

## Type of Loans Available

With over 3,000 different loans now available from lenders nationally, it is no wonder that people are increasingly confused when deciding which loan best suits them. The information contained in this guide outlines the different types of loans available, which your Accredited Mortgage Consultant may recommend for you.

Your Accredited Mortgage Consultant will cover the information contained in this guide in greater detail during your interview and assist you in deciding which type and product will suit you. Should you have any questions please feel free to contact your Accredited Mortgage Consultant at any time. You may also wish to keep this guide as a handy reference.

### Variable Interest Rate Loan – Basic & Standard

The Variable Interest Rate Loan comes with many options and the interest rate fluctuates depending on market conditions. You have the flexibility of making additional repayments without penalty, and the ability to redraw those additional repayments you have made at any time.

Many lenders now offer a 'basic' variable rate loan with lower rates than standard variable rate loans. These loans generally have many of the same features as their standard variable rate cousins, however, there are some things to watch out for. For example, some of these loans do not allow you to fix the interest rate without incurring a switching fee. So, if interest rates rise and you wish to fix, any savings from being on the lower rate may be lost in the switching fee. If you repay or discharge the loan early, there may be penalties.

### Fixed Interest Rate Loan

A Fixed Interest Rate Loan allows you to fix the interest rate for a period of time, generally between one and five years. Some lenders today have fixed terms of seven, ten and even fifteen years. After the fixed term the loan usually reverts to the standard variable rate on offer at that time or you may choose to refix the loan for another term.

One advantage of these types of loans is the certainty of your monthly repayments during your fixed period as the interest rate will not change. However, a major disadvantage is that many lenders will not allow you to make extra repayments without incurring a penalty fee, or if they do allow extra payments, there is a specified limit. Also, if you decide to sell your home whilst on a fixed interest rate a penalty will generally apply.

### Line of Credit Loan

These loans provide the ultimate in flexibility, and are popular amongst more savvy borrowers. Your total income is deposited into the loan account thereby reducing the balance immediately. As interest is charged daily on the outstanding balance, while that money sits in the loan account the interest charged will be lower. The easiest way to understand how these accounts work is to look at them like a savings account in reverse. The balance is always negative and the closer to zero you get the better off you are.

One major aspect that you need to consider is that if you cannot budget and effectively manage your finances, you could find yourself owing the same amount of money in 20 years time. Therefore it is important to ensure you plan a realistic budget and stick to it.

### 100% Offset Loan

These are standard principal and interest loans which have a savings account linked to them to provide an offset. Any credit balance in the savings account is offset 100% against the principal balance outstanding on the loan on a daily basis. As interest is calculated daily on all loans any funds in the savings account will provide a benefit as it comes off the loan

balance that the interest is calculated on. For example:

Loan balance	\$100,000.00
Offset savings account	\$5,000.00
The interest is only charged on	\$95,000.00

Therefore these loans can still achieve similar benefits as the Line of Credit loans but without the risk of still owing the same after 20 years as the loan amortises at the normal rate.

### Low Documentation Loan (also known as a 'LoDoc' loan)

This type of loan is designed for those who are unable to produce financial records to verify their income. In most cases you will need to have been self-employed for 2 years however, these loans are also available for applicants who earn a salary. Proof of income is not sought, however an ABN number is usually required for self employed applicants. Generally, borrowings of up to 80% of the purchase price or valuation (whichever is the lesser) is allowed.

### Reverse Mortgage

This type of loan is available for those over the age of 60 who own their own home. It allows the borrower to unlock the equity in their home for any purpose. Please refer to Reverse Mortgage information sheet for further details.

### Professional Packages

Professional packages are offered by most lenders. Professional packages provide discounts to standard rates. Eligibility is based on income or loan limit. The package can also include approved credit card limits and discounts on establishment fees.

Note most lenders charge annually or monthly for this privilege. A professional package can give you all the benefits of a standard variable rate loan with a discount on interest rate as well as other benefits.

**Importantly, the service provided by Bernie Lewis Home Loans is at no cost\* to you.**

\* Except some private mortgage lenders, some personal loans and some leasing/hire products for business purchases.

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