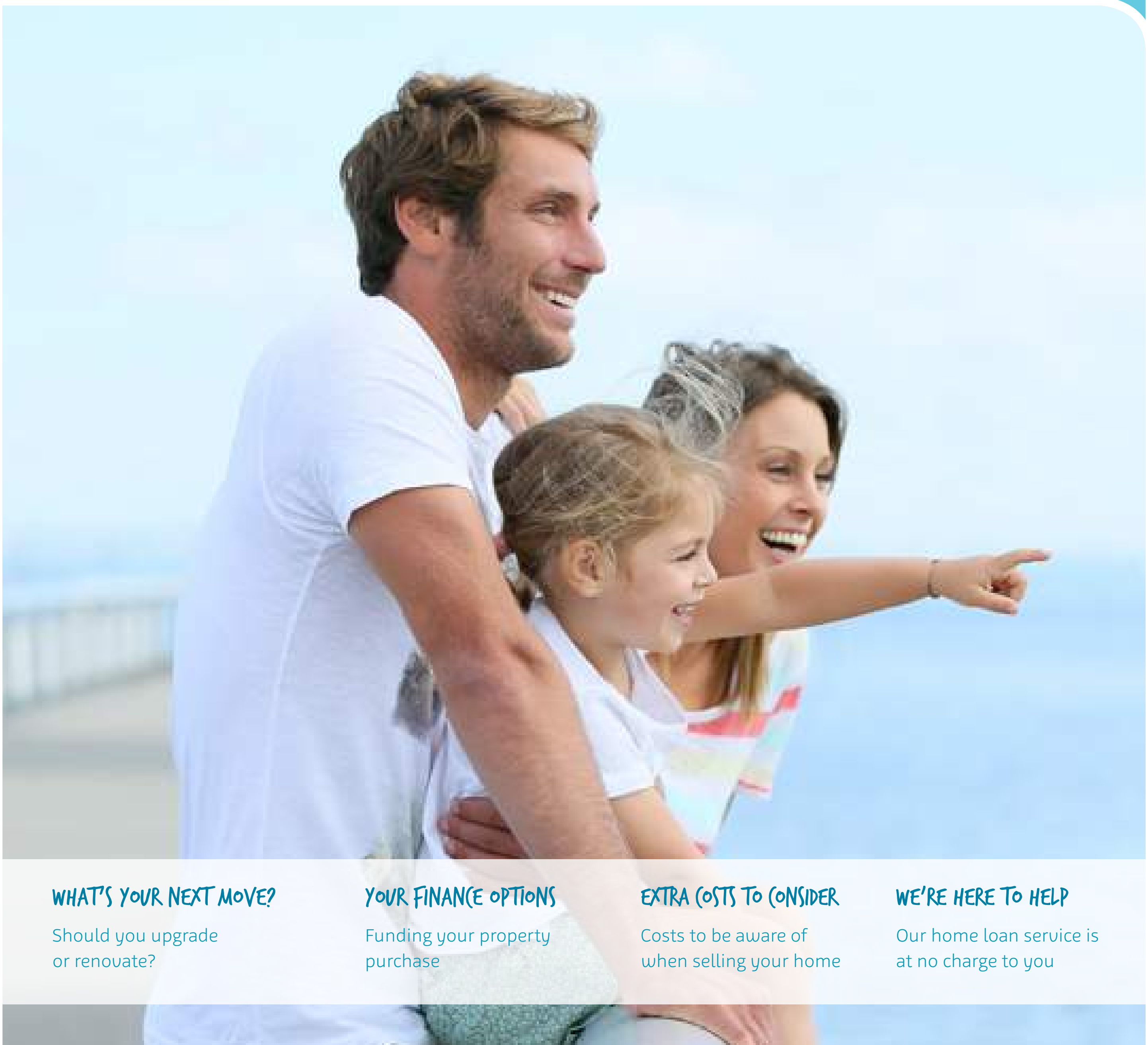
Mortgage Choice

# Wishing for a different home loan deal?

*Let us help you with refinancing for a great result.*



### WHAT'S YOUR NEXT MOVE?
Should you upgrade or renovate?

### YOUR FINANCE OPTIONS
Funding your property purchase

### EXTRA COSTS TO CONSIDER
Costs to be aware of when selling your home

### WE'RE HERE TO HELP
Our home loan service is at no charge to you

*Better choices for a better life*

Home loans | Financial planning | Risk & general insurance | Car loans | Business lending

# Is this guide right for you?

***Life doesn't stand still, so it's important to ensure that your home loan keeps up with you and your changing lifestyle.***

This guide has been prepared to explain what refinancing involves, how to know if it's the right move for you, and how we can help.

It's important to remember this is only a guide to help you ask the right questions and highlight the important considerations.

Your local Mortgage Choice home loan expert can help you assess the mortgage market and ensure your current home loan is still right for your needs.

As part of the service we offer, we will meet with you to compare your home loan with hundreds of competitive loans from our wide selection of quality lenders. We will also complete the application, take care of the legwork and keep you updated along the way.

You'll be pleased to know that our home loan service comes at no cost to you - the lenders pay us after your loan settles. And your Mortgage Choice broker is paid the same rate regardless of which home loan you choose from our wide choice of lenders.

This means that you can be sure that what matters to us is the home loan that's right for you

WE'RE HERE TO HELP SO PLEASE GIVE US A CALL TODAY.

# Contents




The information contained in this booklet refers only to loans provided by our panel of lenders with whom Mortgage Choice Limited has an arrangement under which it receives commissions and other payments. Not all brokers sell the products of all lenders.

The information provided in this Guide is for general education purposes only and does not constitute specialist advice. This Guide has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should consider the appropriateness of the advice to your situation before taking any action. It should not be relied upon for the purposes of entering into any legal or financial commitments. Specific investment advice should be obtained from a suitably qualified professional before adopting any investment strategy. If any financial product has been mentioned, you should obtain and read a copy of the relevant Product Disclosure Statement and consider the information contained within that Statement with regard to your personal circumstances before making any decision about whether to acquire the product.

# What is refinancing?

*If there's one financial product that has a key impact on our lives it's our home loan.*

So it's good to know that today's home owners have the freedom to choose from a variety of lenders including the big banks, smaller banks, and even non-banks, with hundreds of home loan options available.

It's never been easier to switch from one loan to another, and in doing so you can put yourself ahead financially, to help you achieve your goals or as your circumstances change.

When you take out a new loan, either with your existing lender or a different lender altogether, it's referred to as refinancing.

# Why should you consider refinancing?

***There are many reasons for considering refinancing your home loan, but the main reason to do so is because your current loan no longer suits your needs.***

Here are some of the reasons why you might consider refinancing, along with the benefits it may offer.

## Secure a lower rate

It's a competitive market for lenders right now, and that means borrowers can tap into some great home loan deals. In fact, one of the key reasons homeowners choose to refinance their loan is to secure a lower interest rate. This can help lower your monthly repayments and potentially cut thousands of dollars from the overall cost of your loan.

Refinancing can come with some costs (see How much does refinancing cost on page 7) so it is essential to weigh up the savings of refinancing against the expense involved. As a guide, if you can trim 0.5% from your home loan rate, refinancing is likely to put you in front financially.

If you do decide to take advantage of a lower rate, and switch to a variable rate mortgage, you need to understand the risk that comes with the possibility of rates rising in the future.

LET US DO A FREE HOME LOAN HEALTH CHECK ON YOUR CURRENT HOME LOAN TO SEE IF WE CAN FIND YOU A LOAN THAT BETTER SUITS YOUR NEEDS

We'll evaluate and compare your home loan with hundreds of others by taking into account rates, fees and features to check that you have the loan that's right for you.

Even if you're not ready to refinance right now, it makes sense to have an annual check up to make sure your loan still meets your needs.

## More certainty with a fixed rate

If your current loan has a variable rate interest rate but you would prefer the certainty that repayments will stay the same for a period of time, you may wish to switch to a fixed rate.

## The end of a fixed rate term

Currently have a fixed rate loan? It's essential to check the 'revert' that applies once the fixed term expires. If this ongoing rate is not competitive it may be worth thinking about refinancing when the fixed rate ends.

## Switch to a different lender

Your existing loan or lender may simply not be meeting your needs anymore. For instance, you may not be able to secure sufficient funding to achieve a particular goal. You may be unhappy with the level of service you are receiving, or you may prefer to take advantage of a bundled, 'package' loan offering discounts and fee savings on a variety of financial products, not just your loan. If any of these sound familiar, it could be time to take your business elsewhere by refinancing your loan.

MOVING FROM A VARIABLE RATE TO A FIXED RATE – AND VICE VERSA, DOESN'T ALWAYS HAVE TO INVOLVE REFINANCING. WE CAN HELP YOU DISCOVER IF YOUR LENDER WILL PROVIDE THIS OPTION WITHOUT THE NEED TO SWITCH FROM ONE LOAN TO ANOTHER

## Revert to a more 'basic' loan with fewer features

The features available on your home loan are just as important as the rate you're paying. Some features make your loan easier to live with, others help you pay off the loan sooner, and some can help you build wealth. The key is to only pay for those features you will use because the more features your loan offers, the higher the rate could be. So if your loan has features you aren't tapping into, it could be time to think about refinancing to a cheaper, 'basic' loan.

## Improving your loan features

On the flipside, if your current loan is a bit light on features, you could benefit from switching to a new loan that allows you to take advantage of key features that suit your lifestyle. Some of the most useful loan features include:

- **Flexible repayments –** Being able to make extra repayments at no additional cost is a big money saver as this will help you pay off the loan sooner. You may also want the flexibility to make loan repayments weekly rather than monthly as this can also help you fast track your mortgage.
- **Repayment holiday –** Repayment holidays offer you a complete break from repayments, or a period of reduced repayments. This might be useful during career changes or breaks, such as maternity leave. Often this is available only if you're in advance on your loan.
- **Offset account –** An offset loan involves having a savings or transaction account linked to your loan. The balance of the linked account is deducted

from, or offset against, the balance of your loan when the monthly interest charge is calculated. As a guide, if the linked account has a balance of $10,000 and your loan is worth $300,000, interest will be based on a loan of $290,000 ($300,000 less $10,000). This makes an offset a great way to put personal savings to work to pay off your loan faster without having to make additional repayments. Be aware, offset is a feature that may not be available on low rate basic loans so you need to weigh up if the value of your savings will be sufficient to make up for a higher loan rate.

- **Redraw facility –** This feature lets you withdraw any additional repayments you have made on your loan, and it can be very handy if you need cash in an emergency. Redraw is available with most loans, so it's certainly time to consider refinancing if it isn't a feature of your current mortgage.
- **Flexible rate options –** The freedom to divide your rate between fixed and variable components, or even make interest-only payments for a period of time can make your loan easier to manage.
- **Loan portability –** Australians tend to upgrade their home about every seven years, and that's when loan portability can be very useful. It lets you take your loan with you when you move from one home to another without the expense and hassle of arranging a new loan.

Your Mortgage Choice broker can help you work out which features you may be able to make use of.

## Access equity in your home

Your home can be much more than a place to live. It is also likely to be one of your most valuable assets, and by harnessing home equity you have the opportunity to build additional wealth or simply achieve personal goals.

'Home equity' is the difference between the market value of your property and the balance remaining on your home loan. By way of example, if your home is worth $600,000 and you have $350,000 remaining on the loan, your home equity is equal to $250,000.

This can be used as security for a new loan to purchase a rental property, undertake home renovations or achieve lifestyle goals like taking a well-deserved holiday. The beauty of home equity is that it can help you achieve all these things without a substantial pool of spare cash. Your Mortgage Choice broker can provide advice on how refinancing can help you achieve your lifestyle goals.

## Consolidate debt

Refinancing your home loan can provide an opportunity to streamline your debt, and potentially reduce the overall interest rate you're paying on multiple debts through the process of 'debt consolidation'. It means folding several high interest debts into one lower rate debt – usually your home loan.

By rolling several expensive debts into your mortgage this way, you have the opportunity to reduce the overall rate you pay and reduce your total monthly repayments. Debt consolidation also streamlines debt management as you make only one monthly payment rather than multiple repayments.

It's important to note that debt consolidation can come with some downsides that you need to be aware of. It can turn a short term debt like a personal loan into a long term debt (your mortgage), and that means paying interest on the balance for a much longer period.

Over time, the growing interest charge can eat away at the possible savings of debt consolidation, making the debt more expensive in the long run. For debt consolidation to be truly cost effective you need to commit to making additional repayments to pay off the enlarged loan as quickly as possible.

Your Mortgage Choice broker can provide helpful advice on debt consolidation and help you work out whether it's the right move for you.

TIP!

***First it's worth considering***

*If you are using debt consolidation as a means of getting runaway debt under control, it's vital to address the reasons why you got into trouble in the first place. Learn from past mistakes and be wary not to overload yourself with fresh debt just because a credit card balance has been cleared.*

*With the support of my Mortgage Choice broker, my home loan was organised in just a few weeks. It's not just about finding the right home. Knowing you have the loan that suits your needs is a great feeling too.*

Mortgage Choice Customer

# How much does refinancing cost?

## Estimate not guesstimate!

While refinancing can deliver significant benefits, it can also come with a range of costs, and you need to be quite clear about the expense involved before you determine whether refinancing is the right choice for you.

Some of the key costs of refinancing are set out below, however it is possible that not all of these will apply to your circumstances. Your Mortgage Choice broker can give you a clear idea of which expenses apply, and how much you could be looking at in refinancing costs.

## Borrowing costs

When you refinance, your new lender may charge a range of upfront fees. However not all lenders charge these fees and some may be negotiable.

They may include:

- **Loan application fee –** charged by the lender when you apply for a new home loan.
- **Valuation fee –** your lender may charge a fee to have your property valued by a professional property valuer.
- **Settlement fee –** your lender may charge a fee to settle your new loan.

## Lender's Mortgage Insurance (LMI)

LMI is a type of insurance designed to protect the lender, not the homeowner, if you cannot keep up the loan repayments. It applies if you borrow 80% or more of your home's value and isn't transferable between lenders, so even if you paid LMI when you first purchased your home, chances are you'll be asked to pay LMI again when you refinance.

You may be able to capitalise LMI (add it to the loan) though you need to be careful that this won't push your level of borrowings over the lender's preferred 'loan to valuation ratio' (LVR) – the amount you borrow as a percentage of your home's value.

TIP!

***Exit fees versus break costs***

*Exit fees don't include break costs, which can be imposed if you bail out of a fixed rate loan before the fixed term expires. The cost will depend largely on how market interest rates have moved since you fixed your home loan interest rate, so it is worth speaking to us if you are thinking about refinancing a fixed rate mortgage.*

## Mortgage Registration Fee

You may also need to pay a Mortgage Registration Fee which is imposed by the Land Titles Office (or equivalent) for registering your mortgage on to the title record for the property.

## Comparing the costs with the benefits

If you are refinancing with the goal of reducing your monthly repayments and trimming the long term interest cost, it is important to look at how long it will take to recoup the costs of refinancing with the savings on the new loan.

The sooner you recover any costs through loan savings, the better.

Here's an example. Let's say you have a $300,000 loan repayable over 25 years. Your current rate is 5.9% p.a. and your monthly repayments are $1,915.

If you can refinance to a loan with a rate of 4.9% p.a. – a rate reduction of 1%, you can lower your repayments to $1,736 – a saving of $179 each month.

Looking at the cost side of things, we'll assume you will pay $1,000 to refinance your loan. In this case it would take about 11 months ($1,000 divided by $92) for you to claw back the costs through the savings you make.

That's not a bad timeframe. If it was to take several years to recover the costs, refinancing may not be worthwhile.

Part of the service we offer is to take the legwork out of the process for you. Once your local Mortgage Choice broker has investigated the costs for your individual circumstance, they will explain exactly how you could gain from refinancing your loan.

TIP!

***Refinancing can take time***

*Working out how much it is going to cost you to refinance, and how much you could save with a new loan, isn't always a straightforward process. It may be necessary to have extensive conversations with lenders, something that can be time consuming and difficult for you to undertake yourself.*

# How do you refinance?

***This is often the easy part, and your local Mortgage Choice broker can streamline the process of sifting through hundreds of home loans from our wide choice of lenders to help you find the one that's right for you.***

Once you have settled on a particular loan, refinancing works in much the same way as applying for your original loan – and your Mortgage Choice broker can guide you through the process.

You will also need to have some important paperwork on hand to support your application. The more documents you have, the faster the process will be.

Get together:

- Your last 2 pay slips
- Most recent tax return and tax assessment notice
- Record of money you owe (e.g. credit card or loan statements)
- Latest council rates notice
- Evidence of building insurance you have on your property

Check out the checklist on the next page for a full list of everything you'll need for your loan application.

Once your loan is approved and settled, your new lender will pay out your current loan on your behalf and you can commence repayments on the new loan.

Behind the scenes, the title deeds to your property will be passed over to your new lender and a 'Discharge of Mortgage' document lodged with the Land Titles Office in your state or territory.

***Do the sums.***

*Mortgage Choice has a range of online calculators that can give you an idea about how much you may be able to borrow plus the likely repayments on the new loan.*

*You can find the calculators on the Mortgage Choice website at MortgageChoice.com.au/ calculators*

# What to bring to your appointment

***Below is a list of some basic information that may be required when applying for a loan.***

It is a guide only and in some cases lenders may ask for additional information as you proceed through the application process. Please refer to the boxes ticked below for the information required for your individual circumstances.

Originals or certified copies are required for all documents listed below except for Insurance/ Superannuation details and Property details (however, a certified copy of the Contract of Sale/Offer of Acceptance may be required, when applying for the FHOG)

## Personal identification

One or more of the following forms of photographic ID

- ◯ Australian or foreign passport
- ◯ Australian driver's licence
- ◯ Australian State or Territory issued proof of age card

**OR**

One of the following forms of non-photographic ID from each of the 2 groups below

**Group 1**

- ◯ Australian birth certificate or extract
- ◯ Foreign birth certificate
- ◯ Australian citizenship certificate

**Group 2**

- ◯ Rating authority - bill sighted less than 12 months old
- ◯ Public utility record - bill sighted less than 3 months old
- ◯ ATO tax assessment notice less than 12 months old

First Home Owner Grant applications also require

- ◯ Certified copies of ID
- ◯ Change of name documentation
- ◯ Marriage certificate (if relevant)

## Income details (if you are an employee)

- ◯ The latest 2 consecutive, computer generated payslips from current employer. Must show company name, ABN and minimum 3 months year to date income figure
- ◯ Current letter of employment with salary component (signed, dated on letterhead, stating start date, company ABN, and year to date income) may be required
- ◯ Most recent payment summary (if same employer)

If income includes overtime / commissions / bonuses, the following additional evidence may be required.

- ◯ Last 2 years ATO tax assessment notices
- ◯ Last 2 years tax returns

## Income details (if you are self-employed)

- ◯ Last 2 years tax returns and tax assessment notices for all individual applicants and all businesses
- ◯ Balance sheets and profit and loss statements covering the most recent 2 years
- ◯ Details of external liabilities: leases, hire purchase, overdrafts, company loans and/or guarantees

## Income details (other than employment)

- ◯ Property rental income statements
- ◯ Dividend statements for shares and other investments
- ◯ Centrelink letter confirming family payments
- ◯ Government pensions
- ◯ Private pension payment summary or statement
- ◯ Written evidence of other regular and ongoing income

### *Financial contribution details*

- ◯ Evidence of 6 months genuine savings from bank statements, term deposit statements or share transaction records (in some cases only 3 months evidence may be required)
- ◯ If other funds are being put towards the purchase, evidence will be required as to where the funds are currently held, or if the funds are being gifted, a Statutory Declaration from the gift provider will be required

## *Financial commitments details*

- Most recent statements for any existing loans stating current repayments. For example, home, personal, lease, hire purchase etc. Where statements are issued infrequently, interim statements may be required. Internet statements attached to the most recent original statement will generally suffice
- Most recent statements for all existing credit cards and store cards (if refinancing more statements may be required)
- Additional evidence may be required where any of the above is being consolidated into the loan
- Property details
- If refinancing - a copy of your most recent council rates notice
- If property is already chosen - a copy of the contract of sale (Offer of Acceptance in WA)
- If constructing - a copy of the tender, fixed price building contract, council approved plans, specifications, building insurance, an estimate of expected building costs and any other details
- you may already have such as property plans and local council approvals

# Could it pay to stay?

***Refinancing your loan can offer convenience, savings and a chance to achieve personal goals. However there can be times when refinancing doesn't make good financial sense.***

Some of the circumstances where it could pay to stay with your original lender are detailed below.

## Costly break costs apply on your old loan

If this is the case, your best option may be to wait until exit fees are no longer levied on your loan. This could mean sticking with the same loan for at least five years, although you should check the timeframe with your current lender.

## You have insufficient home equity

Without a reasonable level of home equity (usually a minimum of 20% of your property's current market value), chances are you'll be asked to pay Lenders Mortgage Insurance (LMI). The cost can be extremely high depending on how much of your property's value you wish to borrow.

Boosting your home equity is a good way to avoid LMI, and there are several ways to do this. The first involves waiting until market values have risen to the point where your equity is above the desirable 20% threshold. Or, you could take steps to enhance your home's value, for example, through renovations.

A third way to boost your home equity is to make additional repayments on your loan. This will reduce the loan balance and tip the home equity scales in your favour.

## Your circumstances have changed

Even if you have been repaying your current loan for some years, one of the key aspects lenders will look at when considering a refinancing application is your ability to 'service' or repay the new loan.

If there are a few black marks on your credit file (for example missed repayments or overdue bills) you could find it difficult to get loan approval from a new lender. You could be better off staying with your old loan until your credit history is cleared.

Alternatively, you may have embraced self-employment since taking out your current home loan, or your income may have reduced. In both circumstances, it is possible for you to be regarded as a high credit risk with some lenders, meaning you may not get approval for the loan of your choice, or you could face the prospect of paying a higher rate.

***Speak to your local Mortgage Choice broker***

*Your local Mortgage Choice broker can take a look at your current circumstances and help you work out if you would be better sticking with your current loan.*

# We're here to help

***Finding the most suitable home loan for your needs can be difficult.***

We can talk you through the available options to refinance. This will let you know exactly where you stand in terms of borrowing options, leaving you free to focus on the things that matter to you.

That's where your local Mortgage Choice home loan expert can help. We will compare hundreds of loan options from our wide panel of banks and lenders to find the right loan for your needs. And, best of all, our home loan service is at no charge to you.

## Save time. Save hassle.

As your home loan expert, we can save you the time - and hassle - of visiting multiple lenders. We'll even take care of the loan application paperwork and liaise with your chosen lender all the way through to settlement, keeping you informed along the way.

## Will I pay upfront fees for my loan?

Some lenders charge upfront fees to cover the loan application and/or property valuation. As your home loan expert, we will crunch all the numbers to give you a detailed plan of potential fees.

## How do Mortgage Choice brokers get paid?

At Mortgage Choice, the only thing that matters to us is the home loan that's right for you. As a Mortgage Choice broker, we get paid the same rate regardless of which home loan you choose from our wide choice of lenders.

## What if I don't qualify for the size of loan I want?

A key advantage of partnering with your local Mortgage Choice home loan expert is that we can tell you the loan amounts you can borrow from each panel lender and run you through your options if you wish to borrow more money.

## Protect what you have worked hard for

Along with managing the loan process on your behalf, we'll work with you to make sure you have the right insurance in place to protect yourself, your family and your assets should the unexpected happen.

The bottom line is that we'll focus on the finance so you can focus on what matters to you – finding your next home.

1

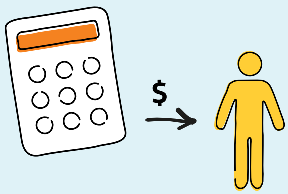
***Our home loan service is at no charge to our customers***

as the lenders pay Mortgage Choice a commission on the loan when it settles.

***This doesn't affect the deal you get from the lender.***


2

***Mortgage Choice then pays a commission to the broker.***

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***At Mortgage Choice, we pay your broker the same rate***

no matter which home loan you choose from our wide choice of lenders.

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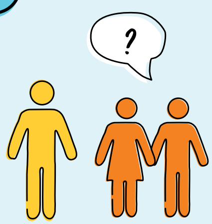
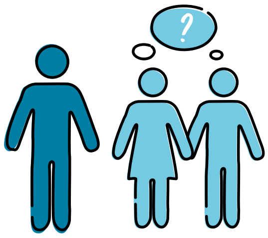



***This means you can tap into your broker's expertise at no charge***

and save yourself time and hassle looking for the right home loan option.

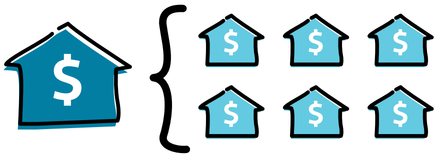
# What does a Mortgage Choice broker do?

1. We will ***work with you to evaluate your home loan needs.***



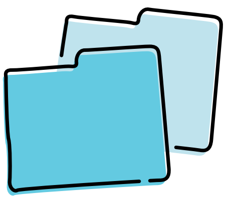
2. We will ***calculate how much you can borrow*** so you know the price range you can afford.

3. We will then ***compare and contrast hundreds of home loan products from our wide choice of lenders.***



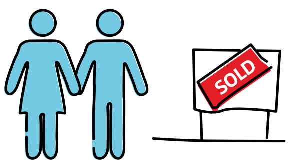
4. And provide ***expert advice to help you choose the right home loan.***

5. We will do all the ***paperwork and follow through the entire process with the lender making it as hassle-free as possible for you.***



6. We may even be able to get you ***pre-approval on your home loan.***

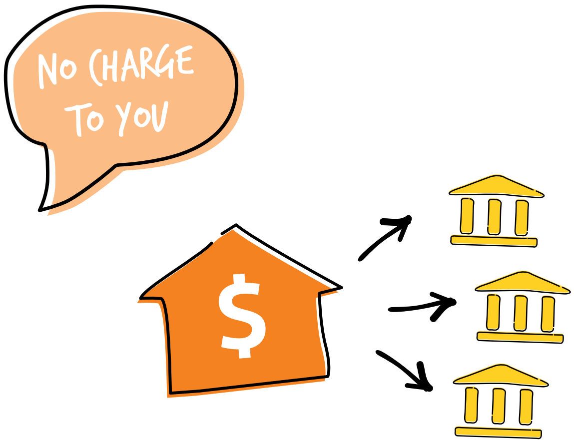
7. We will do all of this at ***no charge to you because the lenders pay us.***



# How does a Mortgage Choice broker get paid?

1

***Our home loan service is at no charge to our customers*** as the lenders pay Mortgage Choice a commission on the loan when it settles. ***This doesn't affect the deal you get from the lender.***

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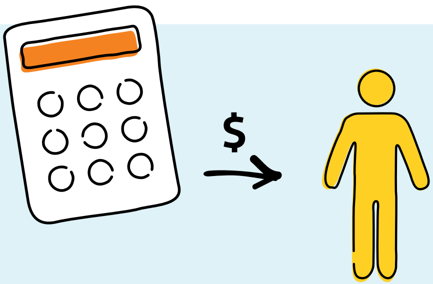


***Mortgage Choice then pays a commission to the broker.***

3

***At Mortgage Choice, we pay your broker the same rate*** no matter which home loan you choose from our wide choice of lenders.

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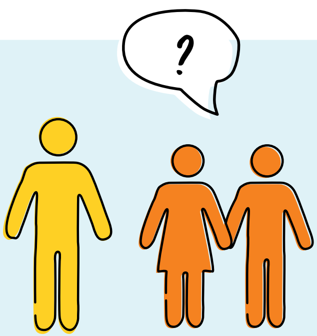


***This means you can tap into your broker's expertise at no charge,*** and save yourself time and hassle looking for the right home loan option.

# Jargon explained

### Application fee / Establishment fee
Fee charged to cover or partially cover the lender's internal costs of considering and processing a loan application. The fees are sometimes required to be paid upfront and are not usually refundable unless the loan is refused.

### Assets
A list of what an individual currently owns, such as real estate, savings accounts, cars, home contents, superannuation, shares etc.

### Basic variable rate loan
A loan which has an interest rate that varies according to market forces. The interest rate charged is lower than a standard variable rate loan but the loan may have fewer features.

### Break costs
Costs incurred when a fixed rate loan is paid off before the end of the fixed rate period, or when additional payments are made in advance.

### Bridging finance
A short term loan that covers a financial gap between the purchase of a new property and the sale of a currently owned property.

### Capital gain
The monetary gain obtained when you sell an asset for more than you paid for it. Such gains may be taxable.

### Community title (specific to NSW)
A property title where several dwellings are erected on an estate and the owners own their property and land on freehold title, but have shared access to community facilities e.g. swimming pool, barbecue area, tennis court etc. All property owners pay levies for upkeep of the community facilities.

### Company title
A type of ownership for a unit/flat/apartment in a building that is owned by a company. A purchaser buys particular shares in the company which gives the purchaser the right to occupy a specific unit/flat/apartment. Lenders are generally not enthusiastic about lending on company title properties.

### Comparison rate
This is a rate that includes both the actual interest rate and the upfront and on-going loan fees, expressed as a single percentage.

### Construction loan
A loan specifically for the purpose of funding the building of a new dwelling. Can also apply to major renovations or improvements.

### Daily interest
Interest calculated on a daily basis, on the outstanding balance of the loan or investment account.

### Deposit
An initial cash contribution towards the purchase of the property, usually payable on exchange of contracts.

### Deposit bond
A substitute for cash deposit that guarantees the purchaser will pay the full deposit amount by the settlement date. Institutions providing deposit bonds act as a guarantor that payment will be made.

### Equity
The value of an asset not subject to any lender's interest, e.g. a property worth $500,000 with an outstanding mortgage debt of $150,000 - equity is $350,000.

### Equity loan
A loan that uses the equity in your property to borrow for any personal purpose, including personal investment. It usually operates like an overdraft, where the borrower has a set credit limit to which they can draw funds. The term Equity loan can also refer to a Line of Credit loan.

### First Home Owner Grant (FHOG)
Various State Governments provide financial grants to purchasers of their first home, to assist in meeting the purchase costs.

### Fixed interest rate
An interest rate set for a fixed period. At the end of the fixed rate period, most lenders will allow you to fix again at the prevailing rates or revert to their standard variable rate.

### Freehold title
The form of property ownership where a parcel of land fully belongs to the owner.

### Genuine savings
Funds that have been accumulated or held for a certain period of time prior to applying for a loan.

### Guarantor
A guarantor is a third party to a loan who is helping the borrower obtain finance by offering additional security support. Guarantors are generally limited to spouses or immediate family members. A guarantor may be liable for the loan debt if the borrower defaults.

### Interest Only (IO)
A loan in which only the interest on the principal is repaid with each repayment for a specified period.

### Introductory (honeymoon) rate
A reduced interest rate offered for a specified period of a loan, usually the first twelve months.

### Joint tenants
Equal holding of property between two or more persons. If one party dies, their share passes to the survivor/s. This is a common arrangement for married couples.

### Lenders Mortgage Insurance (LMI)
A form of insurance taken out by the lender to safeguard against a financial loss in the event of a security being sold due to the loan going into default. The borrower pays a once-only premium. The insurance covers the lender, not the borrower.

### Liabilities
A person's debts or financial obligations, including existing credit card debts and personal loans.

### Line of Credit
A flexible loan arrangement with a specified credit limit to be used at a borrower's discretion. Also referred to by some lenders as an Equity loan or All in One loan.

## Loan to Valuation Ratio (LVR)

The ratio of the home loan amount compared to the valuation of the security. Commonly called LVR e.g. for a loan of $400,000 on a home valued at $500,000, the LVR is $400,000 divided by $500,000 expressed as a percentage i.e. 80%.

## Mortgage

A form of security for a loan, usually taken over real estate. The lender (mortgagee) has the right to take the property if the mortgagor fails to repay the loan.

## Mortgagee

The lender of the funds and holder of the mortgage.

## Mortgagor

A person who borrows money and grants a mortgage over their property as security for the loan.

## Non-conforming loan

Specialist lenders provide these types of loans to borrowers who fall outside the normal eligibility requirements of mainstream lenders.

## Offset account

A transactional account linked to the home loan. The balance held in this account offsets the balance in the home loan, helping to reduce the interest paid and the overall term of the loan.

## Ombudsman

An arbitrator that provides an avenue through which customers can make complaints about their loan consultant or lender and have it dealt with independently.

## Principal

The outstanding loan amount on which interest is calculated.

## Principal and Interest (P&I)

A loan in which both principal and interest are paid with each repayment during the term of the loan.

## Redraw facility

A loan facility whereby you can make additional repayments and then access those extra funds if necessary.

## Refinancing

To replace or extend an existing loan with funds from the same lender or a different lender.

## Security

Usually the property offered as security for a loan.

## Settlement date

Date on which the new owner finalises payment and assumes possession of land. Sometimes called the "draw down" date, as this is the date the loan is usually fully drawn.

## Stamp duty

Transfer stamp duty (or contract stamp duty) may be payable when borrowing to purchase a home. It's calculated on a sliding scale based on the purchase price of the property.

## Standard variable loan

A loan which has an interest rate that varies according to market forces. The loan usually has comprehensive features, such as offset and redraw facilities.

## Strata title

The form of property ownership most commonly associated with units, apartments and townhouses, where the owner holds title to a particular unit, which is called a lot, in a strata plan.

## Survey

A plan that shows the boundaries and the building position on a block of land.

## Tenants in common

Where more than one person owns separate, defined portions of a property. If one person dies, the relevant portion passes through the deceased's estate rather than to the other property owner/s as with joint tenancy. Each owner can hold a specific share of ownership and has the right to dispose of their interest.

## Term

The length of a loan or a specific portion within the loan.

## Title search

A request to the relevant government office to ascertain the ownership of a specified property and any encumbrances, covenants and easements that may be recorded on the title.

## Torrens title

Torrens title is the most common form of property title in Australia. The Real Property Act (RPA) is the legislation that governs the operation of Torrens title. Ownership of the property is registered with the relevant government office and evidenced by the Certificate of Title, which shows the current owner's name and any other interests in the property e.g. mortgages.

## Unencumbered

A property free of encumbrances (mortgages) or restrictions.

## Valuation

A report (often required by the lender), detailing a professional opinion of property value.

## Variable interest rate

An interest rate that varies during the term of the loan, in accordance with market forces.

**NOTE:**

*Who can help with a title search in your state or territory?

- ACT: Access Canberra
- NSW: Land and Property Information (LPI)
- NT, TAS: Land Titles Office
- QLD: Department of Natural Resources and Mines
- SA: Land Services office
- VIC: Land Victoria
- WA: Landgate



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