

# CHOOSING THE RIGHT LOAN

There are various types of home loans, all offering different rates and features. Always check the terms of your loan.

## Honeymoon loans

A loan with lower repayments for the first six to twelve months. After the 'honeymoon' the loan becomes a standard variable loan and the repayments increase. Make sure that you can meet the higher repayments for the remainder of the loan. You could also be faced with a fee at the end of the honeymoon period to switch to another loan type.

## Basic or "no frills" loans

A variable rate loan with a relatively low interest rate. The low rates for these loans could mean that you can repay the loan faster because there are no extra options available. Repayments will rise and fall with interest fluctuations. Remember to check that the loan conditions will suit your circumstances – particularly the ability to make additional repayments and pay-out without a penalty.

## Standard variable rate loans

These loans are the most common type available. The variable rate loan offers more features and flexibility than the basic or "no frills" loan, so the rate is usually slightly higher. The extra options (for example a redraw facility, the option to split between fixed and variable, extra repayments and portability) should be taken into account when choosing your type of variable loan. Repayments will vary as interest rates fluctuate.

## Fixed rate loans

These loans are set at a fixed interest rate for a specified period - usually one to five years. The advantage of allowing you to organise your finances and repayments without the risk of rising interest rates is offset by the disadvantage of not benefiting from a drop in rates. At the end of the term all fixed loans automatically revert to the applicable variable rate. At this stage you have the option to lock in another fixed rate for a new term, switch to variable or go for a loan where you split with a percentage fixed and the remainder variable. However these loans

may have limited features and lack the flexibility of 100% variable loans. There may be early exit fees and limited ability to make extra payments.

## Equity line of credit loans

These loans are a great way to access the equity in your home to use for things like home renovations, investments or other personal purchases. Repayments on a line of credit loan are determined by the interest rate applicable at that time. If you have sufficient equity in your home, you will need to make a separate application for a line of credit loan. You have the added advantage of being able to make unlimited deposits/repayments as your repayments are not set. You must check the conditions of these loans as they are sometimes more expensive than standard products.

## Professional home loan packages

These loans are offered to provide an all-in-one home loan package. They offer interest rate and fee savings on your home loan, credit card and transaction accounts and some lenders also waive the annual fees for your credit cards. An annual fee ranging from \$120 to \$395 is usually applicable on these loans.

Professional packages can also offer amazing flexibility, with some banks willing to waive product switching fees when changing from a variable to a fixed rate or converting a principal and interest type loan to an interest only loan.

## Bridging loans

A bridging loan may be necessary to cover the financial gap when buying one property before the existing one is sold. This finance is generally secured against your property as you are utilising the equity in your existing property. Usually, bridging loans are short term and more expensive than other types of loans. Our role as your mortgage specialist is to provide you with comparison of various loan options from a panel of lenders, and assist you with choosing the right loan for your circumstances.