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LOAN TYPES

Basic Variable

The interest rate on this loan will vary in response to changing market conditions. It is often referred to a “no frills loan” as it is the most simple variable rate loan available, having less features than the standard variable rate loan. Features are usually limited, however generally there is the ability to make additional loan repayments and also have access to a redraw facility. This loan is suitable for both owner occupied and investment purchases

Standard Variable

Like the basic variable loan, this loan’s interest rate will vary in response to changing market conditions. It is a very flexible loan in that it generally will have facilities such as loan redraw, offset account, the ability to make unlimited repayments and also the option to split the loan at the time of establishing the loan or in the future.

Fixed Rate Loan

This loan provides stable loan repayments by allowing the borrower to secure an interest rate for a fixed period of time, normally between 1-5 years. This loan offers a low level of flexibility but is popular with first home buyer and those who are sensitive to fluctuating interest rates and where stable loan repayments are a priority. Features are generally very limited on this type of loan, with the ability to make additional repayments generally being limited.

Honeymoon/Introductory Loan

A honeymoon or introductory rate loan offers a lower interest rate for the first 6-12 months of the loan and with some lenders up to 3 years. At the end of the honeymoon period the loan will normally revert to the standard variable rate. The rate can normally be fixed or variable during the honeymoon period and is a popular product for first home buyers and those who are refinancing. You need to consider what the interest rate will

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be at the end of the introductory period and also what exit fees are charged if the loan is discharged within the first few years.

Relocation or Bridging Loan

This loan is for the owners of a home who want to buy their next home before they have sold their existing home. The loan is normally available for 6 months if you are buying an existing property or up to 12 months if you are constructing. This loan will provide you with enough funds to cover the purchase price and costs of purchasing so that you can settle and move in. The lender will take a mortgage over the property you are buying and also over your existing property. If you have a loan over your current home they will normally refinance this loan also. This loan is normally a standard variable rate loan and interest only during the relocation phase. Sometimes the lender will allow the interest cost to capitalize to the loan amount so that your repayments are reduced during the relocation period. This loan will ensure you do not miss out on purchasing your dream home just because you haven't sold yours.

Line of Credit

This loan is a variable rate loan and normally charges at the standard variable rate. A facility limit is set by using the equity in your home and it generally does not require you to make any minimum monthly repayments as long as you keep the loan balance below the limit of the facility – in a way it acts like a credit card because you are given a credit limit that you must not go over. This facility is popular with those who want an all in one facility which allows direct salary crediting and access to the facility by the likes of ATM, cheque book, phone & internet banking. It is ideal for those who want flexibility and control over their home loan, investors and those who want to build a Wealth Creation Plan.

Professional Packages

You do not have to be a professional to take out a professional package, anyone can take out one of these packages as long as their loan amount is over a certain level (usually over \$150,000) – there are however specific packages for medical professionals through certain lenders.

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The majority of lenders offer these packages which offer additional features such as interest rate discounts and are very popular. These discounts are determined by either the amount of each individual home loan you may have with the lender or on the total home loan borrowings. The package is normally applied to standard variable rate loans, however some lenders do offer interest rate discounts off fixed rate loans also. An annual package fee normally applies rather which can reduce bank costs to those borrowers who have several home loan facilities.

Construction Loans

If you are planning on building then this is the loan you will need. During the construction phase the loan repayments are usually interest only and as the construction of the property progresses, funds are drawn from the loan to pay your builder and the loan repayments increase accordingly. A construction loan is usually a variable rate loan however some lenders will allow you to fix the loan's interest rate while you are building. At the end of the construction period, the repayments will normally revert to principal and interest repayments. You can normally review your home loan product once construction has been completed.

Family Equity/Family Guarantee Loans

This loan is popular with first home buyers with no or minimal savings and whose parents have sufficient equity in a property to act as a security Guarantor. This loan involves the lender taking a mortgage out over the property the borrower is buying and also the property being offered by the Guarantor as security. The lender normally requires the Guarantor to seek independent legal advice before signing the mortgage documents so that the Guarantor fully understands the implications of being a Guarantor. This loan has become increasingly popular as house prices have been rising and parents want to help their children enter into the property market as soon as possible.

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Low Doc Loans

These loans are popular with self employed borrowers who have sufficient equity (existing property or deposit) and cash flow to secure a home loan, but who do not have financial records available at the time of applying for the loan. As such, this loan often provides a simple solution to the needs of the self employed borrower. The type of product, interest rate and costs associated with the loan vary between lenders. Low Doc loans have become increasingly popular with self employed people in recent years as they have become more available with mainstream lenders and are often charged at mainstream interest rates.

Credit Impaired Loans

These loans are accessed through specialist lenders who recognise that everyone deserves a second chance. Impaired credit could have occurred through the likes of unemployment, personal sickness, death of a loved one or a relationship breakdown which has resulted in being unable to meet existing financial commitments. These loans usually have much higher interest rates because of the risk involved and usually require a larger deposit (or equity in a property which is used as a security). This type of loan is designed to get the borrowers life back on track and move forward to a mainstream lender.

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