look smart
be smart
buy smart

are you onto it?

the insider's guide to home loans

X inc.

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THE INSIDER'S GUIDE TO HOME LOANS

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insider’s guide

INSIDER’S GUIDE TO HOME LOANS

1

how do home loans work?

The ultimate insider's guide for everyone

Home Buyers, Investors, Retirees, High Income, Low Income and Self Employed

Choosing a Home Loan

Choosing the right lender and home loan product is something you should do before you buy your property. That way you will be sure you're getting the best value and most appropriate deal for you.

There are literally thousands of home loan products available in Australia. Since the market deregulated, we enjoy an increasingly competitive lending market. Local and international banks, building societies, credit unions and all manner of specialist lenders offer a seemingly endless choice of home loan options, including honeymoon rates, introductory rates, standard variable rates, fixed rates, redraw facilities, line of credit loans, interest-only loans and so on. While different loans target different markets, like everything, you pretty much get what you are prepared to pay for.

In this book, while respecting that money has to be taken seriously, especially the large amounts generally associated with a home loan, we encourage you to think about money as a commodity. There are plenty of opportunities around if you know where to look and who to ask. When you go for a home loan, you are looking for the best value you can get for your lifestyle, the size of the loan, the deposit you have and the type of property you want to finance. This book helps you to understand what is available in the market and encourages you to be ruthless with your borrowing decisions, using a reputable broker to do the research and the negotiation for you.

These are the common groupings of home loan products:

Standard Variable Loans

Standard variable loans are the most popular home loan type in Australia. The interest rate on this loan moves up and down in line with official interest rate fluctuations. This means the interest rate may go up or down during the loan term. Different lenders offer different features and rates on their standard variable loan products, generally according to the amount you are borrowing. Right now you can get a range of discounts off standard variable rates if you are borrowing $150,000 or over. This discount can range anywhere from .5-.7% or even higher (usually for amounts greater than one million).

Basic Variable Loans

Basic variable loans are loans with lower interest rates, but with fewer features than a standard variable loan. The interest rate can rise or fall over the term of the loan. These loans are typically "no frills" products although there are more features being added by some lenders as the market becomes more competitive.

Discount Variable, Honeymoon, Introductory Loans

These are variable rate loans with a discounted interest rate off the standard variable rate (commonly over 1%), lasting a certain period of time, usually one year.After this period, they normally revert back to standard variable rates. Sometimes, depending on the lender, rates can be fixed or capped during the initial/honeymoon period.

WHAT YOU HEARD - you should fix rates for as long as you think interest rates may rise.

INSIDE WORD - If you intend to sell your property in 3 years, do not fix for 5 years e.g. think about matching the fixed rate period to the time that you may keep a property.

Fixed Rate Loans

Fixed-rate loans are where the borrower's interest rate and repayments are fixed for a set period, usually from one to 10 years, and sometimes longer. These loans commonly revert to the standard variable rate at the time the fixed-rate period has expired, unless "rolled over" for another fixed-rate term (at prevailing fixed rates).

Combination/Split Loans

Split loans allow borrowers to take part of their loan as a variable rate loan and the other part as a fixed-rate loan (split however you like). While the overall loan amount is considered "a total", each part is treated separately for loan contract purposes.

Line of Credit/Equity Loans

Line of credit or equity loans allow borrowers to borrow up to a specified limit which is secured by a registered mortgage over a residential property. These loans provide access to funds, when required, up to the original limit set. Normally, the minimum repayment required is the monthly interest only. Some lenders require that principal reductions begin to be made after a certain period of time. These loans can be used for pretty much anything. They are a creative way to generate funds for investment purposes, funding businesses, other properties, loans to children to help them buy property, etc.

Low-Documentation or No-Documentation Loans

Low or no-documentation loans are exactly what they describe. These loans require very little or no income documentation to get approval. They are typically used by borrowers who are self-employed or do not have tax returns or financial reports.

Non-conforming Home Loans

Specialist lenders offer non-conforming loans to people who don't meet the bank's strict lending criteria including older borrowers (over 55) for whom a 25-year loan may not be appropriate because they are close to retirement; people with a bad credit history, perhaps with a history of late repayments, loan default or possibly even formerly bankrupt; new migrants with no borrowing record; seasonal, casual or self-employed workers.

No deposit Home Loans

Normally you have to save at least a 5% deposit plus costs before applying for a loan. With a no-deposit loan, you can borrow 100% of the purchase price. Some lenders go as high as 106% so you can also borrow the money to pay for extras such as stamp duty.

WEB LINK

For more information on home loans visit **www.xinc.net.au**

HOME LOAN TYPES - ADVANTAGES AND DISADVANTAGES

LOAN TYPE	ADVANTAGES	DISADVANTAGES
Standard Variable	> If interest rates drop, repayments might drop > Generally extra repayments, reducing the principal can be made without penalty > Additional repayments can usually be taken back by you > Usually offers more features	> If interest rates rise, repayments might rise along with the amount of interest paid > Generally attract a higher interest rate than basic loans
Basic Variable	> Lower interest rate than the standard variable loans (usually around 0.5-0.7% less) > If interest rates drop, repayments might drop	> Usually not as flexible as standard variable loans > Offer less features (e.g. may charge for redraw) > If interest rates rise, repayments might rise
Discount Variable, Honeymoon and Introductory	> Among the lowest rates available > Any extra repayments made during introductory rates can reduce principal and save significant interest > One product offers a rate drop	> Repayments increase after the introductory period, since the interest rate normally reverts to the standard variable rate > May have higher early repayment fees (or exit fees)
Fixed-Rate Loans	> Borrowers have certainty of repayment amounts. Even if interest rates rise, repayments stay the same, as the interest rate is fixed for the duration of the loan > Allows for precise budgeting	> Reduced flexibility > If interest rates fall, repayments will not > Additional repayments are limited, and exceeding limits may incur break costs/fees > Early termination can attract exit fees
Combination/Split	> Offers borrowers a chance to hedge their bets in times of rising interest rates and gives a blend of repayment flexibility and interest rate security	> Variable portion is still vulnerable to interest rate rises. If interest rates rise, repayments on the variable portion also rise

LOAN TYPE	ADVANTAGES	DISADVANTAGES
Line of Credit/Equity	> The most flexible product available > Money can be used as needed and paid back without structured monthly minimum repayments. In most cases the minimum required is the interest on the outstanding principal > Since it is secured by residential property, the interest rate is less than commercial or business loans, credit cards or personal loans	> Requires discipline to ensure that over time the principal/balance of the loan is reduced > Interest rates can be higher than for other types of loans
Low-Documentation No-Documentation	> Borrower completes a simple income declaration form > Limited or no tax returns required > Limited or no financial reports required	> Can attract higher interest rate (but increasingly lenders will revert to standard variable rates after consistent "on time" repayments). "Regular" rates can often be achieved by paying lenders mortgage insurance
Non-Conforming	> Rates are much lower than they were in the past for this type of loan > Non-conforming loans can be fully featured > Great way to rebuild a poor credit rating	> Rates are usually around 1-3% higher than a traditional loan, but rates depend on your level of credit impairment > You might have to pay a hefty deferred establishment fee if you pay out the loan early
No-Deposit	> You can buy property sooner without waiting until you save a larger deposit > Most come with features such as additional repayments and redraw	> Stricter lending criteria makes approval more difficult > You are limited to certain types of properties > As you are borrowing more money, you'll pay more interest in the long term > Mortgage insurance will be higher than "deposit" home loan products

Home Loan Features

Choosing the right home loan features along with a good interest rate will help you save money and pay off your mortgage quickly. Typically, the more flexible the loan, the more interest you'll pay. For instance, a variable loan which allows you to re-draw against extra repayments or offset savings against the mortgage will generally have a higher rate than a basic loan. But it may be that this kind of loan is far better for you if you need the flexibility.

Loan features should be considered in the context of your life over at least the next five years. It sounds like a long time to a lot of people, but when you consider why, it makes sense:

- Is the loan for an investment or a private home?
- Is your objective to pay off the loan as quickly as possible?
- Are you disciplined and good at sticking to a budget?
- How much margin do you have in your monthly spending (to account for, say, an interest-rate rise)?
- Are you likely to get any kind of incremental bonus or financial windfalls in the future?
- Are you planning on having a baby or increasing your family dependency in the next five years?
- How will your family situation affect your income and expenditure?

Most people know the answer to these questions and if you don't, you can only act on what you know right now, and often that is enough. The answers to these questions give you guidance to decide the level of flexibility you need with a home loan without paying for features you don't need. The most common loan features are outlined here.

Additional Repayments

If you are likely to have extra cash at any time, make sure your home loan has additional repayment features that allow you to use that cash to reduce the outstanding principal and interest. Don't leave dollars sitting in a savings account when every dollar you pay off your home loan is working twice as hard as a dollar saved in the bank (roughly, you may get 3-5% interest on savings, but a loan is costing you 6.5-7.9%). If you are concerned about being able to access the extra funds you pay into your loan, don't be. Most standard variable loans allow you to take back those extra payments via redraw facilities if needed.

Construction Loans - a note

While a construction loan is really a standard home loan, not all the features available on the product you choose will be available during the construction phase. Two examples of this are redraw and payment frequency. During construction, you cannot use redraw, and interest is typically paid monthly on an interest-only basis. When the house is complete, all features of the loan become available.

Offset Accounts

An offset account is simply a separate (savings) account attached to your loan account. Look for lenders who offer 100% offset. Be aware that some lenders require a minimum balance to be in your account before the offset applies. Your offset account balance is subtracted from the outstanding home loan principal when calculating the daily interest charges. For example, if you have a $300,000 mortgage and $20,000 in your offset savings account,you will only be charged interest on $280,000 even though your “loan balance” is $300,000. From a taxation perspective, interest paid to your savings account is taxable, but the same interest used to offset home loan interest is not, so you effectively save tax and reduce your home loan at the same time.

COMPARISON RATE SCHEDULES

Features often cost money. So, when looking at a loan, there are two interest rates to consider: the interest you are paying, and the comparison rate. Comparison rates take into account a number of things, including loan establishment fees, account fees and interest rates over the term of the loan. Anyone advertising a specific loan product cost is now required by law to show comparison rates to help consumers understand the real cost of a loan. It might therefore mean an advertised interest rate, at 6.8%, comes up on the comparison rate schedule at 7.1%. This is helpful but don’t rely solely on comparison rates when choosing a loan as, while they take into account many standard fees and interest rates, they don’t consider significant fees such as, early repayment fees and ongoing redraw fees, nor do they consider the use of features and how suitable the loan is for you.

Portable Loan

A portable home loan allows you to take an existing loan to another property without having to refinance, ie. pay out the old loan and take out a new one. This can save application and legal fees.

Redraw Facility

A redraw facility allows you to access additional repayments you have made. The money can be used for pretty much whatever you like without having to explain or apply for it. Many lenders have a minimum redraw amount and a fee everytime you use it.

Repayment Holiday

Many lenders now offer either full or partial repayment “holidays” for periods of time. They can be useful if, for instance, you find yourself taking time off work in a career change or building a family.

Salary Credit (Direct)

This feature allows you to pay your salary directly into your home loan account. With interest calculated daily, this effectively reduces the principal amount owing for the time your salary is in the account, thereby reducing the amount of interest paid.

Switching (to Fixed Rate)

Switching allows you to switch from a variable to a fixed rate. This can be a good option if, for instance, you are not sure what rates are going to do.

Top Up

This feature allows you to increase the limit on your home loan.

Reverse Mortgages

Reverse mortgages allow homeowners to use the equity they have built up in their homes. The concept was originally created in the USA to allow "house-rich, cash-poor" elderly or retired homeowners access to their home equity to support things like living expenses or emergency bills without having to sell their homes.

Reverse mortgages are generally available to residential property owners aged over 60. Different lenders have different age entry levels, and the percentage of equity or amount of money you can leverage depends upon your age. These mortgages allow you to release funds by using the equity in your property, and are secured by a registered first mortgage on your principal place of residence and potentially, your residential investment property, dependent upon the lender.

How do Reverse Mortgages work?

In simple terms, a reverse mortgage works like this: you own a property, valued at $400,000. You take out a reverse mortgage and borrow $100,000. Depending on the product, you can take the $100,000 as a lump sum, regular income or a combination of both. Either way, you accumulate interest on borrowings as they are drawn. You generally can't rent the property, and you remain responsible for maintenance and similar costs. If you sell, you simply discharge the mortgage in the usual way or, when you die, the lender or estate sells your home, and takes what they're owed: principal (less any repayments) plus capitalised interest.

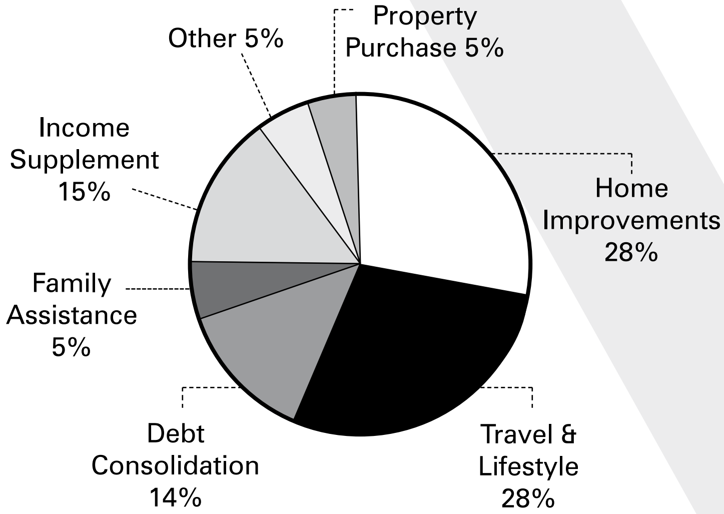
Repayments

As noted, generally, no repayments are required on a reverse mortgage until the borrower sells the home, dies or permanently moves out, with interest payments in most cases being added to the balance. You can usually choose to make regular repayments or lump-sum repayments if you wish.

Eroding the equity you have in your home

With increasing longevity, while the concept of a reverse mortgage is tempting, it is not for everyone. By law, you are protected, with borrowings limited to a small proportion of the overall value of the home, but it is important to realise that, unless the rate of growth in property values is reasonable, there is always the possibility that you may see your home equity eroded each year. All reputable lenders provide a "no negative equity guarantee" so even in a disastrous property market you will never owe more than the value of your home. In addition, at least one lender offers (free) the option of taking out a guarantee that ensures up to 25% of your equity is protected.

TYPICALLY WHAT ARE FUNDS USED FOR?



Source - Bluestone Equity Release

Speak to a solicitor and your financial adviser

Make sure you get a solicitor to read your reverse mortgage terms and conditions and explain exactly what you're signing up for. It is highly advisable that you also seek advice from your financial planner or accountant. You need someone who understands financial matters, knows your personal needs and will put your interests ahead of anything else. Also, always check how your adviser is being paid for the advice they give you.

Speak to your children and family

After you have spoken to your solicitor, talk to your family to ensure they fully understand the implications of what you are doing as it is possible that you will have a less valuable property to leave to your children as a result of the reverse mortgage. Unless you sell your property and pay back the loan prior to your death, the beneficiaries of your Will may be left with a property that has an outstanding loan secured against it. While this is entirely your own business, it may come as a surprise to your beneficiaries if it wasn't expected.

QUESTIONS AND ANSWERS

Q Is my pension affected by payments received via a reverse mortgage?

A Centrelink can provide detailed information regarding any impact on benefits but in most cases, there is no reduction in benefits (seek advice).

Q Will I be able to move to another property?

A In most cases the reverse mortgage can be taken to another property provided the security is acceptable to the lender.

Q Once I take the reverse mortgage, is the amount set?

A As your property increases in value and you increase in age, you will be able to take out more equity from your property.

Q If my partner dies, will I have to sell the property?

A The loan will not have to be repaid until both partners have passed away.

Q Can I make repayments if I want?

A If a variable rate reverse mortgage is taken, most lenders will allow extra repayments and permit you to withdraw those payments in the future if you need them.

Award Winning Home Loans

Getting access to a broad range of lenders is one of the most important advantages of working with a mortgage broker. Like all businesses, different lenders have different strengths and one way to get a fast understanding of a lender's products or service strengths is to look at the awards they have won. To give you an idea, here is a list of the awards won by the lenders X Inc Finance work with.

LENDERS	SPONSOR	AWARD DETAILS
AMP Bank	*Money Magazine* Consumer Finance Awards 2006	> Best Low Doc home loan
ANZ Bank	ABF Awards 2007	> Best Banking & Finance Promotion
	Money Magazine Consumer Finance Awards 2006	> Home Lender of the Year
	Money Magazine Consumer Finance Awards 2005	> Best Personal Transaction Account for Electronic use > Best Term/TPD Insurance Product > Bank of the Year 2005 > Money Minder of the Year (Savings and Transactions) > Home Lender of the Year > Personal Banking Website of the Year > Business Banking Website of the Year
	ABF Awards 2005	> Best Financial Institution > Best Business Bank
Bluestone Mortgages	Mortgage Professional Australia 2006	> Best Product Range > Best Non-Bank Lender
	Money Magazine Awards 2006	> GOLD Award - Cheapest Loan with Credit Impairment (Clean Slate product)
	MPA Non Bank Lender Awards 2006	> Broker's Choice - Product Range

WHAT YOU HEARD - low Document loans always have really high interest rates.

INSIDE WORD - many lenders now offer Low Document loans at the same rates as PAYG loans.

LENDERS	SPONSOR	AWARD DETAILS
Commonwealth Bank	*Money Magazine* Awards 2005	> CommInsure - Best of the Best Annuity Award
Heritage Building Society	ABF Awards 2006 ABF Awards 2005	> Best Building Society > Best Building Society
HomeSide Lending	*Money Magazine* Best of the Best Awards 2006	> Best Equity Line of Credit Loan (Peak Performance Equity loan)
HSBC Bank	*Money Magazine* Best of Best Awards ABF Awards 2007 2007ABF Awards 2006 ABF Awards 2005	> Cheapest Car Loan > Best Foreign Bank > Best Foreign Bank > Best Banking & Finance Promotion - Home Rewards product > Best website
IMB	ABF Awards 2007 *Money Magazine* Consumer Finance Awards 2005	> Building Society of the Year > Building Society of the Year
ING Bank	ABF Awards 2007 ABF Awards 2005	> Best Website > Best Foreign Bank

LENDERS	SPONSOR	AWARD DETAILS
Macquarie Bank	ABF Awards 2007	> Best Investment Bank
	ABF Awards 2006	> Financial Institution of the Year
	ABF Awards 2005	> Best Investment Bank
RAMS Home Loans	ABF Awards 2006	> Best Non Bank Financial Institution
	MPA Non Bank Lender Awards 2006	> Broker's Choice - Turnaround & Approval Times > Broker's Choice - Interest Rates
St George Bank	ABF Awards 2007	> Best Business Bank
	Money Magazine Best of Best Awards 2007	> Cheapest Credit Card
	ABF Awards 2006	> Best New Product -No Deposit Loan
	Money Magazine Consumer Finance Awards 2006	> Margin Lender of the Year
	Personal Investor Magazine Award for Excellence in Financial Services 2005	> GOLD Award - Margin lender of the Year > GOLD Award - Readers Choice Award for Best Home Lender
Suncorp	ABF Awards 2007	> Best Regional Bank
	MIAA Excellence Awards 2007	> ADI Lender of the Year
	MIAA Excellence Awards 2006	> ADI Lender of the Year
	ABF Awards 2005 and 2006	> Best Regional Bank
NAB	*Money Magazine* Best of Best Awards 2007	> Best Socially Responsible product
	ABF Awards 2007	> Best National Financial Institution
BankWest	*Money Magazine* Best of Best Awards 2007	> Best Online Saving Account > Best Kid's Savings Account > Cheapest Home Loan
Westpac	ABF Awards 2007	> Sustainable Bank of the Year

*This list has been sourced, to the best of X Inc Finance's knowledge, from lenders and award givers. Only category winners and gold medal winners have been listed. While no winners have been left out intentionally, we acknowledge that the list may not represent the entirety of awards won by all lenders throughout 2005-07. When reading this list, bear in mind that lenders must have physically entered an award in order to have won (i.e. it may be that a lender has a particularly good product that has not been recognised by an award because that lender did not enter their product in that particular award competition. NOTE: ABF Awards = Australian Banking and Finance Awards

getting the right loan for you

Great tips on how much you can borrow,
and getting the lowest interest rate with the right options

2

Deposit

What are the facts on low and no-deposit home loans?

It used to be that lenders required a 20% deposit for a home loan. But these days, lenders will typically accept 5% or even no deposit and include some or all of your fees in the loan.

Up to 95% Home Loans

Provided you can make the payments, you can typically finance up to 95% of the property value from a lender on their normal competitive terms. Some may then offer to add the mortgage insurance costs to your loan as well, therefore lending you up to 97% of the property value. With the cost of real estate these days, it is not unusual for first-home buyers to have less than a 20% deposit. Investors might simply want to minimise deposit and maximise gearing benefits.

100% Home Loans or No-Deposit Home Loans

If you haven't got a deposit, but have a good income, a no-deposit home loan could be for you. You can borrow 100% of the purchase price of a property, provided you have saved enough to pay for legal and transfer fees, stamp duty, insurance and other costs. With 100% home loans, provided you pass slightly tougher approval rules, lenders will waive the need for you to have a deposit and you just need to cover your costs (this type of loan is really not for someone who has no money at all). In this category, there is less choice in terms of products. For instance, you would find lenders who offer a variable or a fixed-rate loan, but you probably won't be able to get cheap introductory rates or lines of credit.

Who do No-Deposit Home Loans suit?

Lenders generally apply a slightly higher debt servicing ratio (the level of debt you're carrying compared to your income) to no-deposit home loans. They are ideal for people with a good income and credit history who, for different reasons, maybe pay high rent and have not been able to save for a deposit. No-deposit home loans are great for first-home buyers because they help people enter the housing market before prices rise beyond their reach, especially when house prices have been rising faster than the average person's ability to save. They are also often attractive to investors wanting to maximise their gearing for taxation purposes or income return.

Do I pay a higher interest rate on No-Deposit Loans?

Maybe. Different home loan products have different pricing structures, so you will need to find the one which works best for you. Depending on which lender and loan you choose, the interest rate you pay may even be lower than the lender's standard variable rate. You will however almost definitely have to pay lenders' mortgage insurance.

WHAT YOU HEARD - pre-approved home loans are as good as a fully approved loan.

INSIDE WORD - always sign Contract of Sale subject to finance, even if you have a pre-approval. Your valuation needs to stack up and you do need final approval.

106% HOME LOANS

Some specialist lenders now offer 106% home loans. These loans effectively give you the option of getting a loan when you have no money at all, can't finance the cost of the fees and are prepared to pay a higher interest rate. People with no real savings, like first-home buyers on good incomes, people re-establishing themselves after a relationship break-up or higher-income investors wanting to fully leverage a "stand-alone" property, might be interested in this kind of loan.

Pros and Cons of No-Deposit Home Loans

Pros

You can buy property sooner, as you don't have to wait until you save a 5% deposit. The loans often come with features such as additional repayments and redraw facilities.

Cons

No-deposit home loans have stricter lending criteria, and approval can be harder. You can also only get them on certain types of properties, and in certain locations (lower risk profile properties). In essence, you're borrowing more money, so you'll end up paying more interest in the long term. You'll also have to pay either a higher interest rate or pay more mortgage insurance. It is important to be aware that, if the real estate market drops, the risks you face are potentially higher than everybody else, in terms of affordability and the amount of equity you have in your home. Realistically though, lenders have no interest in their borrowers getting into "negative equity" positions. In other words, a borrower's house would be worth less than their loan and the temptation for the borrower to just hand over the keys and walk away would be high in a negative-equity situation. That would clearly not be the objective of any lender.

You will need some funds

Just remember, even though lenders and brokers advertise loans for "no-deposit" home loans, you will probably have to contribute some of your own funds to cover additional costs involved in the purchase (e.g. solicitor's fees, stamp duty).

Costs involved

Buying a home and getting a loan: what are the costs?

Along with the costs of checking out the property you are buying and physically moving from the one you are now in, there are a number of government fees, taxes, legal fees and lender fees incurred when you go for a home loan and buy a new home. Remember that most of these are paid before or around the time your property settles, so your savings or loan will need to cover these amounts as well.

Typically, you would plan for these fees when you are purchasing:

Lender Fees

Many lenders will negotiate on fees, dependent upon your situation. Some may even waive some or all of the fees which relate to your loan. However, as a rule of thumb, the complete absence of up-front fees generally means a higher interest rate or ongoing fees.

- Loan Application Fees
- Loan Establishment Fees
- Service Fees
- Valuation Fees
- Legal Fees (mortgage-related)
- Account Transaction Fees
- Exit Fees (or Deferred Establishment Fees)

It is difficult to give a guide to the amount for each fee, as they differ so much among lenders. By way of example, the application fee amount may be nothing or as high as $600, or more. It is extremely important to be very clear on these costs up front and ensure your broker negotiates where possible.

Stamp Duty, Mortgage Registration, Mortgage Stamp Duty and Registration Fee

These taxes/fees are state government based fees and are applied according to the law of the state where the property is (i.e. not the property that you live in, if you reside in another state). Each state government calculates these fees differently.

Stamp duty is payable in all states, but some groups such as those below are entitled to different exemptions or reductions on stamp duty:

- (All states) First-home buyers
- (Victoria) Home buyers with Concession Cards
- (WA/NT) Principal Residence Rebates.

To find out how much stamp duty and other fees are payable on a property, visit
www.xinc.net.au/calculators/calc_stamp_duty.htm
Individual state government revenue offices web site addresses can be found in the Appendix of this book

WEB LINK

MORTGAGE INSURANCE

Whenever you have less than a 20% deposit, you will almost always have to pay mortgage insurance or LMI. This insurance is a one-off payment by the borrower to the lender (or lender's insurer) to "insure" the loan. It insures the lender for any shortfall on a loan, so if you were sold up because of defaults, it covers the difference between what you are sold for and the amount still owing. On 100% loans, dependent on the lender and the risk, mortgage insurance can cost up to 3% of the amount you are borrowing. Up to 95% loans (or 5% deposit loans), the amount would typically be up to 1.2 - 1.5% of the loan amount. As you get closer to 80% home loans (or 20% deposit), the cost usually lowers substantially. If you have a 20% or more deposit, and all other factors are in line, LMI is generally not charged.

Buying interstate with local security

If you use a NSW property as security for the purchase of a Queensland property, the Queensland government will only recognise a portion of NSW mortgage stamp duty and will charge you additional duty. Not all states do this, but you should check.

Legal Fees

When purchasing property, you would usually employ a solicitor or conveyancer to look after the property exchange paperwork. Dependent upon the value of the property and the state you live in, this can cost as little as $200 plus disbursements up to over $1000, depending on complexity. Get quotes.

Building Inspection Reports (and structural)

Building inspections are highly recommended and are sometimes a condition of loan approval. It is always a good idea to have one done irrespective of the lender's loan approval conditions. Expect inspections to cost somewhere between $250 and $500.

Pests & Termite Inspections

A pest and termite inspection typically costs between $200 and $400, and is also highly advisable, if not legally required.

Moving Costs

Don't forget to factor in the cost of mail redirection, furniture removal, connecting the power, gas and phone.

Note: In all cases except statutory costs, approximate prices are based on the median selling price of homes in Australian capital cities. While the information here should be seen as a useful guide, it is indicative only and should be qualified with the appropriate providers.

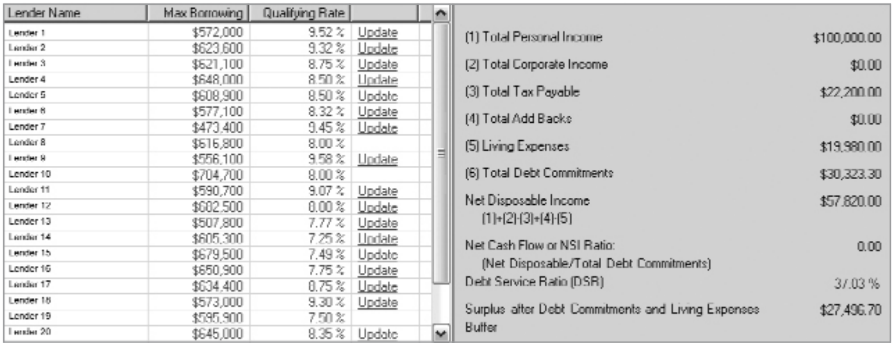
Maximum Borrowing Capacity

How much can I borrow?

Most of the time, the amount you need to borrow has been worked out well before beginning your property search. As people get closer to purchase, many things conspire to influence what they eventually borrow. (Not least of all that many of us end up purchasing properties at prices greater than we initially intended!)

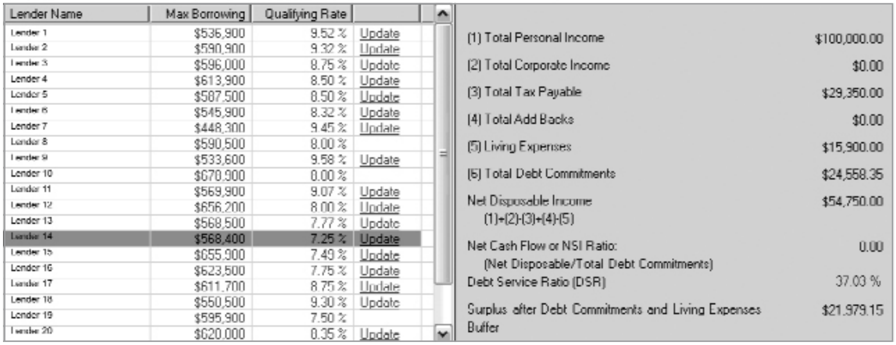
How do lenders assess you?

Lenders take into account the maximum cost of the property (including purchase costs if these are to be included in the loan), the size of your deposit and the loan repayments at current interest rates (some lenders use a higher "stress" rate which factors for potential rate rises). They will typically review all your income sources and expenditure, add a margin for safety, and then calculate your uncommitted monthly income. The most important factor to a lender is your level of uncommitted monthly income. The greater it is, the larger your borrowing capacity overall.



Lender Name	Max Borrowing	Qualifying Rate	
Lender 1	$572,000	9.52 %	Update
Lender 2	$623,600	9.32 %	Update
Lender 3	$621,100	8.75 %	Update
Lender 4	$648,000	8.50 %	Update
Lender 5	$608,900	8.50 %	Update
Lender 6	$577,100	8.32 %	Update
Lender 7	$473,400	9.45 %	Update
Lender 8	$616,800	8.00 %	
Lender 9	$556,100	9.58 %	Update
Lender 10	$704,700	8.00 %	
Lender 11	$590,700	9.07 %	Update
Lender 12	$602,500	0.00 %	Update
Lender 13	$507,800	7.77 %	Update
Lender 14	$605,300	7.25 %	Update
Lender 15	$679,500	7.49 %	Update
Lender 16	$650,900	7.75 %	Update
Lender 17	$634,400	0.75 %	Update
Lender 18	$573,000	9.30 %	Update
Lender 19	$595,900	7.50 %	
Lender 20	$645,000	8.35 %	Update

(1) Total Personal Income	$100,000.00
(2) Total Corporate Income	$0.00
(3) Total Tax Payable	$22,200.00
(4) Total Add Backs	$0.00
(5) Living Expenses	$19,980.00
(6) Total Debt Commitments	$30,323.30
Net Disposable Income (1)+(2)-(3)+(4)-(5)	$57,820.00
Net Cash Flow or NSI Ratio: (Net Disposable/Total Debt Commitments)	0.00
Debt Service Ratio (DSR)	37.03 %
Surplus after Debt Commitments and Living Expenses Buffer	$27,496.70



Lender Name	Max Borrowing	Qualifying Rate	
Lender 1	$536,900	9.52 %	Update
Lender 2	$590,900	9.32 %	Update
Lender 3	$596,000	8.75 %	Update
Lender 4	$613,900	8.50 %	Update
Lender 5	$587,500	8.50 %	Update
Lender 6	$545,900	8.32 %	Update
Lender 7	$448,300	9.45 %	Update
Lender 8	$590,500	8.00 %	
Lender 9	$533,600	9.58 %	Update
Lender 10	$670,900	0.00 %	
Lender 11	$569,900	9.07 %	Update
Lender 12	$656,200	8.00 %	Update
Lender 13	$568,500	7.77 %	Update
Lender 14	$568,400	7.25 %	Update
Lender 15	$655,900	7.49 %	Update
Lender 16	$623,500	7.75 %	Update
Lender 17	$611,700	8.75 %	Update
Lender 18	$550,500	9.30 %	Update
Lender 19	$595,900	7.50 %	
Lender 20	$620,000	0.35 %	Update

(1) Total Personal Income	$100,000.00
(2) Total Corporate Income	$0.00
(3) Total Tax Payable	$29,350.00
(4) Total Add Backs	$0.00
(5) Living Expenses	$15,900.00
(6) Total Debt Commitments	$24,558.35
Net Disposable Income (1)+(2)-(3)+(4)-(5)	$54,750.00
Net Cash Flow or NSI Ratio: (Net Disposable/Total Debt Commitments)	0.00
Debt Service Ratio (DSR)	37.03 %
Surplus after Debt Commitments and Living Expenses Buffer	$21,979.15

(top) Indicative capacity for couple with 1 dependent & two incomes $74,000 + $26,000 (part time)
(above) Indicative capacity for couple with one dependent & 1 income $100,000

Factors that can impact your borrowing capacity include:

- > Loan Value Ratio
- > Income and types of income, e.g. casual vs full-time
- > Other loans
- > Credit card limits
- > Loan terms
- > Number of dependents and their situation
- > Loan products
- > Tax rates
- > Rental income

Lenders calculate maximum borrowing capacity differently

When it comes to the cold, hard facts of how much you can borrow, it might surprise you to know that lenders calculate your borrowing capacity

WHAT YOU HEARD - lenders will only consider Family Allowance payments as continued income as long as the children are 11 years or younger.

INSIDE WORD - a number of lenders will allow you to include ongoing family allowance as continued income as long as you can provide receipts.

INCOME BASED BORROWING CAPACITY

GROSS INCOME	NET YEARLY INCOME	SINGLEJOINT APPLICANT*	JOINT APPLICANTS*	JOINT APPLICANTS* +1 DEPENDENT	JOINT APPLICANTS* +2 DEPENDENTS
$37,752	$30,000	$106,000	$62,000	$25,000	
$52,350	$40,000	$190,000	$145,000	$109,000	$73,000
$67,788	$50,000	$273,000	$229,000	$193,000	$157,000
$85,487	$60,000	$357,000	$313,000	$276,000	$241,000
$103,980	$70,000	$441,000	$396,000	$360,000	$325,000
$123,398	$80,000	$525,000	$480,000	$444,000	$408,000
$142,815	$90,000	$608,000	$564,000	$527,000	$492,000
$162,233	$100,000	$692,000	$648,000	$611,000	$576,000
$181,650	$110,000	$776,000	$731,000	$695,000	$659,000
$201,068	$120,000	$859,000	$815,000	$779,000	$743,000
$220,485	$130,000	$943,000	$899,000	$862,000	$827,000
$239,903	$140,000	$1,027,000	$983,000	$946,000	$911,000
$259,320	$150,000	$1,111,000	$1,066,000	$1,030,000	$994,000

*30 year home loan; 8.07% interest rate, one credit card with limit of $2,000; no other debts; joint applicants = one income earner per couple; capacity is indicative only and based loosely at the median.

differently, so it pays to consult a mortgage broker.

Examples of different lender results for the same scenario

To help you understand the extent to which lenders will differ in both your maximum borrowing capacity and the interest rate or deal you may be offered, these illustrations (left) give you an idea of how the maximum borrowing capacity might vary across a number of lenders for the same customer scenario. Good mortgage brokers can show you this information and talk you through the pros and cons of the associated products.

Borrowing Capacity schedule

If you are the kind of person who needs a “general rule” as a guide, you could safely assume that most major lenders will draw the line at allowing you to borrow 40% of your gross income going towards your loan repayments. If two people are applying for a loan, then incomes are added together and treated as one amount, although outgoings are treated separately. The size of your family will of course also impact your assumed outgoings. The schedule above gives you some idea of what you would typically be able to borrow. While you can’t present these numbers “to the bank” as evidence to support your application, they are a useful guide.

Get pre-approved first

Home loan pre-approval is something you should definitely get if you have the time. Most lenders offer it and it is usually valid for three months. As you would expect, it is subject to the conditions under which it is approved, but it does give you a very clear framework within which to work.

Documentation

What do I need when I apply for a home loan?

Each state and lender is slightly different, but the following list is pretty much what you will need to have ready when you are applying for most standard home loans. When your mortgage broker comes to see you, the whole process will be quicker if you have your documents ready.

All borrowers are required to provide:

> Bank statements showing your saving history for the past six months (including term deposits)

> Originals (and a copy) of 100 points ID Check
  - Passport with photo (70 points)
  - Current drivers license (40 points)
  - Credit card or Medicare card or utilities bills in your name (25 points each)

> Evidence of shares and other investments

> Contract of sale/purchase for the property if available

In addition, the following is required, dependent upon your category as a borrower:

PAYG employee

> Two most recent pay slips or group certificates for the past two years

Self-Employed

> Past two years' business figures

> Personal and business tax returns (some lenders also require personal tax assessments)

Within the residential lending market, there are of course a range of reasons why you might be looking for a home loan beyond your primary residence. In some cases, you will need different or additional documentation.

Investment Property

> Copy of lease, rent appraisal or rental statement

Re-financing

> Past 6-12 months loan(s) statements

> Rates notices

> Insurance policy

Building Loans

For building loans there are two stages: the loan approval, and the draw-down (payments to builder):

1. Loan Approval

> Fixed-price building contract (which includes the copy of the plan and specific actions)

2. Draw-down commence progress payments to builder

> Council approved plans

> Building permit

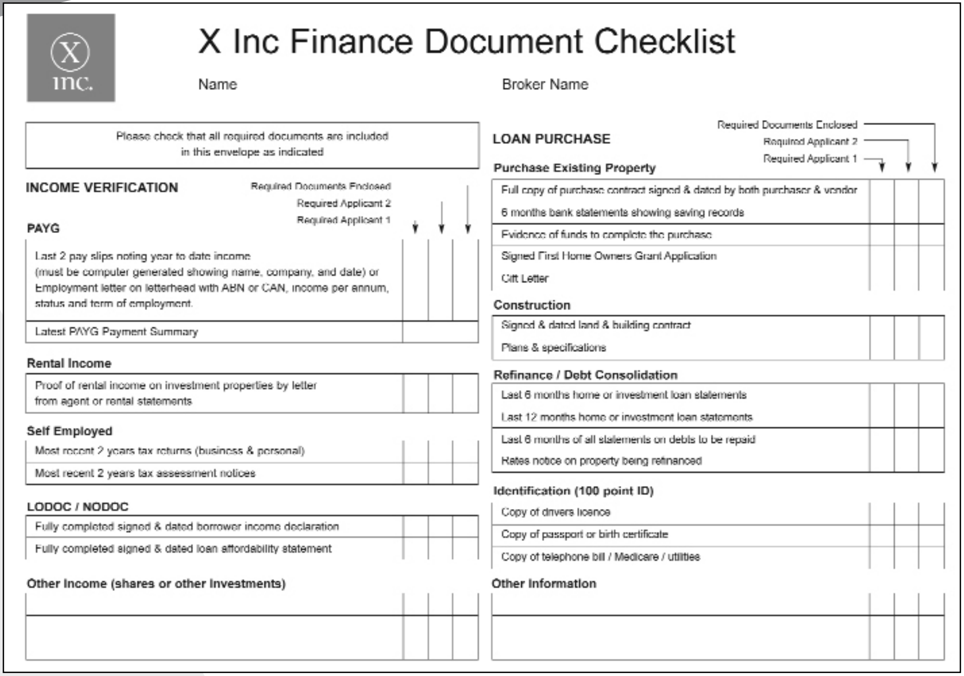
If you are an owner builder, you will be required to provide detailed costings including quotes and relevant insurances.

Low-Document Loans

Both Low and No-documentation loans really should be discussed with your mortgage broker, as the different lender requirements are inconsistent. What is consistent is that lenders do not require the standard 2-3 years financials/tax returns that a typical self-employed person would provide. You would probably be required

REMEMBER
Have your documents
ready when you see your broker

DOCUMENT CHECKLIST



X Inc Finance Document Checklist

Name

Broker Name

Please check that all required documents are included in this envelope as indicated

INCOME VERIFICATION

PAYG

	Required Applicant 1	Required Applicant 2	Required Documents Enclosed
Last 2 pay slips noting year to date income (must be computer generated showing name, company, and date) or Employment letter on letterhead with ABN or CAN, income per annum, status and term of employment.			
Latest PAYG Payment Summary			

Rental Income

Proof of rental income on investment properties by letter from agent or rental statements			

Self Employed

Most recent 2 years tax returns (business & personal)			
Most recent 2 years tax assessment notices			

LODOC / NODOC

Fully completed signed & dated borrower income declaration			
Fully completed signed & dated loan affordability statement			

Other Income (shares or other Investments)

LOAN PURCHASE

Purchase Existing Property

	Required Applicant 1	Required Applicant 2	Required Documents Enclosed
Full copy of purchase contract signed & dated by both purchaser & vendor			
6 months bank statements showing saving records			
Evidence of funds to complete the purchase			
Signed First Home Owners Grant Application			
Gift Letter			

Construction

Signed & dated land & building contract			
Plans & specifications			

Refinance / Debt Consolidation

Last 6 months home or investment loan statements			
Last 12 months home or investment loan statements			
Last 6 months of all statements on debts to be repaid			
Rates notice on property being refinanced			

Identification (100 point ID)

Copy of drivers licence			
Copy of passport or birth certificate			
Copy of telephone bill / Medicare / utilities			

Other Information

to provide all or some of the following:

- > Evidence of ABN
- > GST registration
  (Confirms gross income over $50,000)
- > Self Certification of Income Declaration or Loan Affordability Declaration, dependent upon the lender
- > Employment confirmation (PAYG)

No-Document Loans

You aren't required to present any income documentation for no-document loans. You may however be required to provide a signed Self Certification of Income Declaration or Loan Affordability Declaration, dependent upon the lender.

WEB LINK

The handy document checklist above is also available at **www.xinc.net.au/pdf/mortgagechecklist.pdf** Print it out to use as you gather your documents

Credit Profile - How does it work?

Anyone who has borrowed money (for a credit card, mortgage, car etc) will have a credit file. Amongst other things, banks, retailers and other credit providers rely on your credit file when deciding whether to lend you money or not.

Every credit provider attaches varying degrees of importance to the information provided in the credit file. Together with the information they obtain from you and depending on the amount of risk they are prepared to take, credit may be approved.

What is a Credit File?

A credit file records information about people who have been credit-active during the past five years. Contained in your credit file is information about you and your credit history including:

- Personal details such as: name, residential addresses, date of birth, drivers license number and current or previous employer
- Credit applications and inquiries you have made during the past five years
- Records of some current credit accounts
- Overdue accounts (defaults) which may have been listed against your name, including an indicator on whether the default amount has been paid or not
- Bankruptcy information
- Default judgments
- Public record information

Public Record Information

Public record information includes:

- Judgment and writ/summons information obtained from the various courts around Australia
- Bankruptcy/Part X/Part IX information obtained from the Insolvency and Trustee Service Australia (ITSA) in each state.
- Directorship information obtained from the Australian Securities and Investment Commission (ASIC)
- Proprietorships

How can I get a copy of my Credit File?

If you are applying for a home or business loan, it is a good idea to get a copy. It is easy to do and costs very little to access. You can get it at **www.mycreditfile.com.au.** Obtaining a copy of your credit information file will assist you in managing your personal information and help you to better assess your own credit worthiness. In Australia, even if you have had credit issues, there is generally an option for almost any kind of situation, provided you can now genuinely repay a loan.

WHAT YOU HEARD - it is very difficult to obtain a home loan if you have past defaults on utility accounts e.g. telephone bills.

INSIDE WORD - if you have a steady employment history and can demonstrate your ability to make consistent payments, you will usually find a lender to support you.

How do I maintain my Credit-Worthiness?

Most Australians maintain a clean credit file. It's really about personal finance hygiene!

The following steps will ensure yours stays clean:

1. Pay bills on time. An overdue account is usually a debt that has been owing for a minimum of 60 days (overdue accounts where the debtor has been "confirmed missing" remain on the database for seven years)
2. Call your credit provider(s) in a timely manner and alert them if there is a problem meeting your commitments
3. Review your credit file to make sure there are no errors in the information and/or discover any overdue accounts that have been forgotten about. A File Update Form is available to request corrections
4. Monitor your credit file to ensure someone is not fraudulently using your identity (a growing problem worldwide)
5. Don't make too many applications for unsecured finance. Each one shows up on your credit report and multiple inquiries can be an issue for some lenders
6. Remember that the details on overdue accounts, even when paid, remain on your file for five years from the date of listing, as part of your credit history

WHAT IF I HAVE PAST CREDIT ISSUES?

- Be honest and up-front. It's best that your lender or mortgage broker finds out from you, not your credit reference report, if there are any problems with your credit history. A mortgage broker will also know to show you lender products which take this situation into account
- If there has been a problem, explain why it occurred and how you rectified it
- A "no" to a credit application, or the supply of goods and services where payment is deferred, does not necessarily mean your credit file is flawed. Credit providers each have their own lending criteria, so seek an explanation
- If you believe there are any discrepancies or mistakes on your credit reference you are able to challenge them
- You may decide to go to a non-conforming lender. They consider applications from people with past credit issues. However, they will still expect the borrower to now be in a position to support the loan

CHECKLIST

Once you have agreed to take out a home loan either directly though a lender or through a mortgage broker, there is a flow of activity that is generally consistent with every home loan process. Depending on the complexity of your situation, the time from the initial meeting to a final approval will take anything from a few days to a couple of weeks. Larger homeloans and more complex situations will typically take longer. Simpler scenarios can be much faster. To the right is a step-by-step indicator of what you can expect.

DEPOSIT BONDS - WHEN WOULD YOU USE THEM?

Deposit bonds are an alternative to a cash deposit. They are effectively a guarantee to the vendor equal to the amount of deposit required and are a cash deposit substitute between signing the contract and settlement of the property. Deposit bonds can be issued for all or part of a deposit, but are usually for 10% of the purchase price and cost about 1.2% of the deposit. For example, if a 10% deposit on a $500,000 property is $50,000, a deposit bond will cost you $600.

Why do people purchase Deposit Bonds?

Cash for the 10%, or even 5%, deposit required to enter into a contract on another property is often tied up in the current home or other investments or you may want to finance the entire loan amount. Covering a deposit can mean either expensive bridging finance or other borrowing. Regardless of where the finance is obtained, interest charges, establishment fees and other up-front costs connected with the loan can be expensive and time-consuming to arrange. In summary you would typically use deposit bonds for a number of reasons:

> Your savings remain intact
> You can avoid the expense and time delays involved in bridging finance
> You can purchase “off the plan”residential properties, which typically have longer settlement times
> You can use a deposit bond at auction
> Deposit bonds are generally available for anywhere up to four years

Who accepts Deposit Bonds?

Most vendors and agents will accept a deposit bond, but it is the sole discretion of the vendor as to whether they accept them or not. You definitely need to check and you need prior consent to use them at auction. Once approved, deposit bonds can usually be organised within 24 hours.

When does the Deposit Bond expire?

The deposit bond ceases when thecontract of sale is completed, terminated, rescinded or theexpiry date occurs, whicheverhappens first. Typically youwould pay the vendor the full purchase price of the property,including the deposit.

STEP-BY-STEP HOME LOAN APPLICATION MAP

STEP 1

DAY 1

Mortgage broker receives all necessary information, documents and a signed application

STEP 2

DAY 2

Home loan application is prepared and submitted to lender by mortgage broker

Mortgage broker informs you that your home loan application has been submitted to lender

STEP 3

DAY 3-4

Lender conducts credit and other inquiries

STEP 4

DAY 5

Lender assesses application and provides conditional approval (assuming there are no issues/concerns)

STEP 5

DAY 5

Mortgage broker informs you of conditional approval (or decline) of your home loan application You may need to provide further information

STEP 6

DAY 6-9

Valuer organises to inspect property, then writes and submits report

STEP 7

DAY 10

Property valuation received/held

Mortgage broker informs you that a property valuation is held

STEP 8

DAY 11 + 12

If mortgage insurance is not required: lender issues unconditional home loan approval and issues contracts Mortgage broker informs you of unconditional home loan approval or if mortgage insurance is required, formal “sign-off” is sought from mortgage insurer

STEP 9

DAY 14

If relevant, mortgage insurer” sign-off” received and unconditional home loan approval issued

Mortgage broker informs you of unconditional home loan approval and you proceed to settlement

Valuations

The property valuation plays a vital role in your finance application, particularly when property values shift.

WHAT YOU HEARD - it is impossible to get a loan for an inner city apartment.

INSIDE WORD - at least one lender will lend you upto 106% on an inner city unit, as long as your apartment is over 50 sqm.

Credit Assessment

When a lender's credit team processes your home loan application, their main objective is to assess for risk. First they want to establish your ability to meet the repayments for the term of the loan. Second, they assess the property as a saleable asset. In summary, can you pay for the loan and, even if you appear to be able to, as a fallback, what is the property value and how much could it be sold for?

Valuation Process

The property valuation is provided by an independent valuer, who typically assesses your property in person and provides a report to the lender. The report will place a value on the property, provide commentary about the property and what similar properties are selling for in the area.

Expect your lender Valuation to be conservative

In a high percentage of cases, lender valuations come in lower than what you believe the property is worth. If you aren't expecting this, it can be disappointing and frustrating.

Low Valuations can sometimes be your friend

The valuation is effectively an audit on the property sale price, so if you have had a valuation come in below the agreed price, while it is disappointing, it could be time to start renegotiating. If the vendor won't budge, perhaps re-consider whether this property is the right one for you. This is particularly helpful if you're buying in an area that is unfamiliar to you. Of course, if the valuation is low but you are certain that the property is worth the saleprice, you need to get your mortgage broker to obtain comparative sales figures in the area and help you challenge the valuation and even request a second one. In the end, the amount you can borrow will be driven by the certified valuation.

Riskier properties

There are certain categories of properties that may be considered "risky" by lenders. If one of these is your dream home, that's OK, but you may just have to work a bit harder to find a lender who is interested. Properties such as large acreages and rural homes, units above shops and income-producing properties such as an alpaca farm or an orchard are in this category. If you are considering buying a unique residence like this, you should talk to an experienced mortgage broker about the lenders who will accept your property as security. Brokers know their lenders' products and policies and should be able to find one who will look favourably at your application.

what mortgage brokers can do for you

Find out the benefits of using a mortgage broker
and why you don’t have to pay them

3

How a mortgage broker works

How do I know thay are any good? How can their service be free?

A mortgage broker offers loans from a panel of financial institutions, including banks and non-banks. In Australia now, there are literally hundreds of lenders with many, many more options than was traditionally available in the past. Competition for new customers is fierce and new home loan products are available every day. Using a mortgage broker is now an essential part of scouring the market for the right home loan. In simple terms, brokers evaluate your situation against the 20 or 30 lenders on their panel for the best deal.

Specialised Software

The sheer amount of lenders in the market, coupled with the enormous numbers of products on offer, means that most good brokers use specialised software to access and keep up to date with the entire range of loans on offer from their lenders. Apart from complexity, with changes potentially occurring somewhere daily, it really does require the assistance of technology to analyse options effectively. When you meet with a mortgage broker, they should be happy to work through these options with you on their computer.

How do I know a mortgage broker is any good?

Establishing that a broker is right for you and has experience and qualifications, as well as being committed to the industry code of practice, is vital to ensure you're getting the best loan for your needs. Here is a step-by-step checklist that will help you know if your broker is on the level.

1. For residential loans, all of the broker's services should be free i.e. is the whole service of giving you information in relation to home loans, negotiating the loan for you and handling the paperwork through to approval
2. The right broker will take the time to really understand your entire finance situation, both now and into the future
3. Your broker should have a range of home loans from a wide variety of lenders, e.g. banks and non-banks, conforming and non-conforming
4. Ensure your broker is not just an agent for one lender
5. Check the qualifications and experience of your broker, even ask for references from previous borrowers. Are they a member of the professional mortgage association (MIAA/FBAA)?
6. Make sure your broker discloses all commission and payments received so you can judge

REMEMBER

Even once your loan is settled, good mortgage brokers are your resource for questions, concerns and ongoing review.

whether a particular loan recommendation is being influenced by how much the broker will be paid

7. Ask your broker to show you on their computer how the loans they offer compare for your situation. Good brokers should have the appropriate software and be able to clearly outline their criteria and logic
8. Ask your broker how they comply with the Privacy Act to ensure the security of your personal and financial details
9. Your broker should have appropriate insurances
10. A good broker should be able to explain the most complex loans in plain English
11. It is up to you, but it really helps if you actually like your broker as well!

How can a mortgage broker service be free?

Brokers usually run their own businesses. Lenders work with mortgage brokers because they effectively give the lender a bigger “shop front” without carrying a traditional employee or “bricks and mortar” overhead. Some lenders like Citibank, ING, Macquarie Bank and BankWest have few or no branches & partly rely on mortgage brokers to represent their products. The lender pays the broker fees or commissions for your business. Just as if you were dealing with a bank manager or lender, these fees do not change the interest rate you pay on a home loan. To be sure you are being recommended to the right lender, just ask your broker to show you all the lenders on their panel, and what your loan options would be, against each lender’s criteria.

WHAT A BROKER SHOULD DO FOR YOU

When you first meet with a broker, they should always start by asking you to explain your entire finance situation, including future plans. Little things can make a big difference to making sure you get the right home loan for your situation now and with flexibility for future changes. Have your key documents on hand to refer to when meeting with the broker so you can give the most accurate details to ensure you get the right home loan. Your broker should:

- Discuss and confirm loan options in writing
- Explain all documents of the loan application and help you to complete them
- Explain the loan process, from application to closing
- Explain all associated costs and fees of the loan application
- Explain the disbursements
- Communicate with you throughout the loan process in a timely manner
- Follow up the lender for you from application through conditional and on to unconditional approval
- Negotiate with their lender/s to achieve the best deal

WHAT YOU HEARD - if you don't owe anything on a credit card, it doesn't count as an existing debt.

INSIDE WORD - even if you don't owe anything on your credit card, the limit affects your maximum borrowing capacity with some lenders. Reduce your limit or cancel the cards you are not using.

Why use a mortgage broker

Why use a mortgage broker for a home loan instead of going directly to a lender?

It's all about options. When you apply for a home loan with a mortgage broker you are effectively applying for a loan with all the lenders the mortgage broker works with. If you only applied to one lender, you may be lucky and get the same match, but you would certainly never have been able to consider the same range of options (e.g. see "Award Winning Lenders"). Money is a commodity. The cheaper you "rent" it and the harder you make it work, the better off you will be.

A mortgage broker's job is to get you the cheapest possible deal, with the right features, which has the closest match to your personal finance situation from their panel of banks and major lenders.

It typically costs nothing for a mortgage broker's service and they will see you by appointment in your home or office. They work on a contingency basis and are only paid by the lender when the home loan settles. The interest rate you pay on a loan is generally the same as if you had gone to that lender yourself.

A mortgage broker usually deals exclusively with mortgages. By combining professional expertise with access to many different lenders and hundreds of home loan products, a broker provides you with an efficient and cost-effective method of reviewing, negotiating and organising home loan options.

Can a broker help me negotiate with my own bank or lender?

Most definitely. Firstly, it is usually better to get someone to negotiate for you if you aren't comfortable negotiating yourself. Secondly, and most importantly, your mortgage broker is also armed with the knowledge of a fair swag of your lender's competitor offerings. That is an important advantage when the lender knows your broker's job is to work to get you the best rate and deal they can. It is entirely possible that a broker can help you get a better deal, even with your current lender.

first home buyers and self employed

Extra options and scenarios for First-Home Buyers and Self Employed people

4

First-Home Buyers

For many people, buying their first home is guaranteed to be a reasonably stressful experience. Like most things you haven't done before, there is a bit to learn and mistakes can be costly. The best strategy is to systematically do your research and be prepared!

Deposit: Where do I get it from?

This is a fair question, especially if you live in one of the more expensive metropolitan cities. You do have options, and some you may not know about:

> Save for your deposit in the traditional way
> Gifted money
> Equity from another property (usually your parents)
> Pledges from relatives
> You may not need one if you have a good income (see section on Getting the Right Loan for You)
> Use your First-Home Buyer's Grant

First-Home Buyer's Grant

Through the state governments, the Federal Government has a grant available to first-home buyers of $7000 to go towards the purchase of their first property. In short, to qualify for grant:

> The application must be made within 12 months of completion of construction or settlement of the home
> You or a joint applicant must be an Australian Citizen or permanent resident. Requirements vary among states and territories regarding the number of applicants who must be an Australian citizen or permanent resident and age of the applicant
> You must be buying/building your first property as a person, not as a company or trust
> You or your spouse must not have previously owned an interest in land in Australia that had a residence on it prior to July 1, 2000
> You or your spouse must not have owned and occupied a home after July 1, 2000
> Neither you nor your spouse must have claimed this grant previously
> Entering into a binding contract or commencement of building, in the case of owner-builders, must have occurred on or after July 1, 2000
> An eligible home must be located in Australia and be a new or established house, home unit, flat or other type of self-contained fixed dwelling that lawfully can be used as a place of residence
> An eligible home must be occupied by you as your principal place of residence within 12 months of settlement or completion of construction of the home. There are minimum periods of occupancy required by each state or territory
> Joint applicants are restricted to a single application for a single property and only one payment of $7000 is made

Are Honeymoon rates good value?

"Honeymoon" or "Introductory" rates are widely available and are offered to

WHAT YOU HEARD - the best way to save money is to keep refinancing from honeymoon rate to honeymoon rate.

INSIDE WORD - most honeymoon rates now have high early repayment fees. That is, if you get out of the product straight after the discount period concludes, you will have to pay additional fees and of course an application fee each time you refinance.

entice you with a low advertised rate. They are often more than 1% below the standard home loan rate and the rate can be fixed, capped or variable for the first 6-12 months of the loan. After that, they usually revert to the standard rate offered by that lender. One way a lender can offer such cheap interest rates is by limiting the options and features on a loan, which means little flexibility if your situation changes. This may not matter, of course, if you know your circumstances are not going to change.

Always remember that the interest rate is only part of the overall pricing you should be looking at when you take out a home loan. For a slightly higher interest rate, you can get a range of additional features. Things like redraw facilities and internet banking may be features that you are willing to pay for. Also, make sure you investigate the up-front, exit and ongoing fees which can add up to a lot of money, whether you change your mind about your loan half way through or not. Don't forget to check the comparison rate. Just because you are a first home buyer does not mean you don't have access to the same kinds of loans as other people. If you are borrowing enough (and most metropolitan buyers are), you will have access to a broad range of discounts which are also well worth exploring.

FIRST-HOME BUYERS INFORMATION & WEBSITES

First-home buyers in each state are offered different incentives by their respective governments. Most governments offer stamp duty concessions which differ according to contract amounts and whether you are buying property, buying land or building. Below are the government websites where you can find links to information on:

NSW	(02) 9685 2122 www.osr.nsw.gov.au
VIC	(03) 9628 6777 www.sro.vic.gov.au
QLD	(07) 3227 8733 www.osr.qld.gov.au
WA	(08) 9262 1400 www.dtf.wa.gov.au
SA	(08) 8266 3750 www.revenuesa.sa.gov.au
TAS	(03) 6233 4976 www.treasury.tas.gov.au
ACT	(02) 6207 0029 www.act.gov.au
NT	(08) 8999 6683 www.nt.gov.au

Finance for the Self Employed

With changing work practices, more and more people are self employed and while obtaining a home loan has been difficult for the self-employed, in the past, it is now much easier.

Is it harder to get a home loan?

Not always. If you have two years of profitable trading and you can meet your lender's terms for the loan, getting a home loan is pretty much as straight forward as if you were PAYG, as long as you can verify income. If you are not in this situation however, you may be seen as a 'higher risk' and that is where it might become more difficult, or cost you more, at least in the short term. Make sure you research your options however as you might be surprised with what is available to you.

What kind of home loans are available?

The competitive lending market now means there is a home loan available for pretty much any situation and self employed people are widely catered for through numerous lenders offering low or no document home loans and non-conforming home loans.

Full income verification

As noted above, if you have full income verification and can satisfy lender's assessment requirements, there is no reason that you would not have access to all standard home loans.

\> Variable Interest Rate Loans
\> Fixed Rate Loans
\> Combination Variable-Fixed Loans
\> Introductory & Honeymoon Loans
\> No Deposit or 100% Home Loans
\> Professional Packages
\> Line of Credit - Equity Loans
\> Investment Loans
\> Bridging Loans

Do Non-Standard Loans have higher interest rates?

Some lenders offer low-documentation loans at the same rate as standard variable loans; but typically low-documentation loans and non-conforming loans are priced higher than full-document and standard home loans in line with the lender's view of you as a risk. (Variances are usually around 1-3% higher than a traditional loan, but rates depend on your level of credit impairment or perceived risk). Don't despair if you can't get lower rates immediately as increasingly lenders will revert to lower rates after consistent 'on time' repayments. Also, 'regular' rates can often be achieved by paying lender's mortgage insurance.

No and Low-Document features

Many no or low-documentation loans now combine all the features of standard variable and fixed-rate home loans. With some lenders, you can even borrow up to 80% of the value of the property you are buying. Access to loan features such as flexible repayment options, redraw and 100% mortgage offset on standard variable and one-year fixed-rate products are also now reasonably common. And they are available to home buyers and residential property investors.

Is there a limit to how much I can borrow?

Most mainstream banks won't go beyond $2.5 million on low document loans, but quite often you can borrow more from non conforming lenders at interest rates that compete very favourably with the mainstream banks and lenders. Talk to a local mortgage broker for your options.

5

getting rid of your mortgage faster!

Easy, effective steps that really work, that everyone can follow and that really will save you thousands in interest and take years off your loan

Paying off a home loan faster

Paying off a loan faster - Clever tips that really work

There is a lot of advertising around that makes claims about paying off home loans faster. It probably comes as no surprise to hear that you only have three ways to reduce the cost of your home loan (and time frame):

1. Get a cheaper interest rate and pay only for the features you need
2. Make your payments more often
3. Make payments greater than the required amount - as much as you possibly can

Paying off your loan faster really is as simple as the price of your funds and your own diligence. You will only achieve substantial savings by employing one or any combination of the methods above. It's how you go about achieving these objectives and maintaining your advantage that counts.

A cheaper interest rate with a flexible structure

The biggest single opportunity to reduce your mortgage is finding the cheapest interest rate you possibly can. If you are planning to make extra repayments, make sure your loan has the cheapest rate, with the flexibility to make extra payments that works with your lifestyle. Home loans with these kinds of features might come at a slightly higher price, so you need to balance how much you need the flexibility with the overall cost of the loan. Only get the features you need as they do cost money.

Ability to pay extra funds

Make sure your loan gives you the ability to pay extra (regular or ad-hoc).

13 REPAYMENTS A YEAR

A reasonably painless way to reduce your home loan is to ensure you pay it more frequently than monthly. Certain loan products give you the option to pay weekly, fortnightly or monthly. You get interest savings by paying more frequently, where interest is calculated daily, because you are reducing the loan balance on a more regular basis. If you have a tiny bit of extra money, you can gain an additional advantage by making your fortnightly repayment half the month (or weekly, one quarter). This achieves the equivalent of 13 monthly repayments each year and will save you $124,331* interest and six years nine months off your loan term.

Standard*

Calendar Month Payment	$2,122.35
Annual Payments	$25,468.20
Amortised Fortnightly	$979.56
Amortised Weekly	$489.77

Your Payment

13 Month Payment	$2,122.35
Annual Achieved	$27,590.53
Fortnight	$1,061.18
Weekly	$530.59

*$300,000 loan over 30 years initially calculated at 7.62%

WHAT YOU HEARD - you can't pay extra off a fixed rate loan.

INSIDE WORD - a number of lenders will allow you to pay extra within a fixed limit and at least one lender will allow you to pay extra and redraw.

WHAT IF I STOPPED SMOKING, DRINKING.....

What if you stopped smoking, eating muffins and drinking coffee?
Most people who earn more than $70,000 a year, without much effort, would save about $500 a month by trimming little luxuries and applying that amount monthly to their loan. On a $300,000 home loan with a Professional Pack at 7.62%, you would roughly shave more than **$227,032 in interest and under 13 years, ten months off a 30-year loan!** Even if you can only manage to achieve luxury skimping for the first few years, it will make a huge difference. Most people tend to earn more as the years go by, and career earnings often have a way of catching up with your temporarily side-stepped luxuries anyway!

Making additional payments on your loan, big or small, is a real benefit. If your interest is calculated daily, extra funds have the immediate effect of reducing the loan balance and, therefore, the interest payable. Your salary is an excellent example of a regular payment that should go directly into your home loan, even though you draw against it. With the right product (redraw with 100% offset), for the time the extra funds from your salary sit in your loan account, it is effectively earning interest at your home loan rate-which in many cases is pretty much double the savings interest rate, but isn't taxed. If the right loan is set up from the outset, making extra payments should be very easy via direct debit/credit, ATMs or internet and phone banking.

Make extra repayments in the beginning

If you are in a position to choose when you make extra payments, make sure you pay extra in the beginning, as that is when you can achieve the greatest impact on your loan. The problem with any home loan is that, in the early stages, you are mostly paying interest and not reducing the principal much at all. Every dollar you can put against your loan early means a faster reduction of your principal and as a result, less interest payments down the track.

WHAT YOU HEARD - the best way to pay your mortgage off faster is with a line of credit.

INSIDE WORD - some people find lines of credit difficult to manage and they can be a little dangerous. Lines of credit are just like a very big credit card, but the last thing you want them to do is run at their maximum limit. If you aren't highly disciplined, there are many other options that will keep you away from temptation and help you pay your loan off quickly.

Make your first mortgage repayment on settlement date

Here is an excellent example of early payment that everyone should plan to achieve no matter what! This one simple action will cut just over nine months and save you $20,162.33 off your $300,000 home loan (with the professional pack at 7.62% on a 30 year loan)!

Home Loan portability

If you are like most people, you won't live in the same house for the entire 25 or 30 years of your loan. With many home loans, you can now sell one home and buy another without having to reset your loan, thereby avoiding all the normal set-up and exit fees.

Match your fixed rate

Make sure you match the fixed-rate period of your mortgage to the time that you may keep a property, e.g. do not take a five-year fixed rate if you may sell the property in three years.

The big four banks aren't the only lenders with good products

Big advertising budgets and size do not mean that a lender has the best products. If your mortgage broker suggests a lender you haven't heard much about, it doesn't mean they aren't reliable. Ultimately, it is your choice which you go with, but don't be afraid of smaller lenders and international banks.

Scenarios to really save

Each scenario in this section is calculated as a stand alone. Imagine what you could achieve if you put two or three in place at the same time!

A note on fees and rates

Remember to check a home loan's comparison rate (which takes key fees into account) and be careful of "honeymoon", "introductory" and "low start" loans, as the savings tend to be short-lived and they might not allow additional payments. If you already have a mortgage and want to change loans, you will need to refinance and that will probably cost you money (see Refinancing - What are the Costs?).

Don't be a Klux about your Home Loan. Stay informed.

Even if you don't want to do this yourself, make sure your mortgage broker keeps you up to date with changes in the home loan market. Keep your mortgage broker up to date with changes in your personal finance situation too. You never know what opportunity might present itself with new products and changes in your circumstances. If you are informed, you can act.

WEB LINK

To check amounts specific to your circumstances visit;
www.xinc.net.au/calculators

Save over $107,000!

Save more than $107,742 interest on a $300,000 home loan

Another way to think of interest is the fee charged for renting money. Your objective should always be to get access to the cheapest and most flexible “rental plan” you can, for the money you need and time you need it - not a minute longer.

Negotiation and planning is essential

Up front negotiation can make a huge difference to the price you pay for “the rental” of your money. In this example, you can see how, with a bit of planning, you really can save a huge amount of money on a home loan, even without trying very hard. To achieve it, you are working with two objectives. The first is to get the lowest possible interest rate you can. The second is to pay off as much as you can as quickly as you can. To make this work, you only need to find $33.45 per week on $300,000 loan!

Professional Packages

Nearly all major lenders now offer what are commonly referred to as “Professional Packages”. If you are wanting a variable interest rate loan and your home loan is of a reasonable size (more than $150,000), you will probably find that you can get some great discounts off the standard variable rates. At $150,000 you should be able to get around 0.5% off a lender’s standard variable rate and, when you get into loans at around $250,000-$300,000, you can get up to 0.7% off their standard variable rate*. Larger loans can attract even greater discounts.

Simple mathematics

In the scenario on the right, you can see how the interest payable for a person borrowing $300,000 over a 30-year period is impacted firstly by interest rate and secondly by making a consistently higher monthly payment. By simply negotiating the Professional Pack, the interest rate differential is $52,640.00. But if you were to still pay just $146.23 extra each month, you would not only save $107,742 in interest, but you would shave five years, ten months off your home loan.

CASE STUDY

Standard variable rate	8.32%
Total interest payable	$516,688.80
Monthly P & I payments	$2,268.58
Professional Pack	7.62%
Total interest payable	$464,048.80
Monthly P & I payments	$2,122.35

MINIMISER STRATEGY

Professional Pack	7.62%
Total interest payable	$356,306.60
Monthly P & I payments (from 8.07% rate)	$2,268.58

WEB LINK

For further information:
www.xinc.net.au/welcome/reports/new/home-loanand-investment.htm

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*Note: lenders’ standard variable rates are not the same, so you really should talk this through with your mortgage broker.

Debt consolidation and refinancing

Your mortgage is pretty much the biggest debt you will ever have and it is more than likely the cheapest money you will ever rent.

Many home loan packages will now allow you to offset your credit card, pay in your salary direct and generally manipulate your debt to minimise the interest you pay. Before signing up for your mortgage, take a look at your entire financial position and take advantage of any opportunity to consolidate debt, minimise interest and get rid of paperwork. If you already have a mortgage you should review your position every couple of years. If you simply suspect you could be getting a better deal, or a fixed-rate loan term is coming to an end, you definitely should check out your options.

Debt Consolidation

As noted, consolidating your debts into one manageable loan can be a smart way to not only get your finances in order, potentially at a cheaper rate, but to also reduce the amount of personal finance paperwork you deal with on a monthly basis. You might have personal loans, car loans, credit cards and a mortgage. Usually these debts can be consolidated against your mortgage and of course work harder under your lower mortgage rate. Debt consolidation, however, does take a degree of discipline and finance management (see box on right).

Refinancing

Refinancing your mortgage could allow you to access cheaper interest rates, new options such as offset accounts or even allow you to unlock additional equity in your home to renovate, buy an investment property or consolidate debt. The most important thing to review when considering refinancing is to identify if there is enough equity available in your property to go ahead. Secondly, a review of your credit history will also be required, so make sure it is in good shape. Thirdly, do the sums carefully (see next section).

Bank/Lender fees to watch out for

In most cases, refinancing is a very straight forward process but, because of the different products and circumstances, there is no straight forward formula or answer to the potential fees and costs question. See more details in Costs of Changing From One Loan to Another-what are they?

WHAT YOU HEARD - the only mix of home loans you can have is part variable and part fixed.

INSIDE WORD - some lenders allow borrowers to combine a discounted introductory loan with a negotiated professional package loan that may also include a fixed rate loan. Combinations of this type can be structured to minimize fees, provide ultimate flexibility and maximise the most competitive interest rates available to the borrower.

The bottom line is that, apart from discharge fees, some loans do have exit penalties or deferred loan establishment fees. You can pretty much bet that, if your loan had some kind of up-front rate discount or very low interest rate, there will be exit fees. Costs to change could be minimal under a number of circumstances, especially if the new loan is with the same lender and the amount is the same, with minimal structural changes.

Assess your situation confidentially with a professional

If you are concerned or not sure, the first thing to do is assess your options thoroughly with someone who understands your situation. Talk to your accountant, then talk to a mortgage broker. A good mortgage broker will also have loans assessment software and they will be able to use their technology to do the sums for you.

THE PROS & CONS OF DEBT CONSOLIDATION

In the end, you are usually better off to consolidate your debts, but it is important to bear in mind the following:

Pros

1. Reduced interest rates. If you are consolidating debt against a mortgage, you are using secured debt. Because you have security, your interest rate will typically be lower
2. If all your loans are secured against your mortgage, you will typically not only be paying lower interest, but the loan period will be longer. This gives you lower monthly payments
3. With all loans secured against one debt, you have only one creditor. Fees should be lower across the board and paperwork less

Cons

1. It can be easy to get into further debt if you don't manage your situation carefully. If you have consolidated your debts under a mortgage, set yourself a payment level each month and make sure you stick to a budget
2. Don't get more credit cards!
3. By consolidating loans into one secured home loan, without making extra repayments, it can easily take a longer time to pay off your debt

Refinancing

Know the costs and do the sums: when you refinance, be prepared for the fact that it nearly always costs you money at the start - to exit your current loan and set up a new one.

WHAT YOU HEARD - all debt is bad.

INSIDE WORD - debt used for investments providing capital growth and/or income is generally “good” debt.

Costs can range from minimal to thousands of dollars, depending on the circumstances surrounding your change. Because of the different lender products and individual circumstances, there is no straight forward formula to answer this question. You simply have to go through and work it out. Once you have done so, you will have a very precise and quantified understanding of your options.

Typical Set-Up fees

You will recognise many of the entry costs of refinancing because they are pretty much the same ones you paid when you got the mortgage you have now. One of the things you may not recognise is how fiercely lenders are now competing for your business. You may well be surprised at how many fees are waived. There are some fees like state government charges, that must be paid, no matter how much a lender wants your business.

Typical set-up fees:

- **Mortgage Stamp Duty:** This may or may not have to be paid again, but you could have to pay up-front and have your lender apply for a refund on your behalf. In most cases you have to pay the stamp duty again, unless everything is the same, i.e. the same names and the same security property. Mortgage Stamp Duty is not applicable in Victoria, ACT and NT
- **Application Fees:** Not all loans have application fees and even those that do often have promotions which waive the fee. Make sure you check
- **Document Preparation, Settlement and Legal Fees:** Dependent upon how this function is performed, some lenders charge and some do not
- **Valuation Fees:** These fees depend on the lender and, sometimes the value of the property. In many cases, if there is only one property involved, there may be no valuation fee. Make sure you check

Typical Exit fees

The bottom line is that apart from discharge fees (around $50-$200), some loans have exit penalties, early repayment fees or deferred loan establishment fees. These may not be high but, if you have a loan which initially offered some kind of up-front rate discount or very low interest rate, you will almost certainly be up for these fees.

Exit fee scenarios

As noted, apart from discharge fees, invariably, but not always, there will be kind of exit fees attached to the existing loan.

DO THE SUMS

Interest and ongoing fees payable on current loan $

SUBTRACT

Interest and ongoing fees payable on new loan $

EQUALS

$

SUBTRACT

Current loan exit fees $

SUBTRACT

New loan entry fees $

EQUALS

Total (this number must be greater than $0 and worth refinancing for) $

Here are some common scenarios:

- The kind of loan you have and where you are up to in the term of the loan (say you are nine months into a 12-month fixed rate or introduction rate loan). Exiting fixed-rate loans mid-term could attract relatively higher fees than exiting, say, a variable rate loan
- Which lender is the loan with? Different lenders' products and different policies on exit fees means that these amounts can vary substantially
- Size of the loan? Fees might also depend on the size of your current and new loan(s)
- Switching loans vs changing lenders. Are you staying with the same lender and just switching from one loan product to another, or are you leaving your current lender? If you are staying put, fees will probably be lower

You will probably pay more interest if you stretch your loan term

One of the things to think carefully about if you are refinancing to stretch out your loan term is the extra interest which you will pay for taking longer to pay off the loan. For most people, most of the time, the cheapest loan is the one you pay off fastest. Make sure you run through the scenarios with your broker.

appendix

6

Resources and information

STATE REVENUE OFFICES

For information on buying property in each state.

NSW	13 22 81	www.osr.nsw.gov.au
VIC	(03) 9628 0000	www.sro.vic.gov.au
QLD	1300 300 734	www.osr.qld.gov.au
WA	1300 368 364	www.dtf.wa.gov.au
SA	(08) 8226 9500	www.treasury.sa.gov.au
TAS	(03) 6233 3100	www.treasury.tas.gov.au
ACT	13 22 81	www.act.gov.au
NT	(08) 8999 5511	www.nt.gov.au

COMPANY	SPECIALITY	CONTACT
Vero Advantage	Credit Profile	www.mycreditfile.com.au 1300 762 207
Credit Ombudsman Service Limited	Complaints	www.creditombudsman.com.au 1300 780 808
Australian Bureau of Statistics	National Statistics	www.abs.gov.au 1300 135 070
domain.com.au	Real Estate Search	www.domain.com.au 1300 799 107
realestate.com.au	Real Estate Search	www.realestate.com.au 1300 134 174
realestateguide.com.au	Real Estate Search Private Sales	www.realestateguide.com.au 1800 036 660
RP Data	Real Estate Value Information	www.rpdata.net.au (07) 3114 9999
Property Education	Real Estate Information and Services	www.propertyeducation.com 1300 790 580
Mortgage Industry Association of Australia	Peak Body for Mortgage and Finance Industry	www.miaa.com.au 1300 554 817
X Inc Finance	Mortgage Brokers and Information	www.xinc.net.au 13 XINC (13 9462)

HOME INSPECTION CHECKLIST

X inc.

Home Inspection Checklist

Address ____________________
____
Price estimate ____________________
Selling agent ____________________
Contact name ____________________
Phone number ____________________

Finance needed $ ____________________
Finance broker ____________________
Lender ____________________
Pre-approval loan ____________________
Loan ☐ Fixed _____ years ☐ Split
☐ Variable ☐ Line of credit

Sketch Floor Plan

Exterior	Rating		
Landscaping/garden		Condition of exterior walls	
Fencing		Condition of gutters/downpipes	
Garage/undercover/off-street parking		Condition of footings/timber stumps	
Security		Exterior doors	
Privacy		Termite damage	
Condition of roof		Sub-floor ventilation	

Comments

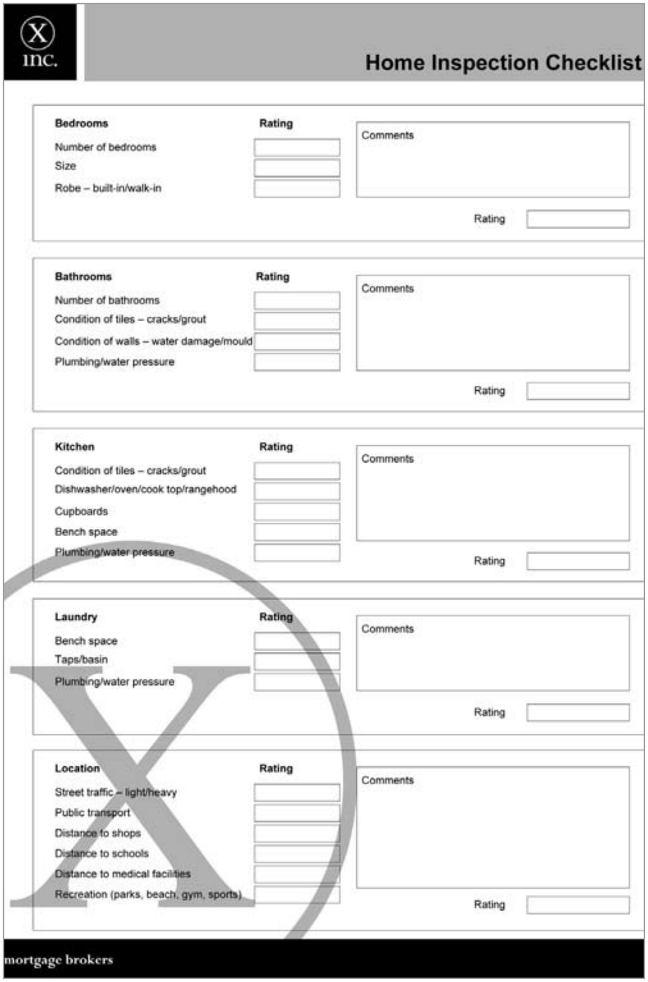
Rating

Interior	Rating		
Floor plan		Light fittings/switches	
Condition of floors/floor coverings		Power points	
Ceilings – cracks/leaks		Heating – central/open fire places	
Walls – cracks/leaks		Cooling	
Paint/wallpaper		Hot water services	
Doors – condition/ease of use		Storage / cupboards	
Windows – condition/ease of use			

Comments

Rating

mortgage brokers



X inc.

Home Inspection Checklist

Bedrooms	Rating
Number of bedrooms	
Size	
Robe – built-in/walk-in	

Comments

Rating

Bathrooms	Rating
Number of bathrooms	
Condition of tiles – cracks/grout	
Condition of walls – water damage/mould	
Plumbing/water pressure	

Comments

Rating

Kitchen	Rating
Condition of tiles – cracks/grout	
Dishwasher/oven/cook top/rangehood	
Cupboards	
Bench space	
Plumbing/water pressure	

Comments

Rating

Laundry	Rating
Bench space	
Taps/basin	
Plumbing/water pressure	

Comments

Rating

Location	Rating
Street traffic – light/heavy	
Public transport	
Distance to shops	
Distance to schools	
Distance to medical facilities	
Recreation (parks, beach, gym, sports)	

Comments

Rating

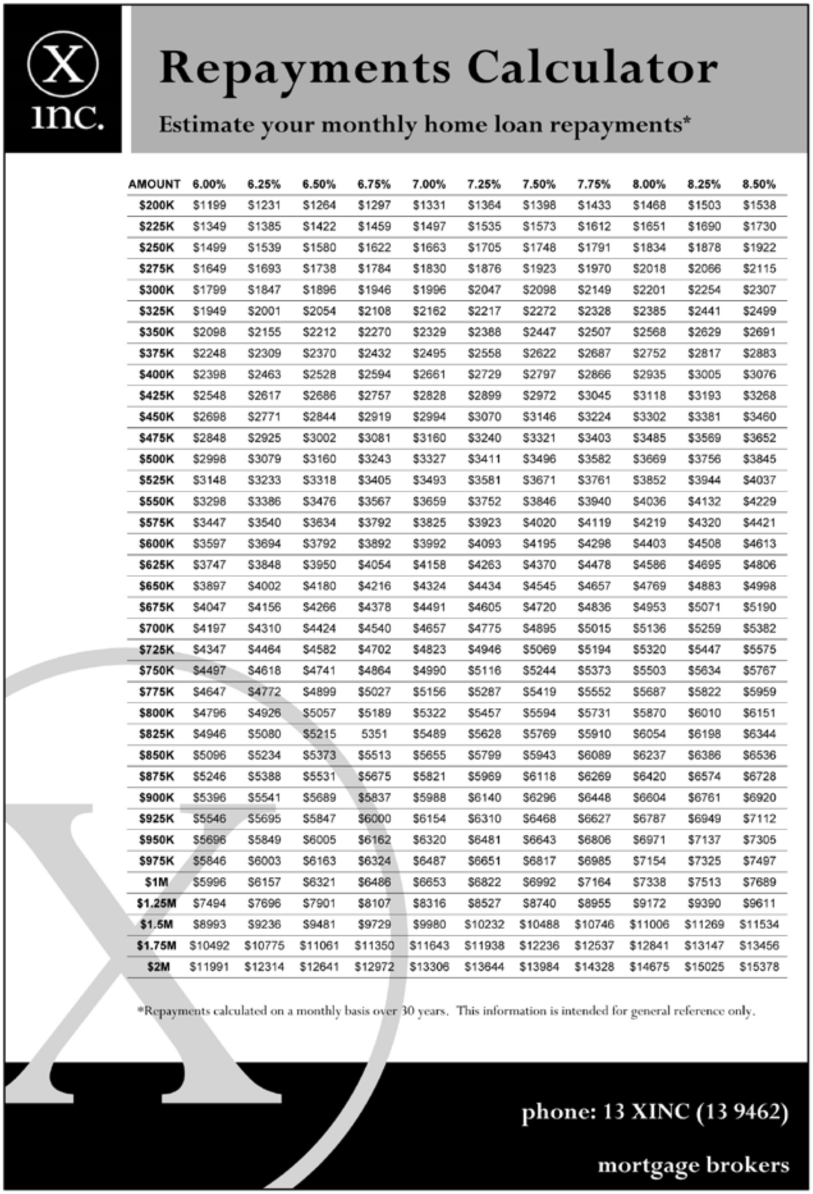
mortgage brokers

Download the Home Loan Repayment Schedule or the Home Approval Checklist at:

Home Loan Repayment Schedule **www.xinc.net.au/loancalculator.pdf**
Home Approval Checklist **www.xinc.net.au/pdf/homeinspectionchecklist.pdf**

WEB LINK

HOME LOAN REPAYMENT SCHEDULE



X inc.

Repayments Calculator

Estimate your monthly home loan repayments*

AMOUNT	6.00%	6.25%	6.50%	6.75%	7.00%	7.25%	7.50%	7.75%	8.00%	8.25%	8.50%
$200K	$1199	$1231	$1264	$1297	$1331	$1364	$1398	$1433	$1468	$1503	$1538
$225K	$1349	$1385	$1422	$1459	$1497	$1535	$1573	$1612	$1651	$1690	$1730
$250K	$1499	$1539	$1580	$1622	$1663	$1705	$1748	$1791	$1834	$1878	$1922
$275K	$1649	$1693	$1738	$1784	$1830	$1876	$1923	$1970	$2018	$2066	$2115
$300K	$1799	$1847	$1896	$1946	$1996	$2047	$2098	$2149	$2201	$2254	$2307
$325K	$1949	$2001	$2054	$2108	$2162	$2217	$2272	$2328	$2385	$2441	$2499
$350K	$2098	$2155	$2212	$2270	$2329	$2388	$2447	$2507	$2568	$2629	$2691
$375K	$2248	$2309	$2370	$2432	$2495	$2558	$2622	$2687	$2752	$2817	$2883
$400K	$2398	$2463	$2528	$2594	$2661	$2729	$2797	$2866	$2935	$3005	$3076
$425K	$2548	$2617	$2686	$2757	$2828	$2899	$2972	$3045	$3118	$3193	$3268
$450K	$2698	$2771	$2844	$2919	$2994	$3070	$3146	$3224	$3302	$3381	$3460
$475K	$2848	$2925	$3002	$3081	$3160	$3240	$3321	$3403	$3485	$3569	$3652
$500K	$2998	$3079	$3160	$3243	$3327	$3411	$3496	$3582	$3669	$3756	$3845
$525K	$3148	$3233	$3318	$3405	$3493	$3581	$3671	$3761	$3852	$3944	$4037
$550K	$3298	$3386	$3476	$3567	$3659	$3752	$3846	$3940	$4036	$4132	$4229
$575K	$3447	$3540	$3634	$3792	$3825	$3923	$4020	$4119	$4219	$4320	$4421
$600K	$3597	$3694	$3792	$3892	$3992	$4093	$4195	$4298	$4403	$4508	$4613
$625K	$3747	$3848	$3950	$4054	$4158	$4263	$4370	$4478	$4586	$4695	$4806
$650K	$3897	$4002	$4180	$4216	$4324	$4434	$4545	$4657	$4769	$4883	$4998
$675K	$4047	$4156	$4266	$4378	$4491	$4605	$4720	$4836	$4953	$5071	$5190
$700K	$4197	$4310	$4424	$4540	$4657	$4775	$4895	$5015	$5136	$5259	$5382
$725K	$4347	$4464	$4582	$4702	$4823	$4946	$5069	$5194	$5320	$5447	$5575
$750K	$4497	$4618	$4741	$4864	$4990	$5116	$5244	$5373	$5503	$5634	$5767
$775K	$4647	$4772	$4899	$5027	$5156	$5287	$5419	$5552	$5687	$5822	$5959
$800K	$4796	$4926	$5057	$5189	$5322	$5457	$5594	$5731	$5870	$6010	$6151
$825K	$4946	$5080	$5215	5351	$5489	$5628	$5769	$5910	$6054	$6198	$6344
$850K	$5096	$5234	$5373	$5513	$5655	$5799	$5943	$6089	$6237	$6386	$6536
$875K	$5246	$5388	$5531	$5675	$5821	$5969	$6118	$6269	$6420	$6574	$6728
$900K	$5396	$5541	$5689	$5837	$5988	$6140	$6296	$6448	$6604	$6761	$6920
$925K	$5546	$5695	$5847	$6000	$6154	$6310	$6468	$6627	$6787	$6949	$7112
$950K	$5696	$5849	$6005	$6162	$6320	$6481	$6643	$6806	$6971	$7137	$7305
$975K	$5846	$6003	$6163	$6324	$6487	$6651	$6817	$6985	$7154	$7325	$7497
$1M	$5996	$6157	$6321	$6486	$6653	$6822	$6992	$7164	$7338	$7513	$7689
$1.25M	$7494	$7696	$7901	$8107	$8316	$8527	$8740	$8955	$9172	$9390	$9611
$1.5M	$8993	$9236	$9481	$9729	$9980	$10232	$10488	$10746	$11006	$11269	$11534
$1.75M	$10492	$10775	$11061	$11350	$11643	$11938	$12236	$12537	$12841	$13147	$13456
$2M	$11991	$12314	$12641	$12972	$13306	$13644	$13984	$14328	$14675	$15025	$15378

*Repayments calculated on a monthly basis over 30 years. This information is intended for general reference only.

phone: 13 XINC (13 9462)

mortgage brokers

WHAT YOU HEARD - if you get a great mortgage, there is no need to review it.

INSIDE WORD - lenders introduce new products, or offer new discounts to products periodically that may not have been available to you when you took out your mortgage. Stay in touch with your mortgage broker and have them review your mortgage every year.

X Inc Finance Lenders

The lenders listed here are the lenders who X Inc Brokers deal with every day as we link homeowners, investors and business people with the best finance products available from our major banks and a broad range of other lenders.

Residential Home Loans

AMP Bank
ANZ Bank
BankWest
Bluestone Mortgages
Bluestone Equity Release
Colonial/Commonwealth Bank Australia
Citibank
Economy Home Loans
FirstMac
First Permanent Group
GE Money
Heritage Building Society
Homeloans Ltd
HomeSide Lending
IMB
ING Bank
La Trobe Financial Services
Liberty Financial
Macquarie Bank
National Australia Bank
Pepper Homeloans
RAMS Home Loans
Seiza Mortgages
St George Bank
Suncorp Bank
Vision Equity Living
Westpac Bank

Deposit Bonds

Deposit Power
(a division of Vero
Insurance Limited)

Commercial and Business Lenders

AllCommercial Finance
Allfinance
ANZ Bank
Ashe Morgan Commercial
BankWest
Commonwealth Bank Australia
Challenger Finance
Citibank
GE Money
National Australia Bank
FirstMac
IMB
ING Bank
Provident Inventory Finance
Suncorp
Westpac Bank

Personal Loans/ Leasing Motor Vehicle Finance

Capital Finance
CBFC Limited
Enterprise Finance Solutions
GE Money
FirstMac
Liberty Financial
Macquarie Bank
Macquarie Leasing
(a wholly owned subsidiary
of Macquarie Bank)
National Australia Bank
Suncorp
Westpac Bank

Finance Dictionary

A quick, handy reference of finance terms

A

Accrued Interest
Interest you have earned or incurred that is yet to be paid or charged.

Additional Securities
An asset that guarantees the lender their loan until the loan is repaid in full. Usually the property is offered to secure the loan.

Additional Repayment
Extra funds paid into the loan in addition to the minimum monthly or weekly repayments. These extra funds reduce the term of the loan.

Adjustments
The process of allocating expenses, e.g. council rates, water rates, etc.

Agent
A person or body authorised to act on behalf of a customer in the sale.

Amenity
A feature of the home or property that serves as a benefit to the buyer, but is not necessary to its use. May be natural (like location, parks, water) or man-made (like a swimming pool or garden).

Amortisation Period
Repayment of a mortgage loan through monthly instalments of principal and interest. The monthly repayment amount is based on a schedule that will allow you to own your home at the end of a specific time period, (e.g. 15 or 30 years). Often referred to as the loan term.

Application
The first step in the loan approval process; this form is used to record important information about the potential borrower necessary to the underwriting process.

Application Fees
Fees charged to cover or partially cover the lender's internal costs of setting up a loan.

Appraisal
A document that gives an estimate of a property's fair market value appraisal is generally required by a lender before the expiry of the fixed-rate period.

ASIC
Australian Securities and Investment Commission

B

Baycorp Advantage
(Now Veda Advantage) Australian credit files are held by Veda Advantage Limited, previously Credit Advantage Limited and CRAA.

Bridging Finance
A short-term loan often used to cover a finance gap between the purchase of a new property and the sale of an old property. Higher interest rates are usually charged for this form of finance.

Building inspection
An inspection generally carried out prior to the purchase of a property to ensure the building is structurally sound. Contracts of sale can be made subject to a satisfactory building inspection.

Building regulations
Rules of a legal or statutory nature by which local councils control the manner and quality of buildings. They are designed to ensure public safety, health and minimum acceptable standards of construction.

Buyers' Agent
Person who acts on behalf of the buyer to find and negotiate on properties the buyer wishes to purchase.

C

Capital
The current value of your long-term assets.

Capital Gain
The monetary gain obtained when you sell an asset for more than you paid for it.

Capital Gains Tax
A Federal tax on the monetary gain made on the sale of an asset (excluding your primary residence) bought and sold after September 1985.

Capped Loan
A loan where the interest rate is not allowed to exceed a set level for a period of time, but unlike fixed-rate loans, can fall.

Caveat
Latin for "beware". A notice of warning given to a public authority, e.g. Titles Office, claiming entitlement to an interest in certain land. The caveat is registered and remains on the books as a warning to anyone who contemplates dealing with the property. It thereby prevents any action being taken without the previous notice of the person entering the caveat (the caveator).

Caveat Emptor
Latin for "let the buyer beware".

Certificate of Title
A document that details the land dimensions and identifies the ownership of land. It shows who owns the land and whether there are any mortgages or other restrictions on it. This document (if issued) is usually held by the lender as security for a loan.

Charge
The term used to describe any right established over a borrower's property to secure a debt or performance of an obligation.

Chattels
Personal property. There are two types. Real chattels are buildings and fixtures, while personal chattels are clothes and furniture.

Clear title
A seller has a clear title when there are no restrictions (such as an outstanding mortgage) preventing the sale, and when ownership of the seller has been established.

Cluster Housing
A group of houses that share common space.

Collateral Security
Additional or supporting security given in addition to the principal security.

Commission
The fee payable to an “agent” for services.

Company Title
A property title that applies when owners of units in a block form a company.

Comparison rate
Since July 2003, all lenders must disclose a benchmark comparison rate in their advertising of home loans and personal loans. This comparison rate is designed to reflect the total annual cost to a borrower of a loan. It wraps up interest payments and fees and expresses all these costs in one rate, or the average annual percentage rate (AAPR).

Compound interest
Interest that is paid on both the accumulated interest as well as on the original principal.

Consumer Credit Code
An Act of Parliament governing the relationship between borrowers and lenders. The legislation is designed to protect the rights of the individual by ensuring finance institutions adhere to the same rules when providing personal, domestic or household credit. It should provide borrowers with complete and honest information.

Contract of Sale
A written, legally enforceable agreement outlining the terms and conditions for the purchase or sale of a property.

Conveyance
The transfer of ownership of a property from the seller’s name to the buyer’s name.

Conveyancing
The legal process for the transfer of ownership of real estate.

COSL
Credit Ombudsman Service Limited.

Covenant
Terms and conditions that specify the usage of a block of land or the buildings on it.

Cover note
A guarantee of temporary insurance before the implementation of a formal policy.

Credit History
A history of an individual’s debt repayment. Lenders use this information to gauge a potential borrower’s ability to repay a loan.

CRAA
CRAA became “Credit Advantage Limited” and now Baycorp Advantage. Baycorp Advantage is the company which records and holds credit information on everyone in Australia.

D

Daily Interest
Interest calculated on a daily basis therefore varies according to daily account balance.

Debt-to-income ratio
A comparison of gross income to expenses.

Deed
Alegal document that states an agreement or obligation regarding a property.

Default
Failure to meet debt repayment by a due date. A failure to make loan repayments may result in the mortgage holder taking legal action to repossess the mortgaged property.

Delinquency
Failure of a borrower to make timely mortgage repayments under a loan agreement.

Deposit
A deposit is normally paid by the buyer at the time of exchanging contracts. Normally a minimum of 5 - 10% of the total purchase price is required.

Deposit Bonds
A guarantee that the purchaser of a property will pay the full deposit by the due date. Institutions providing deposit bonds act as guarantor that payment will be made.

Depreciation
The periodic cost assigned for the reduction in usefulness and value of a long-term tangible asset.

Direct Debit
Regular electronic debiting of payments from a customer’s nominated bank/building society cheque or savings account.

Disbursements
Miscellaneous fees and charges incurred during the conveyancing process, including search fees and charges paid to government authorities.

Discharge Fees
An administration fee to cover the costs incurred in finalising a loan account.

Discharge of Mortgage
A document signed by the lender and given to the borrower when a mortgage loan has been repaid in full.

Disposable Income
Any income left over after all known expenses have been met (e.g. loan repayments, bills, other commitments).

Downpayment
The portion of a home’s purchase price that is paid in cash and is not part of the mortgage loan.

Draw Down
To access available loan funds. Might refer to a staged loan for property constructions, or lines of credit where the limit is set and the borrower can use the funds as required or the act of transferring money from the lending institution to the borrower after the loan has settled.

DSR
Debt Service Ratio - maximum of a loan applicant’s weekly, fortnightly or monthly wage which will support loan repayments over the agreed loan term. Usually expressed as a percentage.

Duty (or Stamp Duty)
State Government tax on financial transactions. For the purchase of real estate, it is calculated according to the property value. It also applies to the amount of the mortgage and the amount differs from state to state.

E

Early Termination Payment
The cost of winding up a loan early.

EFM
An EFM is a Equity Finance Mortgage and is a relatively new type of home loan that effectively

boosts your potential borrowing capacity by anything up to 25%. It is available in Sydney and Melbourne.

Electronic Funds Transfer (EFT)
Electronic transfer of funds from one account to another.

Encumbrance
An outstanding liability or charge on a property.

Equity
The part of something - asset, house or company - which you own. You also have equity in that part of the value of your house above the amount borrowed from the lender that has the mortgage over your house. (Assets - Liabilities = Equity)

Equity Finance Mortgage
An Equity Finance Mortgage (EFM) is a relatively new type of home loan that effectively boosts your potential borrowing capacity by anything up to 25%. It is available in Sydney and Melbourne from early 2007.

Equity Loan
A loan usually secured by the proportion of the value of your house which you own.

Equity Mortgage
Aloan secured by the part of the value of an asset (usually a house) which you own.

Escrow
Money, property, a deed or a bond put into the custody of a third party for delivery to a grantee only after the specified conditions are fulfilled.

Establishment Fees
Lending body fees which may or may not be charged to set up a loan.

Estate
The whole of one's possessions, especially all the property and debts left by one at death.

Exchange of Contracts (or Exchange)
The legal point of time when the vendor and purchaser swap documentation and start inquiries with a view to settlement.

Exit Fee
A fee imposed by some lenders when the loan is paid off before the end of it's term. Fees most generally apply to fixed-rate loans.

F

FBAA
Finance Brokers Association Australia.

Fittings
Items that can be removed from a property without causing damage to it (e.g. curtains).

Fixed Interest
An interest rate set for an agreed term regardless of any variations in the market.

Fixed-rate mortgage
A fixed interest rate that applies to a loan for a set term. Both the interest rate and loan repayments are fixed for the agreed term, regardless of any interest rate variations in the home loan market.

Fixtures
Items that would cause damage to a property if removed. Their removal must be stipulated in the contract of sale and any damage made good by the seller (e.g. carpets , stoves, dishwashers etc).

Flood insurance
Insurance that protects homeowners against losses from a flood; if a home is located in a floodplain, the lender will require flood insurance before approving a loan.

Foreclosure
A legal process in which mortgaged property is sold to pay the loan of a defaulting borrower.

Freehold
The dwelling and the land on which it stands is owned by the owner until they choose to sell.

G

Gearing
Ratio of your own money and borrowed funds in an investment.

Gross Income
Income from a person or company, before tax, superannuation or payroll deductions.

Guarantor
A party who agrees to be responsible for the payment of another party's debts, should it default.

H

Holding Deposit
A refundable deposit demonstrating the goodwill of the buyer to go ahead with the purchase.

Home Equity
The value of a homeowner's unencumbered interest in their property. Equity is the difference between the home's fair market value, the unpaid balance of the mortgage and any outstanding debt over the home. Equity changes as the mortgage is paid or as the property appreciates or depreciates.

Home Equity Loan
A home equity loan gives you a revolving line of credit secured by the equity in your house. This allows you to use the funds for any other purpose, such as the purchase of a second property, shares or other investments. The interest rate is generally higher than a standard variable rate, and these accounts are not suitable for everyone.

Home inspection
An examination of the structure and mechanical systems to determine a home's safety. Makes the potential home buyer aware of any repairs that may be needed.

Home Loan
A home loan requires you to pledge your home as the lender's security for repayment of your loan. The lender agrees to hold the title or deed to your property until you have paid back your loan plus interest.

Home & Contents Insurance
An insurance policy that combines protection against damage to a dwelling and its contents with protection against claims of negligence, i.e. inappropriate action that results in someone's injury or property damage.

Honeymoon Rates
"Honeymoon" or introductory rates are offered to entice borrowers with a low advertised rate that may be as much as 2% below the standard home loan rate and therefore look very attractive. The rate can be fixed, capped or variable for the first six to 12 months of the loan. Then they automatically revert to the standard rate offered by that lender.

I

Inclusions
Items included with the property e.g. light fittings.

Income Statement
A statement of income and expenditure for a period.

Indemnity

Security against damage or loss; sum paid in compensation for loss incurred.

Index
Measurement used by lenders to determine changes to the interest rate charged on an variable-rate mortgage.

Inflation
A sustained increase in the general level of prices so that a given amount of money buys less and less. The number of dollars in circulation exceeds the amount of goods and services available for purchase, resulting in a decrease in the dollar's value.)

Instalment
The regular periodic payment that a borrower agrees to make to the lender.

Interest
The lending body's charge for the use of funds or the return on deposited funds. See also Daily Interest.

Interest Only Loan
A loan where the principal is paid back at the end of the term and only interest is paid during the term. These loans are usually for a short term of one to five years.

Interest Rate
The amount of interest charged on a monthly loan payment. Usually expressed as a percentage.

Internal Rate of Return
A measure of the return on an investment (or loan) which takes into account the time value of money by showing the rate of interest at which the present value of future cash flows is equal to the cost of the investment or loan.

Introductory Loan
Aloan offered at a reduced rate for an introductory period (usually 12 months) to new borrowers. Also called a discounted or honeymoon rate.

Inventory
Alist of items included with a property, e.g. furniture.

Investment Property
Aproperty purchased for the sole purpose of earning a return on the investment, either in the form of rent or capital gain. The owner cannot live in the property.

J

Joint and Several Liability
With joint and several liability, a creditor has as many rights of action as there are debtors. He can sue them jointly or severally until he has obtained payment, and an unsatisfied judgment against one debtor will not be a bar to an action against the others.

Joint Tenants
Equal holding of property between two or more persons. If one party dies, the property passes to the survivors.

L

Land Tax
A State Government tax charged to the owners of any property over a stipulated value.

Legal Fee
May be charged when an outside party is used to prepare lender documentation.

Lease
A document granting a period of tenancy of a property under specific terms and conditions.

Liabilities
Someone's debts or obligations.

Lien
The right to hold property as security against a debt or loan.

Line of Credit
A flexible loan arrangement with a specified ceiling to be used at a customer's discretion.

Loan Pre-approval
A loan is approved before the borrower bids on or offers for the property.

LMI
Lenders Mortgage Insurance.
A one off payment by the borrower to the lender to insure the loan. LMI is usually required when a loan amount is higher than a lender's acceptable LVR which is usually around 80% of the property's value. LMI insures the lender for the full amount of a loan in case a borrower defaults.

Loan
Money borrowed that is usually repaid with interest.

Loan Fraud
Purposely giving incorrect information on a loan application in order to better qualify for a loan. May result in civil liability or criminal penalties.

Loan to Valuation Ratio (LVR)
The ratio of the amount lent to the valuation of the security (usually the house).

Lock-in
Interest rates can change frequently, so many lenders offer an interest rate lock-in that guarantees a specific interest rate if the loan is closed within a specific time.

Low-doc Loans
Low doc or low documentation loans are structured for the self-employed who don't have the documentation required to get traditional home loans. The interest rate is higher than the standard variable rate, although the gap is narrowing. Other types of non-conforming loans are also on the rise to cater for people with riskier borrowing profiles. They accordingly pay higher interest rates. Both types of low-doc loans generally carry a requirement for mortgage insurance, adding to their cost.

Low Start Loan
A loan where the initial repayments are low and increase over time.

Lump Sum Repayments
Additional ad hoc repayments, made over and above your minimum repayment requirement.

LVR
This is the general term for the Loan to Value ratio. This measure is used to determine the percentage of the equity in a mortgage against the value of the security. eg. If a house is worth $500,000, and the mortgage over the property is $350,000 then the LVR is 70.00%. Typically, lenders consider 80% as the point at which Mortgage Insurance is required. (LVR is sometimes referred to as LTV.)

M

Margin
The difference between the lender's interest indicator rate (or other reference rate) and the rate actually charged to borrowers.

Margin Lending
Margin lending enables investors to borrow against their existing

assets (e.g. cash, share holdings etc) to invest in more shares.

Maturity
The date by which a debt or investment must be paid in full.

Maximum Loan Amount
The maximum amount that can be borrowed, based on an applicant's disposable income, deposit and the purchase price of the property.

Maximum Loan Value Ratio (LVR)
Maximum loan to valuation. This means the amount you can borrow expressed as a percentage of the valuation of the security (usually the property you are buying).

Maximum Term
The maximum length of a home loan or a specific portion within that loan (normally 25 or 30 years).

Median
The median is the 'midpoint' when a set of values are arranged in ascending order. eg. if the numbers were 1,1,3,4,5,6,7,7,7,7,8 the median would be 6, whereas the average is 5.09.

MIAA
Mortgage Industry Association Australia.

Minimum Fixed Amount
The minimum amount that can be borrowed at a fixed rate of interest.

Minimum Loan Amount
The minimum amount that can be borrowed.

Minimum Lump Sum Payment
The minimum amount that can be repaid as a lump sum.

Minimum Redraw Amount
The minimum amount that can be redrawn from a loan.

Minimum Repayment
The amount you are contractually obliged to repay each month, in order to repay your loan within the agreed term.

Monthly Fees
The fees charged to cover or partially cover the lender's internal costs of administering the loan each month.

Mortgage
A form of security for a loan usually taken over real estate.

Mortgagee
The creditor or lender in a mortgage agreement.

Mortgage Broker
A company or person that originates and processes loans for a number of lenders.

Mortgage Insurance
Some lenders may provide up to 97% of funds for a loan if you agree to take out mortgage insurance. This figure is a one off payment usually made at the time of settlement. The figure is not easy to calculate being based on variables such as the loan amount, the value of your property and the exact LVR (i.e. the figure between 80% and 95%). This payment allows the lender to recoup the unpaid principal in the event of default and the borrower's debt is transferred
to the mortgage insurer.

Mortgage Manager
Lending specialists who arrange funding for home and investment loans. Unlike banks, building societies and credit unions, mortgage managers do not have a base of customer deposits with which to fund their loans. Instead they source their funds via a process known as securitisation.

Mortgage Offset Account
A savings account run in conjunction with a home loan. The interest earned on the account is applied to reduce the interest paid on the loan. A 100% offset is where the interest rates earned and paid are the same. Apartial offset account is where the interest earned on the offset account is only a portion of the rate paid on the home loan.

Mortgage Originator
Originators initiate or generate mortgage applications for the mortgage trust. Put simply, they 'pool' a group of mortgages which can then be sold on to investors as an incomeproducing asset. Originators are responsible for receiving applications for finance, assessing credit and monitoring the transaction through to settlement. They may then appoint a mortgage manager or take on the management role themselves.

Mortgage Payment
A regularly scheduled repayment that usually includes both principal and interest.

Mortgage Protection Insurance
See Mortgage Insurance.

Mortgage Registration Fee
A State Government charge for the registration of a loan.

Mortgagor
The person borrowing money under the terms of a mortgage.

N

Negative Gearing
Where the return on an investment is insufficient to meet the interest costs of the loan used to fund the investment. This amount can usually be claimed as a tax deduction.

Net Income
Gross income less expenses, including taxes and insurance, but before depreciation, or distribution of earnings

Non-conforming loans
Loans that cater for those who can't meet the standard income verification and credit history criteria that mainstream lenders like banks and mortgage originators use for ordinary borrowers. Such borrowers include those who are selfemployed, have a poor credit record or who have recently arrived in Australia. Non-conforming loans usually have higher the interest rates to reflect higher risk of these borrowers. Non-conforming finance is also called "sub-prime lending".

O

Offer
Indication by a potential buyer of willingness to purchase a home at a specific price; generally put forth in writing.

Offer to Purchase
A legal agreement that details a specific price for the purchase of a specific property.

Offset Account/Mortgage Offset
A savings account linked to your mortgage in such a way that the interest earned on your savings is applied to reduce the interest on your mortgage. Offset accounts can help reduce your tax bill by offsetting taxable income from deposit accounts against interest

paid in after tax dollars on mortgage repayments. However, not all offset accounts are equal, with many not paying the same interest as you are charged on your mortgage.

Official Cash Rate
The Official Cash Rate is the interest rate set by the Reserve Bank of Australia and used to influence the general level of interest rates in banking and the economy. Changes to the cash rate, also termed "official interest rates", flow on to variable home loan, personal loan and credit card rates within weeks.

Option to Buy
A Legally-binding document which gives a person first right of refusal on a property.

Origination
The process of preparing, submitting and evaluating a loan application. Generally includes a credit check, verification of employment, and a property valuation.

Origination fee
A fee for originating the loan charged by the lender. Also called an application fee.

Overdraft
A pre-arranged limit to which a person can exceed an account balance.

P

Passed In
A property is "passed in" at auction if the highest bid fails to meet the reserve price set by the vendor.

Portability or Portable Loan
A portable loan allows you to sell your house and move to a new one without having to refinance. This saves application and legal fees. Most lenders insist that the loan amount is the same or less. It is important to know the terms of your loan.

Pre-approve
Lender commits to lend to a potential borrower. Commitment remains as long as the borrower still meets the qualification requirements at the time of purchase.

Prepayment
Any amount paid to reduce the principal of the loan before the due date, or any amount in addition to the minimum repayment. May be subject to a prepayment penalty.

Pre-qualify
A lender informally determines the maximum amount an individual is eligible to borrow.

Principal
Acapital sum borrowed from a lender on which interest is paid (doesn't include the interest or additional fees).

Principal and Interest Loan
A loan in which both the principal and the interest are repaid during the term of the loan.

Private Sale or Treaty
The sale of a property without a real estate agent.

R

Real Property
Land, with or without improvements (e.g. a house).

Re-amortise
To recalculate the minimum repayment required to repay the outstanding balance of your loan over the remaining period (typically relevant when loan balance has changed substantially from the original amount).

Redraw Facility
Allows you to make additional repayments on your mortgage, and then have access to the additional repayments if you need to. It is important to understand the conditions attached to the redraw facility as they can include a minimum amount and a fee for every time you use it.

Redraw Fee
Fee charged to cover or partially cover the lender's internal costs of allowing the borrower to redraw money from repayments.

Refinancing
Replace or extend an existing loan with funds from the same institution or another lender.

Rent Purchase
Designed to assist low to moderate-income home-buyers to purchase a home by allowing them to lease a home with an option to buy.

The rent payment is made up of the monthly rental payment plus an additional amount that is credited to an account for use as a down payment.

Requisitions on title
Process by which the buyer requests additional information about the title of the property from the seller.

Reserve Price
A specified minimum price acceptable to a seller at auction.

Right of Way
A person's right to cross other property or a general pathway across your land.

Rise and Fall Clause
A building contract clause that allows the final pricing to move up or down according to the fluctuations of material prices or wages.

S

Search
An examination or research usually carried out on the purchaser's and lender's behalf prior to settlement to confirm that a vendor is in a position to sell a property and that there are no encumbrances on it.

Securitisation
This is a process whereby assets (such as mortgages) with an income stream are pooled and converted into saleable securities. These assets are purchased and packaged into low-risk negotiable securities such as bonds, and then issued to investors.

Security
An asset that guarantees the lender their loan until the loan is repaid in full. Usually the property is offered to secure the loan.

Service Fee
Usually a monthly fee levied by the lender to cover costs of administering and maintaining the loan account i.e. fixed and variable costs such as staff, IT software/hardware.

Settlement Date
A date on which the new owner finalises payment and assumes possession of a mortgaged item.

Settlement Period
A period after contracts exchange and before the settlement date. Allows the buyer time to organise finance, if needed, and to conduct searches surveys and other

formalities. The settlement period usually lasts six to eight weeks, depending on a range of factors, including the state.

Shared Appreciation Mortgage

Shared Appreciation Mortgages are also know as Equity Finance Mortgage and are a relatively new type of home loan that effectively boosts your potential borrowing capacity by anything up to 25%. It is available in Sydney and Melbourne.

Mortgages/Finance Mortgages

Finance offered through solicitors' firms.

Split Loan

A combination of loan types forming one loan, such as a partial fixed/variable interest rate loan. Typically, different types of interest are paid on different portions of the account, e.g. fixed rate and variable rate.

Stamp Duty

State Government tax assessed on the selling price of the property. Each state has different rules and calculations.

Standard Variable Rate

The rate which lenders apply to their "premium" home loan product. Carries features such as a redraw facility, portability, salary account and mortgage offset.

Strata Title

A strata title is the most common title associated with town-houses and home units and is evidence of ownership of a unit, which is called a "lot", in a strata plan. Of the entire building, individuals each own a small portion (such as a unit or townhouse) but where there is common property (external walls, windows, roof, driveways, foyers, fences, lawns and gardens) which all owners share.

Sub-prime lending

Also called 'non-conforming' loans. Refers to loans that cater for those who can't meet standard income verification and credit history criteria. Non-conforming loans usually have higher interest rates.

Survey

A plan that shows the boundaries of a property and the positioning of any buildings on that property.

Switching Fee

The lender may impose a switching fee where an existing borrower wishes to change from one loan type to another, e.g. variable rate loan to fixed rate loan.

T

Tenants in common

The equal or unequal holding of property by two or more persons. If one party dies the share of the property forms part of the estate rather than passing to the other tenant / tenants.

Term

The length of a home loan or a specific portion within that loan. The term is usually written in months, rather than years.

Third Party Guarantee

Using someone else's property as security; where someone else has agreed to offer their property as additional security for a loan.

Title Deed

A document disclosing the legal description and ownership of a property.

Title Fees

Fees payable to the State Titles Office for title search, transfer or property ownership, registration of the new mortgage and/or discharge of an old mortgage.

Title Search

A check of public records to ensure that the vendor has the right to sell and transfer ownership.

Torrens Title

Records your ownership of a property. You are lawfully entitled to lease it.

Townhouse

Usually a two-storey dwelling registered under a strata title.

Transfer

A document registered with the Land Titles Office that confirms the change of ownership as noted on the Certificate of Title.

U

Unencumbered

A property free of liabilities, encumbrances or restrictions.

Underwriting

The process of analysing a loan application to determine the amount of risk involved in making the loan. It includes a review of the potential borrower's credit history and a judgment of the property's value.

Uniform Consumer Credit Code (UCCC)

Legislation to ensure uniformity amongst all credit providers across Australia. For example, all loan contracts must now adhere to a uniform format as specified by the Act. It must set out all fees and charges that the borrower (and, if required, guarantor) are liable for under the loan contract.

V

Valuation

A report required by the lender detailing a professional opinion of a property'svalue.

Valuation Fee

A fee which may be charged if the lender seeks to cover the cost of valuing the property taken as security for the loan.

Variable Interest Rate

A rate that varies in accordance with the money market rates.

Variation

A change to any part of a loan contract.

Veda Advantage

(Previously Baycorp Advantage) Australian credit files are held by Veda Advantage Limited, previously Credit Advantage Limited and CRAA.

Vendor Statement

A statement by the seller to the buyer detailing material particulars regarding the property in question.

Vendor

The party who offers a property for sale.

Z

Zoning

Local government authority guidelines as to the permitted uses of land and buildings on that land.

X Inc Mortgage Brokers

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Sydney

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This book is a must for anyone who is still struggling through their 30 year mortgage, buying their first home or investing. In plain, simple english, this is a true insider's guide to the way the home loan market works, arming you with the tools to navigate your way through the minefield of seemingly endless offers of cheap interest rates, fast repayment schemes and super deals. Using the knowledge in this book, you can truly capitalise on the most competitive lending market Australia has ever seen.

This enjoyable, easy and enlightening read makes everyone an expert and could literally save you a fortune over the course of your mortgage.

Always remember the 10/10 rule.. "pay 10% more attention to your finances today and be 10 times richer tomorrow!"

Jennifer Nielsen
CEO, X Inc Finance

the insider's guide to home loans

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