

Frequently Asked Questions

What is a rate lock?

Rate Lock lets you secure an advertised Fixed Rate, up to 90 days before your new Fixed Rate home loan settles or the interest rate period on your current home loan ends. Once secured, this rate is known as the 'locked rate'. This way, for a fee, you are protected from potentially rising interest rates.

Upon settlement, if the advertised rate for your selected fixed rate period is below your 'locked rate', you will receive the lower advertised rate. However if interest rates have risen, you will receive your 'locked rate'.

How does the lender assess my loan?

A potential lender will consider things such as:

- Length of employment and the basis, i.e. permanent full-time, part-time, casual or self-employed etc.
- Your savings history if you are buying a home, and your current repayment history if you are refinancing or looking to upgrade to another property.
- Credit reports.
- Your capacity or ability to repay the proposed loan.
- The amount you wish to borrow against the value of the property.
- The location, size, and condition of the property.
- Your level of asset accumulation.



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What's an offset account and how does it work?

An offset account is a transaction account that can be linked to your home or investment loan. The credit balance of your transaction account is offset daily against your outstanding loan balance, reducing the interest payable on that loan.

Offset accounts enable you to make the most of your income and other funds to reduce the interest payable on your home loan, thereby reducing your loan term.

For example, if your loan balance on a day is \$300,000 and you have \$10,000 in your transaction account on that day, interest on your loan is only calculated for that day on \$290,000.

What's redraw?

A Redraw facility allows you to access extra repayments you have made on your loan over and above the required minimum repayments.

What's the difference between principal-and-interest loans and interest-only loans?

With a principal and interest loan, part of your monthly repayments go towards the interest charged on the loan and part goes toward loan principal (the amount you borrowed).

By the end of the loan term (which might be up to 30 years), principal and interest repayments should ensure your loan is fully paid.

With an interest-only loan, repayments during the interest-only period only cover the interest charged on your loan account.

At the end of that interest-only period, you'll need to make principal and interest payments, unless otherwise extended.



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What is Loan to Value Ratio (LVR)?

This is the total amount of your loan divided by the bank valuation amount. For example, if you want to borrow \$240,000 and the property is valued at \$300,000, the Loan to Value Ratio is 80%.

Lenders Mortgage Insurance (LMI)

This is an insurance policy the bank takes out to protect in case you default on your loan. It's generally needed if your Loan to Value Ratio is over 80%.

In these cases, you'll need to pay the premium (which can be added to the loan) and you may be liable to the insurer if the insurer pays out a claim made on the policy.

What's a family guarantee?

A family guarantee is a type of guarantee that can be made to secure a property. This is done by securing the deposit shortfall to a property owned by the guarantor, such as your parents or a close family member. This means you may be able to buy a property sooner, avoid paying the premium for Lenders Mortgage Insurance and maximise the amount you can borrow.

What's the difference between a fixed and a variable interest rate loan?

If you choose a fixed-rate loan, your interest rate stays the same for a set period (say 1-5 years). In these cases, your loan repayments will stay the same during this period.

If you choose a variable-rate loan, your interest rate will go up or down as the market does. Your loan repayments may also change.



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