Peter's Home Finance Tips

The Lowest Rate Is Not Always the Best
Some lenders have very low rates compared to others, but watch out for high entry and exit costs and restrictions on how much extra you can pay per annum off your mortgage.

The honeymoon loan
Watch out for honeymoon or introductory loans, which attract people with very low interest rates but later revert to much higher interest rates once the honeymoon period is over (normally 6 or 12 months). It's crucial to think past the first 12 months as you end up paying more for the next 24 to 29 years.

Don't pay for the 'bells and whistles
If you don't plan on using all the extras that comes with the home loan, then possibly avoid them as these loans can attract yearly fees.

Be careful when entering a home loan with family and friends
There is now a growing trend towards friends buying together or parents going guarantor for their children. It's important to consider future consequences, and asking the hard questions, 'will they still be your friend in 10 years' time or will my circumstances change'.

Shop Around
Purchasing a home is one of the biggest financial decisions you will make in your life, so take the time to research and compare the offerings from both bank and non-bank lenders. This way you will be able to find the mortgage with the right blend of features and low rates and fees. Over the course of a mortgage, even small monthly savings can add up to a big sum.

Plan for the future
Planning on starting a family? Your might have to survive on a single income while your children are young. Many young families make the mistake of not factoring in the financial impact of having children in their repayment calculations. Plan for any contingencies now, before you purchase your new home rather than when it's too late. Also make sure you can handle any future interest rate rises when calculating how much you can borrow and repay. By borrowing slightly less and keeping a buffer between your income and the size of your loan repayments, you may save yourself from much heartache in the future.

Credit Defaults
Before you start applying for finance please advise the mortgage provider if you have any credit defaults or concerns. Most lenders will not even ask this question and the first they find out about it is when your loan is declined due to a default. If you do have credit defaults speak to someone who specialises in credit impaired lending first.

Get pre-approved before you start house hunting
Don't leave this too late, as it's important to understand what your budget is early in the process.

Changed jobs or employment status
Some lenders will not lend to borrowers who are on probation for 3 to 6 months as your income is not assessable until that period lapses. However, you should speak to your broker to find out if there is a solution or other options. Also note that if you have just become self-employed, many lenders will make you wait 24 months minimum before you can apply for finance again.

Other Debts
Having other debts such as personal/car loans or credit cards can impact on your borrowing ability. As an example, if you pay $600 per month towards a car loan, the lender will immediately take $600 per month out of your net income to cover for this. This means that you have $600 less to go towards a home loan. The more debts you have the less you can borrow

Kind Regards

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The above is intended to be a guide only. Please seek advice from a qualified mortgage provider about your own situation.