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RELOCATION LOANS

Relocation loans enable you to buy your next home and move before your current home has sold or if it has sold but it won't settle before you need to move in to your new home.

In the past bridging loans were known as 'bridging loans' and attracted a higher interest rate. However, these day relocation loans are generally offered at the standard variable rate loan and some lenders even offer discounts under certain loan packages. As the facility does not charge a higher interest rate, it means that the product is affordable and more attractive than in the past.

How Does Relocation Finance Work?

Your lender will advance enough funds at settlement to cover the purchase price of the property you are buying and also all of the associated costs such as governments fees & charges, Conveyancing fees etc. If you have a loan on your current home, the lender will generally pay out that loan and lodges a new mortgage on your current home. Normally bridging finance is available for 6 months if you are buying an existing property or up to 12 months if you are constructing a new home, this gives you plenty of time to sell your existing home. In the unlikely event that your current home hasn't been sold and settled or construction isn't complete at the end of the relocation finance term, the lender will increase the interest rate.

Repayments During the Relocation Loan Period

The relocation loan will have been structured to make it affordable for you. This may mean that the interest charged during the relocation period is capitalized to the loan so that you do not have to make loan repayments until the relocation period has ended. It is important to remember that during the relocation period, the bigger the loan repayment you are able to budget for and make will reduce the amount of interest charged to you by your lender.

Once your existing home has sold and settled, your relocation loan will be reduced and the repayments will generally revert to principle and & interest repayments over the remaining term of the loan.

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Do You Qualify?

It is important to note that not all lenders offer relocation loans. The policy for relocation finance can vary significantly among the lenders who do make relocation finance available.

One of the most important factors that all lenders will require when assessing your eligibility for securing relocation finance is having sufficient equity in your existing home. Equity is the difference between the value of your home and how much you owe on it.

Some lenders will assess your ability to service the relocation loan based on the “end debt” which is the debt which will remain in place once your existing home has sold and settled. Others will assess serviceability on being able to service the interest on the “peak debt”. The peak debt is the loan in place which includes your current home loan, the funds needed to settle on the property you are buying and any capitalised interest which may accumulate over the relocation loan period.

*It is very important if you are considering selling your home to purchase your next home, that you speak with a Mortgage Consultant from **theloanhound**. This will ensure you know whether you are in a position to purchase a property before you have sold your existing home.*

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