



Q & A

WITH OUR LENDING SPECIALIST

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Residential & Commercial Lending Specialist



Effective mortgage and debt management is essential to financial well-being. Arranging a loan is easy. Ensuring it is the right loan and that it is structured in the optimal manner for your individual circumstances is where being a Navwealth client makes a difference.

Our lending advice is designed to complement your financial objectives. We understand the importance of structuring your lending to take into account taxation and other wealth management requirements.

The Navwealth lending team has experience across residential, commercial and leasing finance and is committed to providing strategic advice to clients. Shane Price manages our lending division and brings with him over 15 years' experience in residential and commercial lending with one of Australia's major lenders. Shane has also managed his own mortgage/finance business assisting clients with their various financing needs.

In this Q & A, Shane has provided his insights into important factors affecting lending and most importantly the outcome for you.

LENDING INSIGHTS WITH NAVWEALTH'S SHANE PRICE

Q › What makes Navwealth so great at assisting clients with their loans?

A › At Navwealth we have seen the results when clients do not have the right structure for their loans and this can affect them in ways they may not have thought of in the future. For example:

- 1 › Choosing an offset account against using a redraw facility on an investment loan. A simple product choice, but understanding which option is right for your needs, now and the future?
- 2 › Are there tax consequences?
- 3 › Should I have my salary paid directly into the loan?

These are important product choices but clients may not realise what the consequences are in getting these decisions wrong.

At Navwealth we know how you should have your loan structured, as we understand the "why and the how".

The Navwealth team consists of not just loan specialists to assist you choose the right mortgage but also a team of financial advisors and accountants that can assist in ensuring your loan is structured to maximise your financial opportunities.

Q › How long will it take to have my loan approved?

A › Every borrower's situation is different and has its own assessment criteria so the time it takes can vary with some scenarios taking longer for final approval than others. It is important to supply all of the information required as soon as possible after our first meeting so we can be sure to reach the decision on your application quickly and within the required timeframes.

Q › Which lenders do Navwealth deal with?

A › Being a fully qualified MFAA approved mortgage broker allows us to access a wide range of lenders to help find the lender that best suits your needs.

Q › What types of loans can Navwealth provide access to?

A › We can provide access to a variety of loans from residential home loans to commercial property loans and business cash flow finance or equipment finance for businesses such as motor vehicles.

Q › How much deposit do I need to have saved to get a home loan?

A › Normally you require a minimum of 5% of the purchase price as a deposit as well as funds to cover costs associated with the purchase like stamp duty. You may be required to show that you have saved this 5% in a bank account for a minimum of 3 months if you are borrowing over 80% of the property value. This varies between lenders and is a requirement on some mortgage insured loans.

Q › What is mortgage insurance?

A › This is an insurance that the bank will take out on the loan if you are borrowing more than 80% of the purchase price of the property. It protects the bank against future loss on any unpaid loan amounts that may stem from the property being sold for less than what is required to repay the debts. The insurance provider will indemnify the bank against this loss but the borrower still has a liability to the insurer for any loss incurred.

This Insurance will allow you to borrow up to 95% of the Purchase Price in some cases limiting the amount of deposit you require.

The cost of this insurance will be paid by the borrower and is a one off payment made at the time the loan is taken out. In some cases this can be added to the loan amount and form part of the final borrowings.

Q > How should we structure our loans?

A > We meet many new clients that have their loans structured incorrectly as not enough time was spent discussing the most effective strategy when the loans were established. That is, should you have an offset against your loans especially if you have investment loans? Are you paying off the most effective debt first? Is your salary assisting you to reduce your interest costs by flowing through the right loans? When should you use a principal and interest loan versus an interest only loan? When should you fix the interest rate versus using a variable interest rate. This is a small sample of how we help our clients make sure they have the most effective loan structure that suits them as every client we see has a unique loan strategy.

Q > What is an LVR?

A > The LVR is the Loan to Valuation Ratio which simply means what percentage of the value of the property you have borrowed.

Q > What is the difference between "principal and interest" and "interest only" loans?

A > "Principal and interest" loans are where some principal reduction to the loan amount borrowed is also paid on top of the interest charged each month. This is based on the term of the loan and amortised accordingly. This is very common for home loans where the borrower will live in the property.

"Interest only" is where only the interest charged is paid each month thereby not reducing the balance of the loan at all. This type of payment is typically used in investment property where the balance is kept at the original level for negative gearing taxation purposes on advice from an accountant or financial planner.

Q > Do I qualify for the First Home Owners Grant?

A > This is different in every state so it is best to take a look at the appropriate Government website for more information. This can be found by using the following link: <http://www.firsthome.gov.au/> and choosing the state of purchase.

Q > What are the costs in establishing a loan?

A > These vary from lender to lender and would be provided at application time with a comparison of loan options from the lenders we feel best suit your needs. This is a big part of the process we go through as a licenced mortgage broker.

Q > Can I have an offset account?

A > Yes lenders offer a specially designed offset account that instead of earning interest on funds held in this account the borrower can save interest on their loan. This works by not charging interest on the loan for the portion of funds held in the offset account. Eg . If you held \$10,000 in an offset account attached to a home loan of \$100,000 you only pay interest on \$90,000. You can also have more than one offset account at some lenders. Please note offset accounts attached to fixed rates may not receive the full offset ability.



THE NAVWEALTH SOLUTION

Whilst a bank may provide you the flexibility to borrow to a certain amount, this does not mean it is financially sensible and in your best interest to borrow to this level.

At Navwealth we protect our clients by ensuring they do not extend themselves from a borrowing perspective. Should changes occur in the economic environment or in their personal circumstances this may result in a poor outcome affecting their future financial position and impacting on their lifestyle. When structured correctly, debt can be a powerful tool in the creation of long-term wealth. We offer our clients with a complete debt solution, not just a loan. We work with our clients to ascertain their lending needs taking into account their complete financial circumstances. We review our client's financial situation holistically and make recommendations on the type and structure of the loan and provide our recommendation as to which lender's offering is most appropriate to our client.

We encourage you to speak to our Navwealth Lending team for your home or investment loans, commercial loans or leasing requirements and feel confident that you are on track to meet your ultimate financial goals!

Navwealth Lending is part of an integrated approach to your financial needs:



* These services are delivered in conjunction with our professional advice partners

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