



07 3264 7100

NEWSLETTER

Issue # 39 April 2022

Guarantor Loans and How They Work Question and Answer Segment



Over the past few months we have had many enquiries on how parents can assist their adult children get into the home loan market. In this segment, we hope we can answer many of those questions for your consideration.

WHAT IS A GUARANTOR HOME LOAN?

A guarantor home loan is a type of home loan where instead of a deposit you use your parent's (guarantor) property as additional collateral. It is now the only way to borrow between 100% and 110% of a property's purchase price. Essentially, 80% of the loan will be secured on the property you are buying and the remaining 20% on your parent's property.

HOW MUCH CAN I BORROW?

How much you can borrow using a guarantor loan depends on what type of borrower you are:

- **First Home Buyers:** 105% of the property value;
- **Construction:** 105% of the total land value and cost of construction;
- **Refinancing:** 100% of the property value;
- **Debt Consolidation and purchase:** 110% of the property value;
- **Investors:** 105% of the value of your investment property;
- **Borrowing over \$1,000,000:** will require you to meet additional credit criteria.

WHAT ARE THE BENEFITS OF A GUARANTOR LOAN?

- You don't need a deposit, allowing you to buy a home now;
- Save money by not paying a Lender's Mortgage Insurance premium;
- Discounted interest rates are available from some lenders;
- You can consolidate some minor debts, such as credit cards, when you buy your home;
- You can limit the size of the guarantee.

A limited guarantee reduces the risks associated with being a guarantor while still receiving the full benefits of a guarantor loan. With this arrangement, the guarantor only secures part of the borrower's mortgage rather than the entire loan amount.

This sounds great but limited guarantees can be quite complicated as there are multiple people involved.

CAN I STILL BORROW 100%?

Yes! You'll be able to borrow up to 100% LVR (Loan to Value Ratio) or 100% of the property value. You may also qualify to receive other benefits, such as Lenders Mortgage Insurance (LMI) waivers.

HOW DOES IT WORK?

In a standard guarantor loan, the guarantor provides their property as security for the entire mortgage. However, limited guarantees work quite differently. As with a normal guarantor home loan, the guarantor will need to provide their property as additional security for the lender. However, the difference is that the guarantor is liable for only part of the borrower's mortgage.

A NOTE FROM TRACIE

*Hi there,
Hope you all had a restful
Easter Break. WOW!
What a n incredible four
months we have had with so
many taking advantage of
the massive increases to their
property value. Thank you!
All the best, Tracie*

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See over for further information....



Guarantor Loans and How They Work - Continued...

WHAT DO LENDERS LOOK FOR?

The guarantor needs to have sufficient equity in their property for the lender to approve the guarantor. It is also essential that their total debt, which is their current home loan plus the limited guarantee, should be less than 80% of the property value.

FOR EXAMPLE:

If the value of the guarantor's property is \$850,000 then the total sum of their existing debts and the limited guarantee they are offering should be no more than \$680,000.



In some cases, the lender will allow the guarantor to take out a second mortgage if they have existing debt on their property. You can use this as security for a guarantee.

WHAT INTEREST RATES ARE AVAILABLE?

Competitive rates are available! Please call us at **Cornerstone home Loans on 07 3264 7100** to find out how we can help you.

Relocation Loans / Bridging Loans - How do they work?

We have lost count of the number of phone calls we have received from our clients who have been trying to either upsize or downsize to a more suitable property without success. The real estate market is still smoking **HOT** and current sellers are by-passing buyers who require a 'Subject to Sale Contract Clause. We have been able to assist a number of our clients to secure a **relocation loan** where they can buy now and sell their own home over the following 6-month period. Those clients have told us that their stress levels dropped almost immediately and their current homes were sold well within the time frames nominated from the outset. Once the relocation loan was approved they became the preferred buyer and therefore able to secure their next home on their terms.



WHAT IS A RELOCATION LOAN?

Essentially, **the lender will loan you the amount to buy and relocate to your new home before you have sold your previous home.** Once sold, the proceeds of the sale are used to pay down or reduce the mortgage on the new home.

WHAT IS A BRIDGING LOAN, AND HOW DOES IT WORK?

If you are looking to move houses, you have probably heard of the term 'Bridging Finance.'

After months of searching the real estate market, you have finally found the perfect home at a price you're happy with and you want to secure it before someone else does. What do you do if you haven't sold your home which has its own mortgage attached? One option to consider could be a bridging loan.

A bridging loan is a special type of short-term loan designed to cover the purchase price of the second property and give you time to sell your existing property, even if you already have a mortgage. It essentially creates a financial "bridge," allowing homeowners to traverse the gap between buying and selling. However, there are many aspects to this type of loan that may need to be considered before signing on the dotted line, such

as interest costs and conditions.

BRIDGING LOAN EXAMPLE SCENARIO

Say the balance of the loan on your existing property is \$200,000 and the funds required for the new property are \$500,000. You may be able to borrow up to \$700,000, which will be your **Peak Debt.**

Typically, a bridging loan:

- is a type of interest-only home loan;
- has a value that is calculated according to the equity in your current property;
- has a limited loan term;
- Carries special conditions, such as a lender being able to charge a higher interest rate if the property is not sold within a certain timeframe

Bridging loans are structured in a way that can differ from one Lender to another Lender. (We do the behind scene work to find the very best options for your circumstances).

The positive side of bridging is that you can buy the home you have fallen in love with now, then sell your current home later. It means you don't have to 'fire sale' your current property to move to your next one.

CHANGE OF ADDRESS CHECKLIST

With so many of our clients on the move, we thought you would find this helpful.

UTILITIES	GOVERNMENT	HOME SERVICES
Gas/Heating Oil	Taxation Office	Cleaning
Electricity	Electoral Roll	Gardening
Telephone	Social Security	Lawn Mowing
Local Council	Child Endowment	Nappy Delivery
Post Office	Motor Registration	Milk Delivery
	Driver's Licence	Newsagency
FINANCIAL/BUSINESS	HEALTH	EDUCATION
Banks	Doctor	Schools
Credit Cards	Dentist	Library / Magazines
Building Society	Optician	
Credit Union	Health Insurance	PERSONAL
Hire Purchase	Vet	Neighbours
Personal Loans		Relatives
Leases	CLUBS	Work
Shares / Investments	Scouts / Ballet etc.	Churches
Insurance	Social or other	
Accountant	Motorist / RACQ	



WE ARE MOVING
John & Mary Brown
 Are leaving 1 Smith Street, Smithtown
 And will be at
10 Brown Street, BROWNSVILLE
 From 1st November

Here's a good idea! Make up a 'Moving Notice' and photocopy enough for your requirements. It will save time writing letters. The above is just a sample.

Easy Zucchini Slice

Zucchini Slice -Serves 4

Ingredients

6 eggs
1 cup grated zucchini
½ cup self-raising flour
1 cup grated cheddar cheese

Instructions:

1. Preheat oven to 180°C. Line a 20 x 30cm baking tray with baking paper.
2. In a large bowl, whisk the eggs, add the remaining ingredients and season to taste.
3. Pour the contents into the prepared tray and bake for 25 minutes or until nice and brown.
4. Allow to cool slightly, then serve sliced with a simple little salad.

Recipe Notes:

You can add lots of other ingredients to your liking, such as grated onion, grated carrot, corn or sauté bacon and or mushrooms.

Remember these are lovely served cold in the lunchbox.



EQUITY POWER

Many home owners are sitting on a significant financial resource and don't realize it. Eager to pay off their home loan as fast as possible, they see debt as a negative and fail to see the advantages of using someone else's money to build wealth.

A home owner's debt - or more particularly their debt-to-equity ratio—is a matter of perspective. For example, take a property currently valued at around \$360,000 with \$60,000 left on the loan. Some people see it as \$60,000 owing, whereas others see it as \$300,000 borrowing or investment power.

More people are turning to investment property acquisition in the realization that the real long-term value of superannuation is being eroded. Once they own the first property it is easy to build up a comfortable retirement package of between 5 and 10 properties. Another way of looking at it is to think of your nearly-paid-off home as a sort of parent property and watch it grow a portfolio of dependents. Over time the dependents will not only stand on their own two feet, they will support you in retirement.

It is a common fallacy that all investment property owners are high salary earners. In fact, many investors are people on average salaries who live modestly and use their equity to buy residential properties as income for their retirement.

The main thing for investors, regardless of income, is to get good financial advice and to ensure that mortgages are structured correctly. Most start by approaching their accountant or financial planner to find out details of negative/positive gearing and the factors influencing the rate of increase of their portfolio.

Many home owners looking forward to coming to the end of their mortgage repayments, however, have to change their mindset about debt. Positive debt (debt that grows appreciating assets) is different from negative debt (that used to buy depreciating assets or liabilities such as cars or holidays).

To find out your options, just book into to have a chat anytime on 07 3264 7100.



Experience the Cornerstone Difference

Tracie Palmer - 07 3264 7100



Finance Specialist - Cornerstone Home Loans
Credit Representative #387282 of BLSSA Pty Ltd, ACL #391237

Hi there, we hope you all had a restful time over the Easter holidays and that you had the opportunity to catch up with your friends and family.

We have had some more exciting news since our last newsletter. We have again become finalists at the Better Business Awards & the Mortgage and Finance Awards for Queensland in the most important category of Best Customer Service! We are so thrilled and happy to be recognised for our service to our clients. Both awards will be held in April and May, so keep your fingers crossed for a good outcome.

You might remember three years ago when the Government held a Royal Commission into Banking. At that time Brokers remuneration came under the microscope and our world changed forever. The banks insisted that clients should pay a fee for the service provided by their Broker. Of course we did not agree with this. We have never charged fees for service unless the loan was more complex. As part of our fight back, we initiated a

petition that ended with over 100,000 signatures from clients around the country. You see, if clients had to pay for a broker, it is likely they wouldn't. They would head back to their current bank for the free service. The problem with this is that competition is all but lost and the big banks win again! It means they can increase rates whenever they like.

I am over the moon to let you know that after three long years of fighting this cause, Brokers have finally won and the Government has dropped the case. Both sides of Federal Government have agreed that Brokers offer a great service and that they will not enforce a client pays model. This is fantastic news and everyone is a winner. Brokers now write 2/3 of all home loans in Australia. A strong sign of trust. Thank you for your ongoing support too.



www.facebook.com/CornerstoneMortgageBrokers

Till next time,
Tracie & Team



www.instagram.com/Cornerstone_Home_Loans

CALL US TODAY FOR ALL YOUR FINANCIAL NEEDS...

Here at Cornerstone we can help you ...

- Get a Home Loan
- Review Your Current Home Loan
- Refinance your Existing Home Loan
- Consolidate Debt & Free Up Equity
- Find a Commercial or Business Loan
- Car & Equipment Finance



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