



## **NEWSLETTER**

### ***Frequently Asked Questions Relating to Mortgage Finance***

Buying a home – the great Australian dream. Sounds easy doesn't it? Many people, who have already bought a home or are trying to do so, know that it isn't as easy as it sounds.

Berg Financial Services can offer invaluable assistance in helping you realise your dream by organising Finance and providing ongoing management of that lending facility. We can also give guidance to the homebuyer and answer questions regarding the “processes” involved in purchasing Real Estate.

Some frequently asked questions relating to Mortgage Finance are:

#### ***How Much Money can I Borrow?***

Without a doubt, this is the single most frequently asked question relating to Mortgage Finance.

How much money you can borrow depends on a combination of what you are buying and what you are earning. Generally if you are buying a home, you can borrow up to 95% of the property's value. If you are buying land, you can borrow up to 90% of the land value. Lenders Mortgage Insurance is required for loans more than 80% of the property's value – conditions and limits apply.

You must also keep in mind the fees associated with purchasing a property i.e. Stamp Duty, Legal Fees etc. as these can add considerable cost to your purchase.

Berg Financial Services are able to assist with your application and based on your income can assess how much you could comfortably afford to pay in repayments each month. We recommend that you not overcommit yourself with Home Loan and any other repayments that you may have, being Credit Card and / or other borrowings. The commitment level that you can afford is determined by your individual circumstances.

A popular option with some Home Buyers is to seek an Approval in Principle. This is where the amount that you can borrow is determined and actually approved before you start looking for a suitable property. The advantage of seeking an Approval in Principle is that you know your budget limitations up front, making it easier to identify your house hunting market.

### **What is Lenders Mortgage Insurance?**

Lenders Mortgage Insurance is payable to an Insurance Company via the Finance Provider / Bank if more than 80% of the Purchase Price is being borrowed.

All lenders calculate Lenders Mortgage Insurance in a different manner. In some cases (depending on Finance Provider used) this fee can be capitalised (added) on to the Loan amount. Cost of Lenders Mortgage Insurance is on a sliding scale depending on Loan Amount and other costs.

### **What is First Home Owners Grant?**

If you are buying your first home, you may be eligible for benefits under the First Home Owners Grant Scheme (FHOG). This is a Government initiative that offers first home buyers in NSW a \$7,000- Grant (between 14/10/2008 and 30/06/2009 this amount is doubled to \$14,000- for purchase of existing dwellings and tripled to \$21,000- if building or buying a new house).

This Grant is only applicable to residential dwellings; it does not apply to vacant land.

Conditions apply to eligibility for FHOG. You need to have never owned property, either solely or in joint names.

Berg Financial Services can assist with your application and make certain that you receive all concessions that you are entitled to. The First Home Owners Grant is not means tested and no tax is payable on it.

You may also be eligible for the First Home Plus Scheme which provides exemptions or concessions on Stamp Duties for first home buyers in NSW. This includes vacant land that you intend to build your first home on. This is assessed on the price of the property and how much you borrow to complete the purchase.

### **How long will it take to get a Home Loan?**

There is no standard answer to the question of how long will it take to get a Home Loan. The period of time that can be expected between application and settlement is usually 6 weeks, however there are a number of different variables affecting this time – frame.

Your Home Loan application and subsequent settlement of new property may be prolonged or expedited by such matters as confirmation and availability of information, legal and / or conveyancing issues, Financial Provider / Bank utilised, current owners' plans (vendor) and your schedule.

### **What is a Split Home Loan?**

Fixed Rate or Variable Rate Facility? Home Loans come with Interest Rate options. A Fixed Rate Home Loan means that for a specific period after taking out a Home Loan (usually from one to five years) the Interest Rate will remain the same. Variable Rate means that your Interest Rate will slide up and down with market fluctuations.

There are advantages and disadvantages associated with both types of Interest Rates. It is important to be aware of the variations in these two facilities as they are two very different Loan types and can greatly affect your financial situation.

A Split Home Loan means having a portion of your borrowings on a Fixed Interest Rate and a separate portion of your borrowings on a Variable Rate. An arrangement like this would allow the benefit of Fixed Interest Rate Risk Management along with the flexibility of a Variable Rate to accommodate your requirements.

Bergs will look at your current financial situation, objectives, long and short-term goals, and make an assessment whether Fixed or Variable Rates, or a Split Home Loan would be best for you. Our professional team will be able to customise a package specific to your individual needs.

### **Credit Rating**

When you apply to a Bank and / or Financial Institution for a loan, the first step that the Lender will take is to examine your credit rating / history to assess whether you have a good record of repaying your debts.

These days with the easy availability of mobile phones, phone companies also check your credit rating before they will enter into a mobile phone contract with you.

This is done through Veda Advantage, a national database of judgments, applications, defaults and bankruptcies. Every time this happens a notation is recorded against your individual listing. So, even the fact that you have simply applied for credit is recorded - for up to 5 years.

This means that if you “shop around” yourself and apply with several institutions who all conduct checks, it can cloud your record. This may make you look like a bad risk even though you have done nothing wrong. A bad credit rating can cost you with your future financial dealings; you could be refused a loan or be charged a higher Interest Rate.

Berg Financial Services take a more professional approach; we can narrow down your lending options by having a broad knowledge of Banks / Financial Institutions individual policies before lodging any application. That way the relevant Lender conducts only one check and your record does not become crowded.