



LENDING AND DEBT MANAGEMENT

What type of loan is right for you?

In today's home loan market, there is certainly no shortage of packages to choose from to fit everyone's circumstances. Here is the list of each package in detail.

Basic Home Loans

One of the simplest ways to own your home sooner is to pay the lowest rate possible and as few bank fees as possible. If you don't need the 'bells and whistles' that come with many loans (at a price), then a basic home loan could be the answer. Popular with first home buyers, basic home loans typically offer interest rates of half to one per cent below the standard variable rate. Many also have lower ongoing fees. In return for a lower interest rate, basic home loans have fewer features and can be less flexible. Some lenders may offer the option to pay for extra features when you need them. There may also be fees and charges if you decide to switch loans or lenders, or pay off the loan sooner.

Standard Variable Rate Home Loans

A standard variable rate home loan is one of the most popular mortgages around. For many borrowers, a standard home loan offers the right mix of features, flexibility, interest rate and fees. This type of loan is particularly suitable if you want to make extra repayments without penalty, split your loan or access a line of credit. In return

for these benefits, a standard variable rate mortgage will have a higher interest rate than a basic home loan.

Fixed Rate Home Loans

If you're worried about rising interest rates, then a fixed rate home loan may be the solution. Fixed rate home loans offer a fixed interest rate for a set period of time. Because of this, repayments remain the same for the duration of the fixed rate period, usually between one and five years. At the end of the fixed period, you can switch to a variable rate loan or negotiate a new fixed rate or even opt for a split rate loan.

Split Rate Home Loans

If you need the security of a fixed rate home loan but want the flexibility of a variable rate loan, then a split loan may be the answer. A split or combination loan brings together the benefits of variable and fixed interest rates into a single home loan. What makes this type of loan attractive for first time and existing borrowers is the ability to customise the loan and add as many features as required. The loan can be split many ways: 60% variable, 40% fixed or 50/50 splits are most common. Split loans are useful in times of economic uncertainty, particularly when interest rates are rising. By splitting a loan, borrowers can hedge against the risk of

higher rates whilst still keeping part of their loan at the lower variable rate.

Interest Only Home Loans

If you've ever purchased an investment property, chances are you're familiar with the concept of an interest only home loan. Offering lower repayments and many of the same features as traditional loans, interest only loans are particularly suitable for investors. However interest only loans are also suitable for general home buyers, refinancing an existing loan, as bridging finance or to pay for home renovations. How it works? A principal and interest loan is still the most common type of home loan. Loan repayments include interest and principal, allowing home owners to repay the loan in full by the end of the loan term, assuming they make the minimum repayments. With an interest only home loan, repayments only cover the interest component. The principal is repaid in full at the end of the loan term. Because borrowers only repay the interest component, interest only loans have lower repayments than principal and interest loans.

Line of Credit Home Loans

Today's home loans let you do more than simply buy a home. Consider a line of credit loan for example. Also known as a revolving line of credit, these loans have become popular due to their flexibility and features. A line of credit home loan is a credit facility secured with a first mortgage on a residential property. Similar to a credit card, they allow you to withdraw funds up to a set limit at any time. Repayments can be made in full or on a monthly basis. This type of loan can be used to purchase most types of property, from the family home to an investment property. As long as you make the minimum monthly repayments,

you can use the line of credit to carry out renovations, invest in shares or pay the bills.

Lo Doc Home Loans

Having trouble finding the right loan? Don't despair. Today, many lenders offer alternatives for self-employed people and others with no traditional proof of income. Lo-document loans are quick and comparatively trouble-free finance product or lo-doc loan for short. This type of loan caters mainly for self-employed borrowers who are unable to provide full financial statements and other evidence of their income. There is a growing range of lo-doc products on the market with many lenders offering standard and premium lo-doc loans with the choice of fixed or variable interest rates. Borrowers also get access to a range of loan features and options never previously available. However, most lenders require lo-doc borrowers to take out lenders' mortgage insurance when borrowing up to 80 per cent of the property value. Some lenders also charge a higher interest rate for these products. These rates may be reduced after a certain time period or when you are able to provide tax returns.

No Doc Home Loans

For many self-employed people, the biggest barrier to buying a home is gathering all the documents necessary to qualify for a home loan. In most cases, self-employed applicants must provide several years of tax returns, financial reports and/or pay slips. This can be very time consuming and costly. However with a no-document home loan (or no-doc loan for short), applicants simply fill out an income declaration form stating their income and assets. This process is called self-verification.

Professional Packages Home Loans

When it comes to home loans, there is often more than meets the eye. This is particularly the case for professional packages. In an effort to attract people on higher incomes or those regarded as low-risk borrowers, lenders offer special loan deals known as professional packages. Once restricted to professionals such as doctors, lawyers and accountants, these packages are now available to a wide variety of purchasers with sufficient income and/or assets. If you think you qualify, it pays to apply. Professional packages generally offer discounts of 0.5 per cent off lenders' standard variable interest rate and up to 0.25 per cent off fixed interest rates. Depending on the size of the loan,

bigger discounts may apply. Typically lenders require the borrower to bundle all their personal banking into the one package. Most charge an annual fee (\$300 is common) but offer a range of range of discounts on accounts such as credit cards, transaction, margin loans and insurance. Some will even waive account fees in order to get your business.

Need to Know More

If you would like to take advantage of our free consultation or would like to know more about our services please contact us on (07) 3832 6020, Email info@bridgewaterafs.com.au or visit our website on <http://www.bridgewaterafs.com.au>

Disclaimer: This document has been prepared for general information purposes only. Any advice contained in this document is General Advice which has been prepared without taking into account any of your objectives, financial situation or needs. Before acting on any General Advice you should consider the appropriateness of the advice by having regard to your own objectives, financial situation and needs.

Although every effort has been made to verify the accuracy of the information contained in this document, the Licensees, their officers, representatives, employees and agents disclaim all liability (except for any liability which by law cannot be excluded), for any error, inaccuracy in, or omission from the information contained in this document or any loss or damage suffered by any person directly or indirectly through relying on this information.

Bridgewater AFS is a Corporate Authorised Representative No 331983 of WealthSure Pty Ltd AFSL No 238030 ABN 93 097 405 108

Level 1, 346 Turbot Street • PO Box 10144, Adelaide Street • Brisbane QLD 4000

Telephone: 07 3832 6020 • Facsimile: 07 3832 6018 • info@bridgewaterafs.com.au • www.bridgewaterafs.com.au

Bridgewater AFS Corporate Authorised Representative No 331983 • Licensee: WealthSure Pty Ltd AFSL No 238030 ABN 93 097 405 108