

Low Deposit Home Loans

House prices have soared over the last decade which, by default, has increased the amount of deposit required and the actual loan repayments. Trying to save a deposit to get into the market is a struggle that many Australians face, however, we do have some information which just might help you get into a home!

Let's start by drawing a line in the sand; a benchmark. All banks and Lenders feel that by lending less than 80% of what the property is worth is a good risk. In banking terms, this is referred to as a "Loan to Value Ratio" (LVR) If you fit within this parameter, (or LVR) you are rewarded with a good loan with lower fees, no Lenders Mortgage Insurance (LMI) and slightly relaxed lending policy (as the risk to the bank is lower) Now, the higher your loan amount (or LVR) is against the property, the riskier the loan becomes to the bank. As the LVR increases, so does the LMI fee and interest rate and further to this, the bank will scrutinize the application in more depth to try to lessen any risk. Therefore, it does become harder to get an approval for a higher risk loan.



Now, the biggest question might be,- "How big of a deposit do I need?"

There are a few options available, depending upon your individual situation.

- A Pledge Loan or Family Guarantee. This is where a family member can use their property to guarantee your new loan. This particular facility will allow you to borrow up to around 105% of what the property is worth, so you do NOT need to find a deposit.
- 3% deposit, 5% deposit & 10% deposit loans are also available but only with limited banks/lenders as not all banks or lenders can offer these. Just remember, the lower your deposit, the higher the fees & interest rate may become.
- 10%-20% deposit is less risky, but still attracts the LMI fee and closer scrutiny of the actual application.
- Over 20% deposit is definitely preferred if you have the capacity to do this. Not only will your debt be lower, but your fees and interest rate will also be better.

Finding the appropriate home loan with a small deposit may be quite difficult for the average consumer as all the banks and lenders have different strict policy guidelines and if you don't fall within these parameters, your loan application will be declined. Also, banks do not advertise what these parameters are, so you might be applying for a loan 'Blindly' which could jeopardise your chances of getting the loan altogether. An experienced broker knows what these unadvertised parameters are and can help you thru the minefield. Call us today on 1300 727 909 or send an enquiry through our website at www.ezfinance.com.au

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