Home Loan Essentials

Everything you need to know about your home loan journey

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Your simple guide to home loans

Australians value trustworthy, personalised mortgage guidance. That's why 54% of all new home loans are written through mortgage brokers (Industry Intelligence Service Report, 2017).

Buying a property is the biggest investment most of us will ever make. Working with a professional mortgage broker will give you the support and service you need to make good financial decisions every step of the way from loan application, right up to settlement.

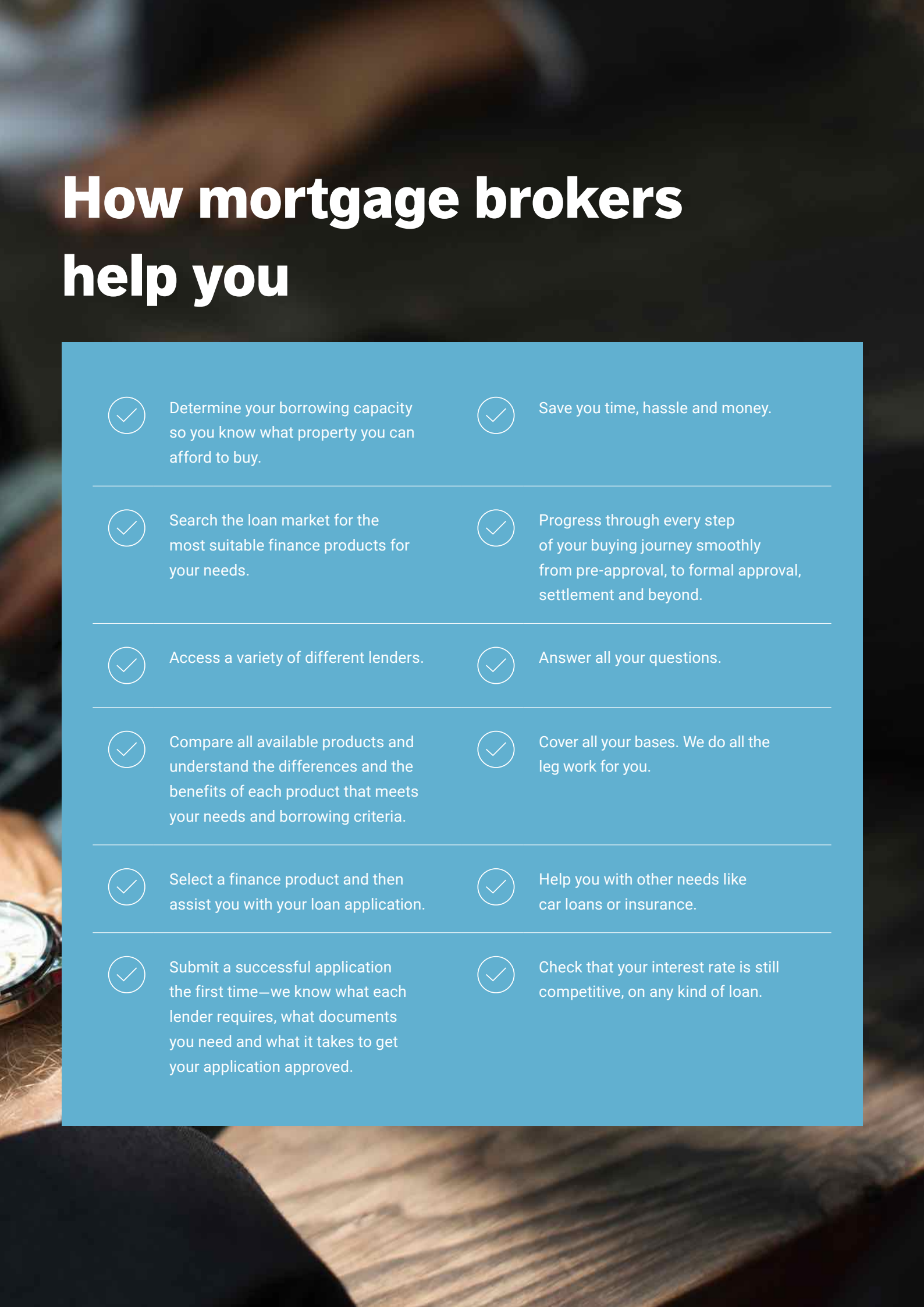
There's a lot more to choosing the right home loan than just the interest rate. This booklet covers all the home loan basics and how to get started. We'll also explain how using a mortgage broker could be the right way to get a home loan that meets your particular needs.

If you have any questions, please give us a call.

From the team at In Financial Services.

A quick guide to mortgage brokers

Using the services of a mortgage broker takes the stress out of the home buying process and offers you constant support.



How mortgage brokers help you

- Determine your borrowing capacity so you know what property you can afford to buy.
- Save you time, hassle and money.
- Search the loan market for the most suitable finance products for your needs.
- Progress through every step of your buying journey smoothly from pre-approval, to formal approval, settlement and beyond.
- Access a variety of different lenders.
- Answer all your questions.
- Compare all available products and understand the differences and the benefits of each product that meets your needs and borrowing criteria.
- Cover all your bases. We do all the leg work for you.
- Select a finance product and then assist you with your loan application.
- Help you with other needs like car loans or insurance.
- Submit a successful application the first time—we know what each lender requires, what documents you need and what it takes to get your application approved.
- Check that your interest rate is still competitive, on any kind of loan.

Mortgage broker service promise

Professional

Mortgage brokers are qualified, educated home loan experts. We work with you to determine your borrowing needs and how much you can borrow.

Customer focused

A mortgage broker will always put your interests first. We will help to ensure you don't take out a loan that's beyond your means. You'll find we provide amazing customer service and we're in it for the long-term. Mortgage brokers love to help their customers build wealth for the future.

Specialists

When you enlist the services of a mortgage broker, you're dealing with a loan and credit advice specialist. We know the industry, lender policies and products—and how they will apply in your circumstances and financial situation. We do all the legwork for you.

Focused on choice

Mortgage brokers have access to a wider variety of loan choices than your local bank. That's because a bank can only offer you their own loan products, but brokers can choose from a wide variety of lenders. This means your broker has more capacity to help you find a loan that's just right for you.

How are mortgage brokers regulated?

Responsible lending laws ensure brokers have as much responsibility as lenders to keep the borrower's best interests front of mind when providing credit advice. Across Australia, brokers are governed by the National Consumer Credit Protection Act 2009 (NCCP). Brokers must also have a credit license authorised by ASIC, or act as a Credit Representative under a license holder, and must undergo ongoing training and development, every year.

Mortgage brokers are regulated and supervised by the Australian Securities and Investments Commission (ASIC), an independent government organisation which works to keep Australia's financial markets fair and transparent. If you want a better understanding of your rights when dealing with a broker, just chat to us. We are happy to answer all your questions and help you feel confident and comfortable on the journey.

How are mortgage brokers paid?

Most brokers do not charge a fee for service as we are paid a commission by the lender. However, if a broker intends to charge you a fee, we must provide you with a document up front which details what services you will receive in return for the fee.

No consultation fee

As mortgage brokers we do not charge you for a consultation, or our time researching your financial situation and borrowing needs. That's because the lender pays us a commission each time we successfully help you to apply for a loan.

For example, if we helped you secure a home loan with ANZ, then ANZ would pay us an upfront commission when the loan settles, and an ongoing trail commission for each month that you stay in that loan.

Rate does not change

Using a mortgage broker does not cost you more. Lenders will still charge you the same fees if you go to them direct, because they have bank branch overheads to cover. The amount the lender pays us does not impact your rate, or come out of your money. By using our services, you're not paying any more interest, or higher fees.

Completely impartial

Most lender commissions are much the same, so there is no incentive for your mortgage broker to push one lender over another. However, to ensure we remain impartial when recommending a lender or loan product to you, we use a separate company called a mortgage aggregator to give us access to a wide panel of lenders and collect our commissions. They pay us this commission monthly.

Transparent

We will be completely transparent about what we get paid for helping you with your loan. This information is displayed in our Credit Proposal Document that we'll share with you as part of the loan application process.

The value of choice

The main benefit of using a mortgage broker is choice, we have a greater access to a wider variety of financial products and lenders.

What's the difference between a bank and mortgage broker?

A bank only has access to their own loan products and interest rates. Mortgage brokers have access to a wide variety of lenders with competitive rates—including the "Big 4" Australian banks, second tier lenders, and credit unions. That means a mortgage broker can find you the most suitable loan product for your needs—without the hassle of you going to multiple banks.

With a mortgage broker you get personalised, ongoing service from someone you know and trust. We're here to help you for the long term. Bank branch staff may know their own products well enough, but they also change regularly and dealing with a different person every time you have a question can be very inconvenient.

Getting a loan with a mortgage broker is safe

Using a mortgage broker is just as safe as going to a bank—as we are all governed by the same laws and regulations.

Every time your mortgage broker recommends a loan product to you, we need to be able to prove to the regulators that it is not unsuitable for your needs and goals. That also means we must carry out careful research into your financial situation and ensure you can afford to repay any loan we recommend.

If a broker fails to follow this process, we risk losing our license and our business, so you can feel confident that we are always acting in your best interests. By contrast, banks usually only receive a fine if they fail to meet their obligations.

The power of choice

Mortgage brokers have relationships with multiple lenders. Giving consumers access to a broader range of loan options helps to keep lenders competitive with their rates. A more competitive loan market also incentivises lenders to constantly come up with better product features, and to keep their fees reasonable.

Four reasons to choose a mortgage broker over a bank

1. Brokers assist you during the entire mortgage application process.

2. We protect your interests and help to reduce the incidence of declined loan applications.

3. Brokers are not aligned to any one particular bank.

4. Brokers are well practiced in finding the right loan products and most competitive rates. We know lenders' credit policies and are able to direct you to lenders most suited to your circumstances.

Mortgage brokers also give you more choice once you have obtained your home loan. We provide complimentary, obligation free home loan health checks to our customers on a regular basis and compare the market to ensure you still have the right loan for your needs. Making it easy for you to switch loans at any time also keeps the lenders on their toes.

Buyer journey

Buying a home is a major milestone in life. It can be both exciting and daunting. Choosing a mortgage broker means having support throughout your home buying journey.

The home buying journey with a mortgage broker

When you choose to get a home loan through a mortgage broker, you're guaranteed to have personalised support from start to finish. This means a better home buying experience for you. Your broker can give you a better picture of your borrowing power, your overall budget and what home you can afford to buy, so everything goes more smoothly. Once you understand your borrowing options, your mortgage broker will be there to help and guide you throughout every step of your buying journey.

1

Get loan pre-approval

A mortgage broker can help with assessing your credit worthiness and getting your documents together. This will give you a better picture of your chances of qualifying for a home loan.

2

Choosing a property to bid on

Your mortgage broker can provide you with information on prices of properties that have recently sold in your desired area. This can help you determine what properties match your budget and save you a great deal of time in your home selection process.

3

Making an offer/buying at auction

Once you've chosen a property to buy, your mortgage broker can advise you on the procedural aspects of the negotiation and purchasing process, whether it be an auction or private sale.

4

Conveyancer/legal representative

If your offer or bid is successful, your mortgage broker can provide you with referrals to highly reputable local conveyancers and legal professionals.

5

Final loan approval

When you are ready to submit your final loan application, your mortgage broker will help you with the paperwork to ensure your loan is approved as quickly as possible.

6

Insurance

Your mortgage broker has vast industry experience, and can help you access competitive deals on the appropriate insurance for your needs.

7

Final inspection

Before your loan settles, you will need to perform one last check of the property and make sure that it is still in good condition and all items included in the contract of sale are present and in working order.

8

Settlement

Your mortgage broker will arrange for contracts to be signed and for the money to be transferred to the vendor.

9

Get the keys

Once settlement has taken place, we will make sure that everything is in order and all the right boxes have been ticked. Then you get the keys.

Your mortgage broker will be there to provide guidance throughout the entire process, and beyond. If you have questions about your mortgage options or the home buying process, just get in touch.

Loan types explained

Choosing the right loan

Choosing the right loan makes your money work harder for you. However, deciding which loan is right for you can be overwhelming and confusing, due to the wide variety of home loans available—all with different interest rates and features.

The good news is that as your mortgage broker, we can help you understand your options and assist you during the loan selection process. Mortgage brokers are home loan experts and perform significant research on a variety of home loan products, from a range of different lenders, to find the ones that may be most suitable for you.

Below are some of the more common loan products available. However, this is just a selection. Talk to us to find out about any other loan products which may be right for you.

Basic home loan

This is an excellent option if you're looking for a simple loan with a low variable interest rate, and low fees. Basic home loans have fewer features and can be less flexible than other loans. However, they do offer opportunities to save money. They are a good option for first home buyers and those with straightforward borrowing requirements.

Standard variable loan

Standard variable rate loans have more features than a basic home loan, including the benefit of an offset account and/or redraw facilities. Money held in your offset account will 'offset' the balance in your mortgage account, effectively reducing your interest payments. Lenders will charge an annual fee for this type of loan.

Redraw facilities allow you to make extra repayments on your home loan and redraw them later if needed. It's also an effective way to save money on home loan interest.

Introductory rate home loan

This type of loan is suitable if you're looking to minimise your initial home loan repayments. It offers new customers a reduced interest rate and lower repayments for a set time, usually six to 24 months—often referred to as a 'honeymoon period'. Once the introductory period is over, the interest rate reverts to the standard variable rate.

Fixed rate home loan

Fixed rate home loans allow you to lock into an interest rate for a period, which can be anywhere from one to seven years. This means you can enjoy the certainty of knowing exactly what your monthly repayment will be. After the fixed term, these home loans usually revert to the standard variable rate. With this type of loan there is not always a redraw facility or the opportunity to make extra repayments during the fixed rate period.

Split loan

A split loan offers you the option of having part of your loan fixed and part variable. This gives you the benefits of both loans in a single home loan. Contact us for more information about this type of loan and how you could use it to your advantage.

Understanding home loan costs

The actual costs involved with taking out a home loan will depend on the kind of loan you need and the lender you choose. Fees and charges can vary widely from lender to lender.

Your mortgage broker will make sure you understand all the costs involved and will provide this information to you in writing before you take out a loan.

Here are expenses that you may incur when taking out a home loan.

Loan application fee

Also known as the “establishment”, “up-front”, “start-up” or “set-up” fee. It’s a one-off payment at the start of your loan application process. The fee usually covers the preparation of loan documents, the lender’s legal fees for loan set-up, and one standard home valuation by the lender’s property valuator.

Ongoing fees

Ongoing fees are charged every month or year by the lender for administrating your loan. Other fees and charges may only be payable in certain circumstances. For example, you may be charged a fee to use a redraw facility to withdraw any extra repayments you have made towards your loan.

Early exit fee

This fee may be charged if you pay off your home loan in full within a specified time, or with certain types of loans. Your mortgage broker will advise you about these exit fees, and if they may apply to the loan you decide to select.

Lenders mortgage insurance (LMI)

LMI is a type of insurance required by law to protect lenders if borrowers default on their loan. If you borrow more than 80% of the value of your property, you will have to pay for LMI and it can be expensive. That’s why we recommend you save a 20% deposit. However, paying LMI may be worth it to you if it helps you get on the property ladder sooner.

Stamp duty

Stamp duty is a tax imposed by local governments on home buyers. It varies from state to state. To find out how much stamp duty you have to pay in your state, check your local government website. Alternatively, you can also find out more by speaking with your mortgage broker, conveyancer or legal representative. There may also be discounts available for some home buyers.

Legal representation

When purchasing any property, it's important that you acquire the services of a trusted conveyancer or solicitor. This ensures that you meet all your legal obligations and that all contracts are fair and transparent. Be aware that different legal professionals will have different sets of fees for certain services, so don't be afraid to shop around. You can always ask your mortgage broker for a referral.

Inspections

A building inspector is very important when considering a property to purchase, so you'll need to factor in this cost. A building inspection helps you determine if the property is structurally sound and could potentially save you thousands by helping you avoid properties that could require expensive repairs. A professional building inspection report can also serve as a bargaining tool for negotiating on price, or contracts.

It is also wise to get a professional pest inspection report. Pest inspectors are specialists in detecting termites and their damage, as well as other home-wrecking pests, so you'll need to use one in addition to your building inspector, particularly if the property is in a high-risk area.

Stamp duty government websites

Australian Capital Territory revenue.act.gov.au
New South Wales osr.nsw.gov.au
Northern Territory revenue.nt.gov.au
Queensland osr.qld.gov.au
South Australia revenuesa.sa.gov.au
Tasmania treasury.tas.gov.au
Victoria sro.vic.gov.au
Western Australia finance.wa.gov.au

Asking the right questions

Before you meet with your mortgage broker for the first time, you should think about what questions you need to ask. Asking questions is an important part of ensuring that you understand the home loan process and get the right loan for you.

Having your questions answered professionally will help you feel comfortable and confident in your broker. Then you'll know for sure we're the right people to help.

Potential questions you can ask your broker

Questions about your personal situation:

- Do I earn enough money to afford a home loan?
- What loan will suit my lifestyle and needs?
- Will a lender give me pre-approval on a loan?
- How much deposit do I need for the type of home I want to buy?
- Will my credit rating affect my ability to get a home loan?

Questions about loan product features:

- What is the interest rate?
- Does it come with an offset account?
- Is it variable or fixed?
- Can it be split?
- Can I redraw my extra repayments?
- How much is the loan establishment fee?
- What does the loan establishment fee cover?

Questions about the long-term:

- What will the ongoing monthly repayments be?
- What is the level of service after settlement offered by the lender?
- Is there a cost to discharge the loan early, make a lump sum repayment, or increase the size of the repayments?
- Are there any ongoing fees?
- What loan structure should I use if I want to buy an investment property in future?

Long-term expertise

When you choose a mortgage broker, you're choosing a professional advisor who will be there for you in the long-term. Your mortgage broker will provide advice and continual support beyond buying your home—you can ask us to help you secure additional finance products down the track, like a car loan or finance for your first investment property.

Referral services

Buying property is much easier with a team of professionals backing you up. We're experts in the home loan process and can also refer you to the other experts you'll need throughout your property buying journey.

So, who do you need on your team? Here are some of the key professionals you may need along the way. If you require any of these services, let us know and we'll be happy to recommend someone we know and trust.

Conveyancers

A conveyancer is a person professionally licensed and qualified to provide advice and information about the sale of a property. They prepare the relevant legal documentation, conduct the settlement process and ensure the property title is transferred into your name correctly.

Accountants

An accountant can provide you with specialised knowledge relating to your financial matters such as your tax liabilities and potential deductions. They can also be helpful in the home buying process, particularly if you are purchasing an investment property.

Property Valuator

A valuator (sometimes referred to as a valuer) provides professional reports on the valuation of properties.

How else can a mortgage broker help?

We're here for the long-term with whatever help you need. We can help you manage and stay on top of your home loan, as well as find ways to maximise your income and available credit to build wealth for your future.

If you're planning to switch mortgages, expand your property portfolio, or need other finance products like a car loan or business loan, we can also provide expert assistance with these requirements and many others.

Future property investment

If you are looking to purchase an investment property, we can help you plan your finances, do your research and buy when the time is right for you.

Industry updates

It's easy to forget about your mortgage. But staying up-to-date on interest rates and new products could save you money. That's why we'll be here to let you know if anything changes and give your home loan a regular health check.

Insurance

We can help insure your property against unforeseen circumstances such as theft, fire and flooding. You may also want to consider insurance to cover you if you are unable to work due to illness or injury.

Asset finance

If you want to buy a car, or another lifestyle asset like a boat or caravan, we can help you access the most suitable loan or lease products for your circumstances and needs.

Get in touch with us to start planning your financial future.

Next steps

Buying a property is likely to be the biggest financial decision you'll make. Working with a mortgage broker means you have an expert to help you get it right.

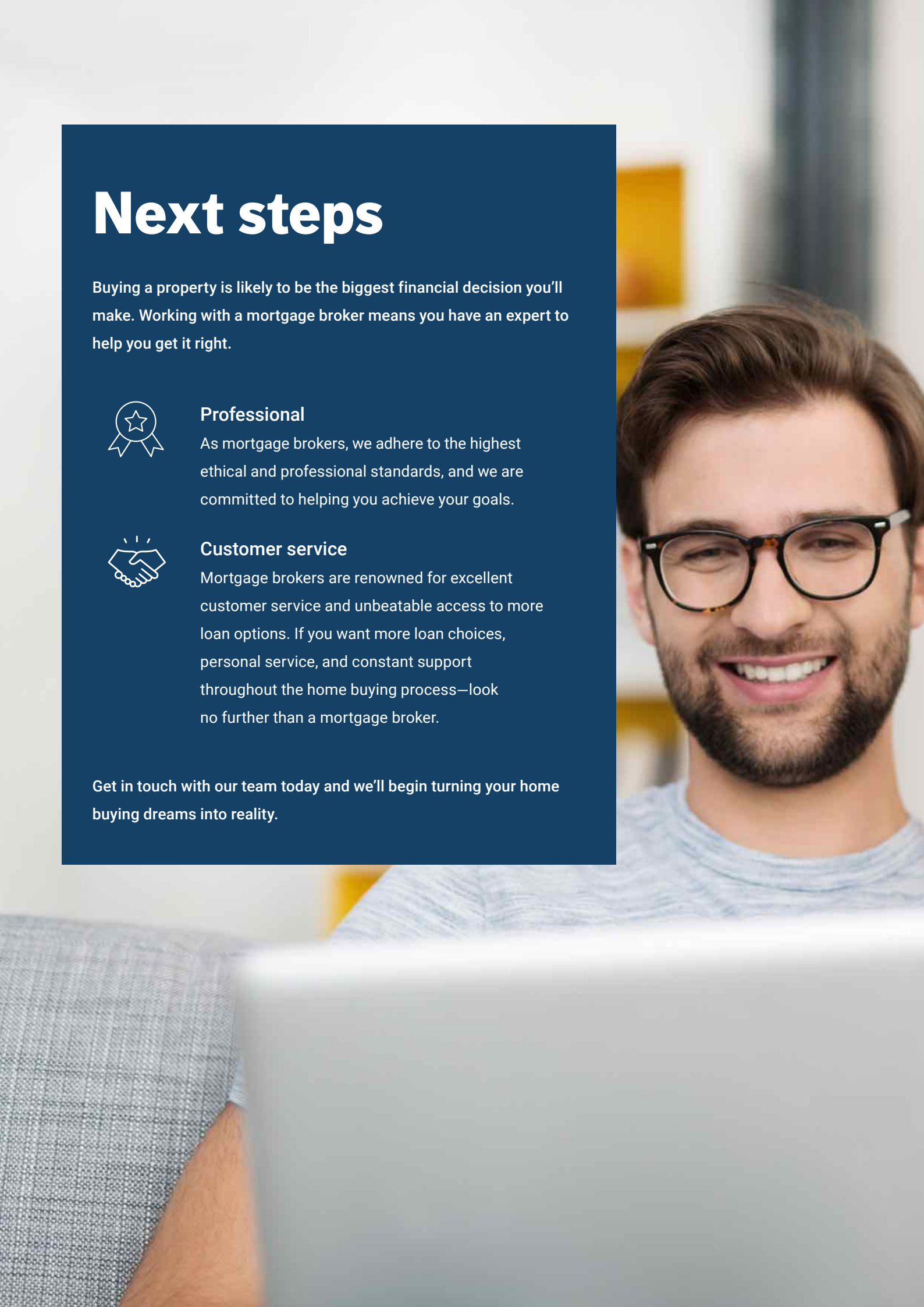
Professional

As mortgage brokers, we adhere to the highest ethical and professional standards, and we are committed to helping you achieve your goals.

Customer service

Mortgage brokers are renowned for excellent customer service and unbeatable access to more loan options. If you want more loan choices, personal service, and constant support throughout the home buying process—look no further than a mortgage broker.

Get in touch with our team today and we'll begin turning your home buying dreams into reality.



Glossary of terms

Additional repayment

An **additional payment** is any extra repayment you make on your loan on top of the minimum loan repayments. This can help you pay your mortgage faster. Check the terms and conditions of your loan to see if there are restrictions on how many additional payments you can make each year.

Annual fee

Some loans have **annual fees** to cover costs or additional services. Annual fees are generally charged on the date the loan money was paid to you. Fees and dates are outlined in the loan conditions of your contract.

Application fees

Application fees are charges that you may have to pay a lender to cover the costs of processing your loan application.

Assets

Assets are the valuables you have such as savings, cars, home contents, superannuation, investments etc. Lenders also use your assets to determine the amount you can borrow.

Comparison rate

A **comparison rate** helps you understand the true cost of a loan over time and allows you to compare loans between lenders more easily.

Conveyancer

A **conveyancer** is a specialist who represents you during the transfer of home ownership from the seller to you.

Credit rating

Your **credit rating** is an assessment of your eligibility to receive credit (a loan). It's used to determine the risk you present to a lender, based on your borrowing and repayment history.

Deposit

A **deposit** is a portion of the price of a property that you need to pay upfront when you intend to buy a property.

Equity

The **equity** of your property is determined by its market value less the amount you owe on your loan. The more of your mortgage you have paid, the greater your equity will be.

Establishment fee

An **establishment fee** is the same as an 'Application fee' or an 'Up-front fee'. It's the fee a lender might charge to cover the cost of processing a loan application.

Guarantor

A **guarantor** is somebody who vows to guarantee payment of your loan if there is reasonable doubt that you may default on payments yourself.

First Home Owner Grant (FHOG)

The **First Home Owner Grant (or FHOG)** is a government-funded scheme to assist first home owners buy, or build, a home.

Fixed interest rate

A **fixed interest rate** is a locked-in rate that won't change during a set period of your loan. You'll always know exactly how much your repayments will be.

Lender

An entity, often a bank, that provides financing for the purchase of property.

Lender's Mortgage Insurance (LMI)

Lender's Mortgage Insurance (LMI) is an insurance that protects the lender in the event of the borrower defaulting on the loan.

Loan term

The **loan term** is the agreed length of your loan period.

Loan to Value Ratio

The **loan to value ratio (LVR)** is calculated by dividing the amount that you borrowed by the value of your house. For example, if you borrow $350,000 and your property is valued at $420,000, your LVR is 83%.

Monthly fees

Monthly fees cover the costs of additional services of the loan. Fees and payment dates are outlined in the loan contract.

Offset

A type of lending arrangement in which a borrower also maintains a savings account with the lender.

Owner occupied

An **owner occupied** home loan is a loan for personal purposes for people who intend to live in the property the loan is taken out for.

Principle & Interest Loan

A loan where you pay interest and also repay part of the amount borrowed (principal) at the same time.

Pre-approval

Pre-approval is a conditional approval for a loan. Having pre-approval means having most of the home loan paperwork done. This gives you a definite price range.

Property share

Property share means co-owning a property with family or friends.

Property value

Property Value is the assessment of the value of your property.

Redraw

A **redraw** facility allows you to access extra repayments you that you may have made on your mortgage.

Settlement

Settlement is the final step when buying a home. It's when property ownership is legally transferred from seller to the buyer.

Solicitor

A **solicitor** is a legal professional who is qualified to deal with the transfer of property.

Stamp Duty

Stamp Duty is a tax the government charges on the sale of your property.

Valuation

A **valuation** is the assessment of a property's value.

Variable Interest Rate

A **variable interest rate** changes when the market interest rate changes. This means repayments will vary.

Notes

Our commitment to you

We're your mortgage specialist, dedicated to looking after your needs.

We are here to help you navigate the maze of borrowing options and guide you through the buying process.

We'll make lenders work harder for you to get your loan approved.

We'll work closely with real estate agents, conveyancers and lenders to put your needs first, every step of the way.

We look forward to helping you purchase your new home.

Please contact the team at In Financial Services for more information.

In Financial Services

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infinancialservices.com.au

Hunter Valley Home Loans Pty Limited ATF Sirrah Business Trust Credit Representative No. 365009 Australian Credit Licence No. 494107 ABN 58624239821

This booklet provides general information only and has been prepared without taking into account your objectives, financial situation or needs. We recommend that you consider whether it is appropriate for your circumstances and your full financial situation will need to be reviewed prior to acceptance of any offer or product. It does not constitute legal, tax or financial advice and you should always seek professional advice in relation to your individual circumstances. Subject to lenders terms and conditions, fees and charges and eligibility criteria apply.