THE PATH TO PURCHASE
10 Things to Know

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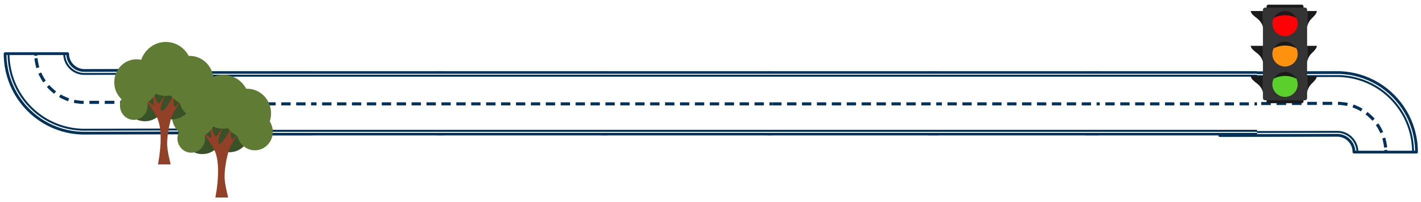
1

What is Lenders Mortgage Insurance?

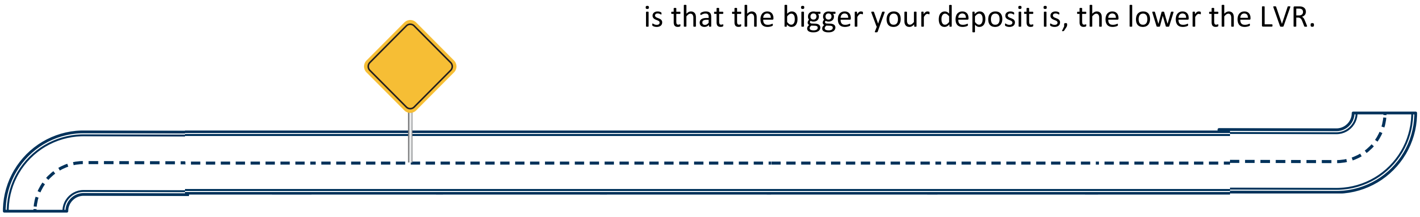
Lenders Mortgage Insurance or LMI is a one-off payment (if you borrow more than 80% of your home's value) added onto your home loan, which helps you purchase a home with a smaller deposit. It's an insurance policy that protects the lender against any loss they may incur.



2

What is a Loan to Value Ratio? (LVR)

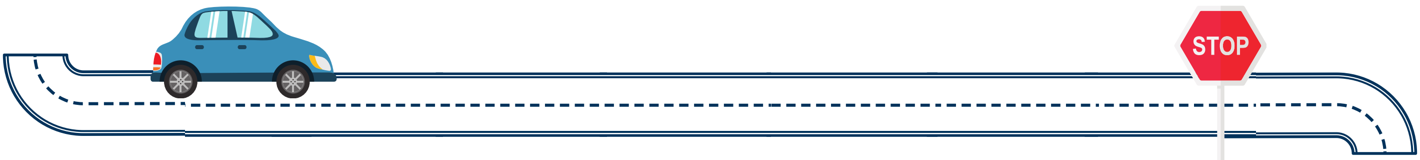
LVR is the percentage of the asset amount that you're borrowing over the total value of the property you are purchasing (loan amount/property value = LVR). A good rule of thumb is that the bigger your deposit is, the lower the LVR.



3

Do I have to pay stamp duty?

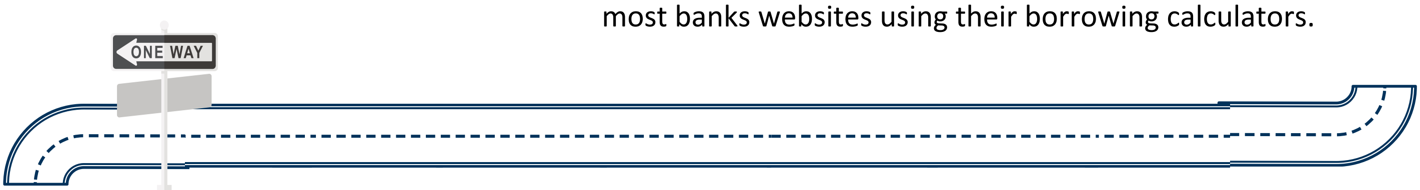
Stamp duty is the amount of tax that you pay on a property purchase. Some buyers can get caught off guard with this fee as they do not consider it when creating their budget. The amount of stamp duty you will pay depends on the price you paid for the property.



4

How much can I borrow?

Based on your income and expenses, you can work out how much borrowing power you have and the amount you might be able to borrow when needing to purchase your property. All banks have different stipulations and borrowing limits; however, you can estimate off most banks websites using their borrowing calculators.



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What deposit do I need?

Generally, most banks recommend that you deposit at least 20% of the property purchase price. The higher the deposit, the less risk you will oppose to the lender. Most banks will accept a lower deposit; however, you might be required to pay LMI and be considered a more high-risk borrower.

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6

What is an offset account?
An offset account (everyday/transaction account) is linked to your home loan. The account balance or proportion of that balance is ‘offset’ daily against your home loan resulting in only being charged the difference between the loan balance and the amount offset; therefore, the lender is charging you less interest.

7

Should I have a fixed or variable loan?
A fixed interest rate loan is where the interest charged on the loan will remain set for the entirety of the fixed-rate period of the loan no matter what is going on in the interest rate market. A variable interest rate loan is a loan with an interest rate that can change over time. Choosing the right loan is essential to ensure you save money over the long term. You can swap between the two; however, costs may incur if you break the interest agreement before the end term.

8

What’s a guarantor, and who can do it for me
A guarantor on a mortgage is a person who provides an extra level of security for a home loan (parent, sibling or grandparent). This person is responsible for paying back the loan if you cannot. They need to have a stable income, good credit score and offer equity as security.

9

What is the process to get approved and settled?
These are the typical steps from application to settlement: Conditional pre-approval, Property Valuation, Apply for the loan, Unconditionally approved, Sign the documents, Settlement and move in.

10

When should I engage a solicitor or conveyancer to act on my behalf?
We advise you to engage with one of these professionals after finding the property you are interested in, and the real estate agent provides you with a copy of the sales contract.

For all your mortgage loan questions, please feel free to contact us at:

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