

Keys to finding the right home loan

For most of us, buying a home is perhaps the single largest purchase decision we'll ever make. While an enormous amount of time is usually given to finding the home of our dreams – our selection of a home loan is usually left to the bank we have always had a savings account with.

Is this the right solution?

With the wide variety of home loan providers offering a range of products, choosing the right home loan is not always a simple decision to make. For most of us the exercise of finding the right loan is not only exhaustive – it's also confusing.

The Lonsdale Finance Choice mortgage broker service can review your existing loan/s or help arrange a new home or investment loan from a panel of over 30 lenders.

We assist you in making sense of the mortgage maze.

Here are a few simple steps you should consider when shopping for the right loan.

Step One - Determine your current and future situation

When trying to identify the right loan, it's always a good idea to start by fully assessing your current and future circumstances. This will certainly help when it comes time to selecting the features that you will need in the loan.

Here are a few questions to help you assess your needs:

- What is the exact purpose of the loan?
- Am I eligible for the first home buyer's grant?
- How much of a deposit have I saved?
- What is my credit history like?
- What are my total assets and liabilities?

- What is my total income and is it likely to change in the near future?

- Do I plan on having a family in the near future?

- Do I plan on renovating or extending my home any time soon?

- Am I looking at investing in property or shares at some point?

- Am I disciplined at sticking to a budget?

- Do I plan on moving homes in the future?

- Am I planning on retiring soon?

Step Two - Decide on the features you would like to see in your loan

By determining your current and future situation, you are more than half way there in identifying the features or flexibility you may require in a loan product. Here are a few more questions to ask yourself. Do you want:

- The absolute cheapest interest rate without any of the bells or whistles some products may offer?

- A loan with a low introductory rate?

- A fixed or a variable rate loan?

- A line of credit?

- A split loan facility?

- A 100% offset facility?

- The ability to redraw any additional payments made against the loan?

- Internet access to your loan account?

- Phone banking access to your loan account?

- Repayments to be directly debited from your account?

- To make interest only payments?

- A flexible repayment schedule that includes weekly, fortnightly or monthly options?

- The ability to make additional payments?

- Your loan to be portable so that in the event you sell your home, the loan moves with you?

- Additional benefits such as a free credit card and discounts on other products or services?

Step Three – Make a decision on the right product and lender

Now that you have a clearer picture of your personal situation and the key features you would like in a loan, it is time to select the right product and the lender that supplies it. When selecting the right product and lender, give some thought to the following:

- How much will the lender allow me to borrow? Your total borrowing capacity may vary considerably from lender to lender due to the fact they all use different assessment models.

- Do I require lenders mortgage insurance?

- Do I want to take out a loan with the major lenders only? Or am I happy to deal with the lender that supplies the product that best fits my requirements?

- What interest rates are available?

- What are the total fees and charges associated with each loan?

- Will I be locked into the loan for any given period?

- Are there any break costs if I want to close out the loan before the full term?

- If I am looking at a fixed rate product, will the lender lock-in the interest rate at the time the loan is approved or will it be locked-in on the settlement date? – interest rates may change within the approval to settlement period.

There are various loan types available:

Basic Variable Rate Loans

Basic variable rate loans are extremely popular due to their low interest rates. The trade-off with these types of products is that they are limited on features.

Standard Variable Rate Loans

Standard variable rate loans are known for their flexibility and features. Partly fixing, loan splits, offset, additional repayments and redraw are usually standard with this type of product.

Fixed Rate Loans

Fixed rate loans protect borrowers against interest rate rises for a given period of time although work against borrowers when rates fall. Fixed rate loans are popular amongst investors and home owners that require a level of security when forward planning their repayments.

Combination or Blended Loans

Combination or blended loans allow borrowers to split their home loan into a partly fixed and variable portions. This provides borrowers with the flexibility of a variable rate product and added certainty of a fixed rate loan.

Equity Loans or Lines of Credit

Equity loans or lines of credit allow borrowers to unlock the equity in their properties for any worthwhile purpose such as renovating, investing, motor vehicles, children's education, etc. These types of products provide a low cost option to other forms of personal lending with the flexibility of allowing interest to capitalise.

Self Managed Super Fund Loans

For those wishing to purchase an investment property either Commercial or residential under a Self Managed superannuation fund we have a number of Lenders accredited with us who can fund the purchase.

Low-Doc Loans

Low-doc loans are a great solution where borrowers can afford the loan repayments but are unable to disclose full income details. Low-doc loans are popular amongst self employed applicants or where they have an irregular income stream.



Shopping for the right home loan that suits your individual requirements can be a challenging task. It requires a considerable amount of time, thought and research.

By asking the right questions, you will have a much clearer understanding of the features and flexibility you require in a loan.

Whether you plan on conducting your own research, or using the professional services of a mortgage broker, it is important to take the time to consider your current and future needs as well as the features and flexibility you are looking for. Making the right choices at the beginning of your journey may very well save you the cost and stress of refinancing your loan down the track.



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