



# HOME LOAN FEATURES AND OPTIONS

To repay your mortgage at a quicker rate therefore reducing the amount of money you spend on a loan, you need to choose the right home loan features and also secure a good interest rate.

## OFFSET ACCOUNTS

An offset account is an account that is connected to your loan which offsets against and reduces the interest on your loan account. It is especially convenient for those with loans from financial institutions that they bank with. For instance, if you have borrowed \$500,000 and you have \$50,000 in your offset account, the interest charged will be on a sum of \$450,000, even though your principal is \$500,000.

## ADDITIONAL REPAYMENTS

If you think you may be able to pay extra every now and again, you should ensure that your home loan has an additional repayments feature. This will allow you to use any extra cash to lower your principal which will also reduce the interest paid. Most lenders will allow you to withdraw those extra payments through a redraw facility.

## LOAN PORTABILITY

A Portable loan means that you can transfer an existing loan to another property without refinancing, saving you time and money on application and legal fees. However, portability does not permit you to change lenders.

## REDRAW FACILITY

Redraw facilities allow you to make extra repayments, and also to access these funds without any explanations to your lender. However, some lenders charge a fee for every redraw and also sets a minimum redraw amount.

## REPAYMENT HOLIDAY

Repayment holidays are offered by some lenders, allowing you to take full or partial periods off your mortgage repayments. This may offer a safety net through difficult circumstances such as unemployment or maternity.

## DIRECT SALARY CREDITING

Salary credit permits you to direct your salary into your home loan account, reducing the principal owed. As interest is calculated daily, this salary credit will reduce the interest paid

and is particularly useful for couples with second salaries. It is also a convenient way to make your loan repayments.

## SWITCHING FEATURE

The switching feature allows you to switch from a variable to a fixed rate of interest, and will suit you if interest rates are unstable.

## PROFESSIONAL PACKAGES

Professional packages are loan 'bundles' offering borrowers discounts on interest rates, ongoing fees, and reduced application and establishment fees, subject to loan size.

## INTEREST ONLY LOANS

Interest only loans tend to be short term loans and are often used by investors. On these loans only the interest portion of the loan is repaid with the principal remaining unchanged during the 'interest only' term.

## TOP UP

A loan top up allows the borrower to increase the limit on their existing loan, without having to acquire additional finance through other sources.

## CONSTRUCTION LOANS

During the construction phase, certain features may not be available. For instance, the redraw facility may be withdrawn whilst your payment frequency may change. However, at the completion of your property, all features of the loan will come into effect.

## LIMITED GUARANTOR LOANS

A limited guarantor loan or an equity guarantee loan is a loan that allows family members to assist you with your loan, by guaranteeing a part of your loan. Family members 'pledge' to aid the borrower and will act as a guarantor for your loan, providing extra security or by assisting with repayments.

## COMPARISON RATE

Comparison rates help you identify the real cost of your loan, allowing you to make comparisons between loans relatively easily. It differs from your loan interest as it takes into consideration other costs that you will have to pay when you take out a loan, such as other fees and charges.



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