loan repayments. Here's how:

**TRADITIONAL MORTGAGE ONLY**

Property value:	\$425,000
Deposit:	\$50,000
Traditional home loan (88% of property value):	\$375,000
Lenders Mortgage Insurance premium:	\$5,172
Monthly repayment required:	\$2,845

**ADDING AN EFM  
FOR A MORE EXPENSIVE PROPERTY**

Property value:	\$531,000
Deposit:	\$50,000
Need to fund:	\$481,000
EFM loan percentage (20% of property value):	\$106,000
Traditional home loan (71% of property value):	\$375,000
Lenders Mortgage Insurance premium:	\$6,175
Monthly repayment required:	\$2,845
Adding an EFM allows the purchase of a 25% more expensive home.	

Example excludes application fees and other fees associated with the loans such as valuation fees, account keeping fees and transaction fees as well as transaction costs associated with purchasing a home such as stamp duty and government fees.

By using an EFM in conjunction with a traditional home loan and agreeing to share any future increases in the value of their property, Jenny and Matt have been able to purchase a 25% more expensive home worth \$531,000 and are still making the same loan repayments.

For the assumptions used in calculating this example please refer to the back cover of this brochure.

**ALREADY OWN A HOME? YOU DON'T MISS OUT.**

**Re-invent your mortgage. Free up cash for other purposes.**

Belinda has already purchased a home and has a traditional home loan for \$300,000. She is happy with her house, but would like to be able to afford such things as a private school education for her children or an occasional holiday. By refinancing her traditional home loan and including an EFM, Belinda can reduce her monthly repayments without extending the term of her loan and free up funds to do these things, subject to credit approval by an acceptable traditional home loan lender. Here's how: By using an EFM, Belinda can reduce her monthly home loan repayment by \$546 per month.

**TRADITIONAL HOME LOAN ONLY**

Property value:	\$360,000
Traditional home loan (83% of property value):	\$300,000
Monthly repayments:	\$2,276

**ADDING AN EFM LOAN TO  
REDUCE YOUR REGULAR REPAYMENTS**

Property value:	\$360,000
EFM (20% of property value):	\$72,000
Traditional home loan (63% of property value):	\$228,000
Monthly repayments required:	\$1,730
Refinancing with an EFM reduces the monthly repayments required on a traditional home loan <sup>2</sup>	

<sup>2</sup> Example excludes application fees and other fees associated with the loans such as valuation fees, account keeping fees, transaction fees and lenders mortgage insurance (if applicable) as well as transaction costs associated with refinancing a home loan such as stamp duty and government fees.

For the assumptions used in calculating this example please refer to the back cover of this brochure.

**AN EFM OVER TIME.** In return for the benefits available to you when you take out an EFM, because no annual percentage rate is applicable to your loan (unless you are in default) and you do not make monthly interest repayments during the term of an EFM, you must agree to share any increase in the value of your property with the lender.

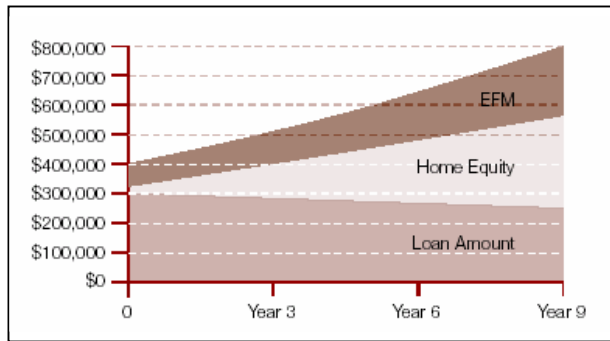
This happens when you repay your EFM. The amount will depend on how much you borrowed in the first place and how much your property value has increased by.




<sup>2</sup> Depending on individual circumstances an EFM may not reduce your total loan repayment.

For example, if your EFM was for 20% of the property's value, you will have to give up 40% of any increase in its value when you sell the property or repay the EFM for some other reason. You will get the major share of any increase in the value of the property.<sup>3</sup>

On the other hand, when it comes time to sell your property, a decrease in value can be a real blow. An EFM allows you to share that loss and reduce the amount you have to repay by up to 20% of the decrease in the property's value. How much will depend on how much you borrowed in the first place and how much your property has decreased in value by.<sup>4</sup> The table at the bottom of the page sets out the percentage of the property value that you can borrow and the corresponding percentage of any increase or decrease in the value of the property you share in the future.

Remember Jack and Adrian - they took out an \$80,000 EFM and \$300,000 traditional home loan to purchase a \$400,000 property. The following graph shows you what they would have to repay, and how much equity they would have in their property at 3, 6 and 9 years if its value increased by 8% per annum. Of course property values may increase more or less than 8% per annum and this will impact the outcomes.



-  This area shows the total amount owing on the EFM including the appreciation payment.
-  This area indicates the amount of equity Jack and Adrian have in their home and will retain.
-  This area shows the total amount owing on the traditional home loan.

For the assumptions used in calculating this example please refer to back page.

## SHARING THE CHANGE IN PROPERTY VALUE.

EFM AS A % OF PROPERTY VALUE	THE SHARE OF ANY INCREASE IN VALUE YOU PAY IN THE FUTURE	THE SHARE OF ANY INCREASE IN VALUE YOU KEEP IN THE FUTURE	THE SHARE OF ANY DECREASE IN VALUE YOU MAY BE ABLE TO SHARE IN THE FUTURE
20%	40%	60%	20%
15%	30%	70%	15%
10%	20%	80%	10%

## AN INCREASE IN PROPERTY VALUE.

To repay their EFM in year 6, Jack and Adrian must repay \$93,900 on top of the \$80,000 they originally borrowed. Jack and Adrian have made a capital gain of \$140,850 and have \$190,646 to contribute towards their next property purchase. They have gone from having 5% equity in their home to 30%.

In addition, they have saved \$43,696 in repayments as compared to a traditional home loan over the same period.

### YEAR 6

Property value at sale:	\$634,750
less original property value:	\$400,000
Capital appreciation:	\$234,750
Original EFM amount (20%):	\$80,000
plus appreciation payment (40%):	\$93,900
Total EFM repayment:	\$173,900
Traditional home loan repayment:	\$270,204
60% of appreciation for Jack and Adrian:	\$140,850
Jack and Adrian's equity after repaying the EFM and traditional home loan:	\$190,646

Example excludes discharge administration fees, government charges and other fees and charges associated with discharging a loan and the associated mortgage.

For the assumptions used in calculating this example please refer to back page.

<sup>3</sup>This may not be the case if you are in default of the EFM terms and conditions.

<sup>4</sup>This may not apply if you are not selling your property and will not apply if you are in default of the EFM terms and conditions.

## REPAYING YOUR EFM WHERE THE VALUE OF THE PROPERTY HAS DECREASED.

If Jack and Adrian's property has decreased in value by 5% from when they purchased, on sale they will be eligible for a depreciation allowance.

Whilst the property will sell for less than they purchased it for, Jack and Adrian are able to share the \$20,000 loss that they would have had to bear under a traditional home loan arrangement.

Because Jack and Adrian are selling the property they will not have to repay the full EFM amount and are \$4,000 better off. This may not always apply, for example if you are in default when the property is sold.

### YEAR 3

Original property value:	\$400,000
less property value at sale:	\$380,000
Capital depreciation:	\$20,000
Original EFM amount (20%):	\$80,000
less depreciation allowance (20%):	\$4,000
EFM less 20% of depreciation:	\$76,000
Traditional home loan repayment:	\$286,832
Jack and Adrian's equity after repaying the EFM and traditional home loan:	\$17,168

Example excludes discharge administration fees, government charges and other fees and charges associated with discharging a loan and the associated mortgage.

For the assumptions used in calculating this example please refer to back page.

**WHO IS ELIGIBLE?** To be eligible for an EFM, you must:

- be an individual or be borrowing jointly with one or more other individuals – you cannot be a company or a trust
- not require the support of a guarantor
- secure the EFM with your owner occupied property which must be in an acceptable location and of an acceptable type
- have a 5% deposit to put towards any home purchase.

## HOME IMPROVEMENTS WITH AN EFM.

Home renovations are not out of the question when you have an EFM.

You can benefit from an increase your improvements add to the value of your property by asking for that amount to be taken into consideration later when your EFM repayment amount is calculated. This happens when you sell the property or repay the EFM for some other reason provided your improvements were approved before they commenced. The amount you spend and the value of your property must increase by at least \$20,000 before approval for your improvement may be obtained.

## BORROWING IN THE FUTURE.

Having an EFM won't stop you from accessing the equity that builds up in your home over time for other things like renovations, putting a deposit on an investment property or purchasing a car. You won't be able to increase your EFM loan amount, but subject to all the necessary approvals, you can increase the amount you owe on your traditional home loan or refinance it to another loan.

“ AN EFM ALLOWS YOU TO BORROW UP TO 20% OF A PROPERTY'S VALUE. YOU PAY NO INTEREST AND MAKE NO REGULAR REPAYMENTS. ”



## YOUR PEACE OF MIND. With an EFM you:

- Have full title to the home - it remains in your name.
- Only have to repay it if:
  - you sell your property
  - the EFM gets to the end of its term
  - the property passes to your estate
  - your property changes hands for any other reason
  - you are in default.

Of course you can refinance your EFM or repay it early, the choice is yours, but you will not be able to share in any decrease in property value at the time.

And don't forget, except in extreme circumstances (for example if your property is destroyed and is uninsured or if you are in default), you will always get minimum 60% of any increase in the value of the property.

## WHAT DO I DO NOW?

- Schedule an appointment with one of our lending consultants who will talk you through the product and application process and help you submit your form.
- Arrange for us to have your home valued by an independent valuer.
- Discuss your intention to obtain an EFM with your legal representative and/or an independent financial adviser.
- Sign all required documentation and once approved we will provide you with the EFM.

### Assumptions for examples.

This brochure contains examples and graphs that illustrate the financial impact of using EFM loans. They do not represent what will actually happen for any loan that you may take as property prices, interest rates and other circumstances will change. The examples and graphs are formulated based on a set of assumptions outlined below. These assumptions are not forecasts or predictions and may or may not reflect actual events. Each example assumes that the EFM is for 20% of the property's value at the outset, has a 0% interest rate and that no default interest is payable. The actual EFM may be for less than 20% of the property's value and the outcomes may vary considerably if default interest becomes payable. All examples of how any increase in the value of the property is shared assume that the value of the property has increased by an annual nominal rate of growth of 8%. This is based on estimates of historical median rates of capital growth attributable to Australian residential real estate over the period 1986 to 2005. Actual rates of growth may be greater or less than this number.

If the example contains a traditional home loan comparison, it assumes that the traditional home loan interest rate is 7.80% p.a., the loan term is 25 years, all principal and interest payments are made on time, the only repayments made are the required repayments - that is no additional repayments or redraws are made, and no event of default has occurred and default interest is not incurred at anytime during the life of the loan. The actual traditional home loan term and interest rate may be greater or less than these assumptions and individual circumstances such as additional repayments may affect the outcomes considerably.

If the example contains Lenders Mortgage Insurance, the premium payable is based on rates effective for the relevant product as at the date of this booklet.

Assumptions specific to an example are detailed in the example. Numbers may have been rounded to the nearest thousand or one percent where relevant. Fees and charges other than those mentioned in the examples such as application fees, valuation and legal fees, conveyancing fees and stamp duty on the purchase of a property are payable. These will vary depending on the individual circumstances.

This brochure does not take into account your personal objectives, financial situation or particular needs. You should obtain a copy of the "Equity Finance Mortgage Disclosure Document" and the "Equity Finance Mortgage Terms and Conditions Booklet" and consider them before making a decision about whether to acquire an Equity Finance Mortgage. A copy of the "Equity Finance Mortgage Disclosure Document" and the "Equity Finance Mortgage Terms and Conditions Booklet" can be obtained by calling your lender.

All information is correct as at 01/02/2007 and is subject to change.

Fees, charges, terms, conditions and lending criteria apply. Full details are available on application. EFMs are arranged by Rismark International Funds Management Limited ABN 15 114 530 139. AFS licence number (293881) (trading as Rismark International). Permanent Custodians Limited ACN 001 426 384 is the lender.

ARES Capital Management Pty Limited's intellectual property relating to the EFM product is protected by Australian Innovation Patent No. 2005 100 871, 2005 100 869, 2005 100 868, 2005 100 867, 2005 100 865, and 2005 100 864.

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