

FAQ

RESIDENTIAL LOANS



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Importance of being informed

Purchasing a home is a significant financial commitment that requires careful planning, commitment, and a solid understanding of the financial obligations involved. To navigate the complex landscape of home loans in Australia effectively, equip yourself with essential knowledge. This booklet addresses common questions potential homeowners have about home loans, empowering you to make informed decisions for a successful homeownership journey.

The home loan process can be intimidating, especially for first-time buyers. With various loan products, interest rates, fees, and lender requirements to consider, it's easy to feel overwhelmed. However, by grasping the basics before committing to a mortgage, you can prevent costly mistakes, reduce stress, and avoid potential financial challenges.



Why This Booklet?

At Nifty Lending Services, we are dedicated to ensuring that each client comprehends all mortgage aspects before embarking on the process. This booklet acts as a practical guide, addressing common queries encountered in our daily client interactions. If you have additional questions not covered in the booklet, we are eager to provide answers and expand our database for future reference.

Our commitment at Nifty Lending Services is to assist you throughout your home-buying journey. This booklet is just one of the many resources we provide to aid you in making informed decisions for your financial well-being. By acquainting yourself with the answers to these frequently asked questions, you will be better equipped to handle the responsibilities of a home loan and confidently transform your homeownership dream into a reality.



Why it is important to choose Mortgage broker over the single bank for home loan application?



A mortgage broker can access various lenders to assist in finding the most appropriate loan for your financial circumstances. The broker is obligated to prioritize your interests and provide the optimal solution from their pool of lenders. In contrast, approaching a bank directly limits your options to their products only, possibly causing you to overlook better deals from other lenders and resulting in unnecessary interest payments. It is advisable to seek advice from a mortgage broker rather than a bank when searching for a home loan.

What is LVR? How is it used by lenders in making interest rate decision?



The LVR, or Loan to Value Ratio, is one of the key factors in determining the interest rate for a client. It is the percentage of the loan amount relative to the value of the property or the purchase price of the home. The lower the LVR, the better the deal for the client. A low LVR means a low risk for the lender and a lower interest rate might be on the cards for the borrower. Therefore, it is advisable to negotiate for the best deal based on your LVR and financial situation.

What is comparison rate?



The comparison rate is a useful tool for borrowers to understand the true cost of a loan. It combines the interest rate and the fees and charges associated with the loan into a single percentage. This way, borrowers can compare different loan offers more easily and accurately. However, the comparison rate may not reflect all the costs and benefits of a loan, as it is usually based on a standard loan amount and term (\$150,000 over 25 years). Therefore, borrowers should also consider their own circumstances and needs when choosing a loan.

How much deposit do I need to buy my first home?



The deposit amount needed is determined by a range of factors such as the type of loan, the lender, and the desired loan amount. As a general guideline, saving about 10 to 20 percent of the property's value you plan to buy (excluding government fees) is recommended. A higher deposit can lower the amount you need to borrow, resulting in lower repayments and interest costs. If you qualify for State and Federal Government programs, you might need to save less than you initially thought. Contact Us for more information.

What is LMI? Under what situations it is applicable?



Lenders Mortgage Insurance (LMI) is a charge that clients need to pay when borrowing over 80% of the property's value. This fee safeguards the lender in case the client defaults on the loan. LMI can be rolled into the loan amount and varies from a few hundred to several thousand dollars, depending on the loan size and property value.

Certain professionals like doctors, lawyers, engineers, and accountants may qualify for LMI waivers. This exemption allows them to borrow up to 90% of the property value without LMI, saving them significant upfront costs. Contact us for further information.

What is equity and how it is calculated?

Equity in home loan is the amount of money that you own in your property, after subtracting the remaining mortgage balance from the current market value. For example, suppose your property is worth 500,000 and you have 300,000 left to pay on your mortgage. Then your equity is \$200,000. However, this does not mean that you can access \$200,000 for buying another property. Your eligibility for a home equity loan or line of credit depends on your financial situation and the lender's policy. Usually, lenders will allow you to borrow up to 80% of the property value. So, in this case, you can get a maximum of \$100,000 (80% of 500,000 minus 300,000) from your equity. You can use this money to fund the down payment on another house although current terms and conditions as per lenders policy applicable as these calculations are indicative only.



How much can I borrow?



The sum you can borrow for a mortgage depends on several factors like your credit score, existing debts, down payment, and job status. Nevertheless, some lenders might provide a high Loan to Value ratio (LVR) of 95 percent, enabling you to borrow most of the property's value, excluding government charges. Seeking advice from a mortgage broker can give you a better understanding of your borrowing capacity.

How can I decide which mortgage is best suits to my financial situation?



In order to make a well-informed decision regarding your mortgage choices, it is essential to consider various factors. These include your current income, expenses, goals, and the duration you plan to stay in your home. Your mortgage broker can help evaluate your circumstances and recommend a solution that aligns with both your present and future requirements.

How does my credit rating affect my borrowing capacity?



Before seeking a loan, it is crucial to assess your credit score. This score mirrors your previous borrowing and repayment history, encompassing the number and types of loans taken and your timely repayments. Any missed or late payments can reduce your credit score, hindering loan approval. Seek guidance from a mortgage broker to enhance your credit score by managing your debts and repayments effectively before applying for a home loan.

Do I have to pay fee to access Mortgage Broking Services?



No, you do not have to pay any fees for most of the mortgage services we offer. As a Mortgage Broker, we get paid by the lender for bringing them a new customer. This way, we can help you find the best mortgage deal without charging you extra.

Contact Us



SATWINDER MAAN

Mortgage Broker

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