



Home Loan Guide.



The Mortgage Experts





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ABOUT YOUR LOANSEEKER BROKER



www.loanseeker.com.au

Loanseeker is a growing Australian retail finance brokerage whose advisers are experts in action, passionate and independent. Loanseeker's team will help you find the most suitable home loan for your situation, every time. Loanseeker's brokers have an insider's knowledge of the best home loans available on the market. All of our brokers and services are accessible via our national contact centre 03 93984862 or by visiting us at www.loanseeker.com.au.

Why use a Loanseeker broker?

Mortgage brokers play a vital role in the home loan market. They are experts in the loan process and will help you obtain a loan for a home, investment or other commercial purpose. By engaging a Loanseeker broker, you get an efficient and cost-effective service from someone who can assist you in researching, organising, and negotiating the loan that will best suit your lifestyle and financial situation. Your Loanseeker broker's role is to act as an intermediary between the lenders and borrowers, ensuring that you get the best possible loan. They will help you discover the most competitive loan for your needs, and guide you through every step of your loan application. Overall, they aspire to help you save money, figure out a suitable loan structure, and secure the best deal.

Service for no charge.

The services of a Loanseeker broker when advising on residential loans is free of charge. Their entire service which should include: advising and giving you information on loan products, negotiating the loan on your behalf, and managing your paperwork through to settlement, is provided at no charge to you.

Qualified and experienced

Loanseeker Brokers have been recruited on the basis of their qualifications and the experience they have in the mortgage industry. Don't be afraid to request references from previous clients if you wish. All Loanseeker brokers are members of a professional mortgage association such as the MFAA or FBAA, and are members of an external dispute resolution scheme. Ask your broker how they comply with the Privacy Act, so that they will maintain your personal and financial details securely.

Understanding your situation

The initial meeting should begin with your Loanseeker broker familiarising themselves with your entire financial situation, and your future plans. To assist the broker in doing this, ensure that you have your key documents with you when you visit them, as this knowledge will help them find loan products that fit your lifestyle, whilst ensuring that it provides you with flexibility for any future changes.

Make buying your new home easy

Once your Loanseeker broker has a good understanding of your current and future financial situation, they can begin explaining the wide range of loan options available from a host of different lenders.

They should be able to outline the various loan products in plain English, as well as explain the loan process from application to close including the documents required through the process.

In addition they will go through all associated costs, disbursements, and fees of the loan application and give you a written schedule.

Home Loans - An introduction?



Types of home loans

As a buyer looking for a home loan, there are many options for you to consider in order to find a loan that suits your lifestyle and budget. These include the size of your loan, type of property you are hoping to buy and the deposit that you have.

There are many resources available that can provide you with information to help you make this decision. This booklet has been written specifically to help you get a better understanding of available options in the loan market and provide you with knowledge to assist you in making your decision. It will also direct you to a reputable broker to help you with your research and negotiate on your behalf.

There are a large variety of home loan options supplied by different financial institutions, which include non-bank lenders, building societies, and credit unions as well as local and international banks. This has resulted in an extremely competitive home loan market, with a huge range of home loan options for the home buyer. There are also rate considerations such as honeymoon rates, introductory rates, standard variable rates, fixed rates, redraw facilities, and line of credit loans to name a few. The following section outlines the various features and types of home loans you are likely to see when considering a home loan.

FIXED RATE LOANS

Fixed rate loans allow you to fix your interest rates and repayments for an agreed period of time and are typically set for 1 to 5 years. At the end of the fixed term period, the loan will typically revert to a variable loan or you may choose to roll over for another fixed term at the rates applicable at that point in time..

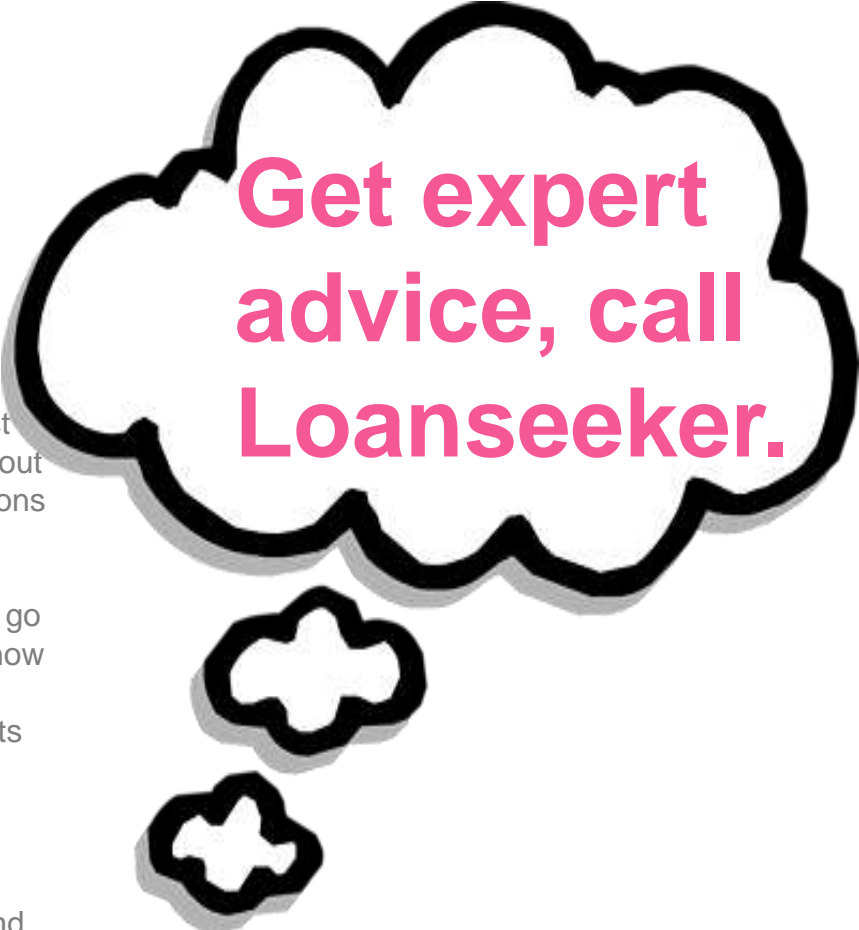
VARIABLE RATE LOANS

A variable interest rate loan means the interest rate charged by your lender may vary throughout the life of the loan according to market conditions and indicators such as the Reserve Bank of Australia's Cash Rate. In other words, the repayments associated with the loan can also go up or down at any time. Many variable loans now offer a wealth of features such as an offset account or the ability to make extra repayments and redraw funds. Some institutions also offer basic or 'no-frills' variable loans with a lower interest rate but fewer features.

The standard variable interest rate is a 'benchmark rate', which is quoted by banks and lenders. These rates are not what customers usually pay, as they are typically only referenced rates.

Depending on the size and chosen features of your loan, if you decide to choose a variable interest home loan, a lender will generally offer you a discount on the variable rate anywhere between 0.10% and 0.70%, depending on the size and features of the loan.

A popular variable interest rate loans is the basic variable rate loans, which often features a lower interest rate, but has limited features, and an option to redraw at a f



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LOAN TYPES

HONEYMOON LOANS

Honeymoon and introductory loans offer you a lower interest rate, discounted from the standard variable rate at the beginning of your loan. They are usually variable rate loans that only last for a short 'introductory' period of around 1 year although the term can vary from 6 months to up to 3 years. Sometimes these rates may be fixed or capped during the agreed time period. Once this period of time ends, the applicable interest rate will then revert to a higher standard variable rate

BUILDING & CONSTRUCTION LOANS

If you're building a new home or planning major renovations to your existing home, a construction loan is generally the most appropriate funding option. The major difference between a construction loan and a standard home loan is that in the case of a construction loan the loan is usually drawn down in stages. Payments (or draw downs) coincide with the initial purchase of the land followed by a number of key construction stages. This type of loan is ideal for building, as you only pay interest on the amounts you have drawn down.

SPLIT LOANS

Split Loans Split loans are comprised of multiple portions which can include a variable, a fixed, or a line of credit split

LOW – DOC LOANS



Low documentation loans In contrast to employees, self-employed or small business borrowers do not have regular income streams and may not be in a position to provide the current financial information required by lenders. Those without full documentation may find it more suitable to access a 'low doc' loan.

Documentation required for low doc loans will differ across lenders and can typically include:

- Borrower Self-Declaration of Income
- Accountants Certified Letter (to verify personal/business solvency and trade position)
- 12 months of Business Activity Statements
- 3 months of Business Account Statements

All prospective self-employed borrowers must have a current ABN which is GST registered. The ABN must also have been active for at a period between 6 months and 2 years depending on the lender

LOW – DOC FEATURES

Features of low documentation or non-conforming loans Commonly low-documentation and non-conforming loans tend to have higher interest rates and this rate of interest will be influenced by the lender's risk evaluation. The variation in interest rates can be up to 2-4% higher than a traditional loan, and the exact rates will be dependent on your loan assessment. Most low-document and non-conforming loans include aspects of both variable and fixed-rate loans. Loan features offered to both home buyers and residential property investors are now quite common, and include such services as redraw and 100% mortgage offset on standard variable and fixed-rate products.

BORROWING LIMITS

Borrowing limits An important consideration is the LVR (Loan-to-Value Ratio) restriction placed on low-doc borrowers by lenders. Typically the restriction is 80% permitted with a requirement for Lender Mortgage Insurance (LMS), or 60% if LMS is not obtained; in this case, LMS is payable by the borrower. Once a borrower is required to take out LMI, they will be subject to a series of credit assessments upon which more supporting documentation may be required.

LINE OF CREDIT LOANS

Line of credit and equity loans Line of credit or equity loans are loans which lenders offer you a specific credit limit that is secured against a registered mortgage over a residential property. People access these loans for a number of reasons including for renovations, investments or to purchase other properties. Usually, minimum interest repayments are necessary each month, with the principal repayments not usually required. Interest is only charged once the credit is drawn

LOW – DOC FEATURES

Features of low documentation or non-conforming loan If you're able to verify your income and assets through the provision of financial and other related documents, you may be eligible for a more cost effective full documentation loan option. These documents will help prove to lenders your ability to repay your loan. Most of the documents listed below should be easily accessible, especially with some assistance from your accountant.

Documents that are typically required to verify your income stream:

- Financial statements (profit and loss statement, balance sheet) for the last two years
- Business and personal tax returns for the last two years
- Other documents which may be helpful in your credit assessment include those outlining your current personal & business commitments such as loan statements and details of facilities required for refinancing
- Payslips, bank statements



Choose the right features?

Loans Features

To repay your mortgage at a quicker rate, therefore reducing the amount of money you spend on a loan, you need to choose the right home loan features and also secure a good interest rate. You will find that a more flexible loan will mean a higher interest rate, which will increase your interest repayments. For example, someone who chooses a variable loan with a variety of features including redraw against additional payments or offsetting your savings will typically attract a higher interest rate than that of a basic loan

Offset Accounts

An offset account is an account or loan split that is connected to your loan and reduces the interest on your loan account. The funds can then be used to offset your loan and reduce the amount of interest paid. It is especially convenient for those with loans from financial institutions that they bank with, and those who are paid on a monthly basis. For instance, if you have borrowed \$500,000 and you have \$50,000 in your offset account, the interest charged will be on a sum of \$450,000, even though your principal is \$500,000

Construction Loans

During the construction phase, certain features may not be available. For instance, the redraw facility may be utilised whilst your payment frequency may change. However, at the completion of construction, all features of the loan will come into full effect

Comparison Rate

Comparison rates help you identify the real cost of your loan, allowing you to make comparisons between loans relatively easily. It differs from your loan interest as it takes into consideration other costs that you will have to pay when you take out a loan, such as other fees and charges

Limited Guarantee or Equity Loans

A limited guarantor loan, or an equity guarantee loan, is a loan that allows family members to assist you with your home loan by guaranteeing a part of that loan. Family members 'pledge' to aid the borrower either by acting as a guarantor for the loan, thus providing extra security, or by assisting with repayments

Choose the right features?

Additional Repayments

If you think you will have access to additional cash or income, you should ensure that your home loan has an additional repayments feature. This will allow you to use any extra cash to lower your principal which will also reduce the interest paid. Most lenders will allow you to withdraw those extra payments through a redraw facility.

Loan Portability

A portable loan means that you can transfer an existing loan to another property without refinancing, saving you time and money on application and legal fees. However, portability does not permit you to change lenders.

Loan Redraw

Redraw facilities allow you to make extra repayments on your loan and also to access these funds without any explanations to your lender. However, some lenders charge a fee for every redraw and also sets a minimum redraw amount.

Top Up

A loan top up allows the borrower to increase the limit on their existing loan, without having to acquire additional financing through other sources.

Repayment Holidays

Repayment holidays are offered by some lenders, allowing you to take full or partial periods off your mortgage repayments. This may reduce the pressure on borrowers whose finances are stretched through difficult circumstances such as unemployment or maternity

Direct Salary Crediting

Salary credit permits you to direct your salary into your home loan account, reducing the principal owed. As interest is calculated daily, this salary credit will reduce the interest paid and is particularly useful for couples with second salaries. It is also a convenient way to make your loan repayments.

Switching Feature

The switching feature permits you to switch from a variable rate to a fixed rate of interest, and will suit you if interest rates are unstable.

Professional Packages

Professional packages are loan 'bundles' offering borrowers discounts on interest rates, ongoing fees, and reduced application and establishment fees, subject to loan size.

Interest Only Loans

Interest only loans tend to be short term loans ranging from one to five years and are often used by investors. On these loans only the interest portion of the loan is repaid with the principal remaining unchanged during the 'interest only' term

Costs of Buying a Home

Most buyers should take into account the following fees when purchasing a property.

State taxes, duties and fees

Stamp duty, mortgage registration, mortgage stamp duty and registration fees are State based and are applicable in accordance with the laws of the State in which the property is located. Stamp duty is applied in all States, although different State Governments have different ways in which they calculate these fees. Note that some States have different exemptions or reductions on stamp duty which may be applicable. Your mortgage broker will be able to discuss these with you.

Lender fees

Depending on your specific application, different fees may be applicable to your loan which can be negotiated. Sometimes, these fees may be waived or reduced. However, you should be aware that most lenders that waive up-front fees will offer you a higher interest rate or higher ongoing fees. Ensure that you are aware of the fees in your loan search and that your broker negotiates where possible, so that you can factor these costs into your budget. As fees may differ by lender and product, it's difficult to provide guidance on what each fee may be.

Some of the common fees include:

- Loan application and establishment fees
- Service and valuation fees
- Legal and account transaction fees
- Break costs

Legal fees

Solicitors or conveyancers are usually engaged to assist you with property exchange paper work and to help you legally settle your purchase. Legal costs depend not only on the State you live in, but also influenced by the property's value. As a general guide, these costs can range from \$1000 plus disbursements to over \$3000, so it is useful to get different quotes.

Building inspection reports

A building inspection report may be a condition of a loan approval. However, it is recommended that all potential buyers undertake a building inspection of their chosen property. Typically, inspection reports start from \$250.

Pests and termite inspections

Pest and termite inspections are not legally required or a condition of loan. Again, it is highly recommended that one is undertaken before a purchase is made, and may cost you \$200-\$400.

Other expenses

There are a number of other costs involved with your purchase, which are dependent on your own situation, for example utility connection costs, telephone connection costs, strata costs, and insurance. You should consider these smaller items in addition to other costs.



Proof of identity

- Passport/ Visa/ Citizenship Certificate
- Drivers Licence
- Marriage Certificate
- Medicare Card
- N.B. Your ID documents may need to be certified

Income

- Two most recent payslips (incl. with yours and your employer's name)
- Letter from employer detailing your position, commencement date, gross base wage, gross income YTD, signed and dated on company letterhead.
- Copy of employment contract
- Most recent PAYG summary
- If self-employed, last 2 year's full tax returns and assessment notices and financial statements - personal/ trust/ company
- Centrelink Statements
- Centrelink Entitlement Letter
- Proof of existing rental income - tenancy agreement, agency statement
- Proof of proposed rental income - rental estimate letter from agent

Liabilities

- Most recent statement for all credit cards
- Most recent statement for all personal loans, leases etc.
- Copy of loan statements for 6 months on any existing mortgag

Other

- Copy of contract of sale for property being purchased
- Home Insurance certificate for all properties owned
- Copy of plans, specifications and fixed price contract (construction/ renovations)
- Cheque for establishment fees if required



**We have expert brokers
ready to help!
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