

advantages of using a broker

A good broker helps clients to identify their available capital or equity, and maximises their financial flexibility for investment purposes.

Lenders typically look at three aspects when considering whether to lend you money:

- >1. Equity: What can you contribute to the purchase? What savings do you have? What available equity do you have in your existing property portfolio?
- >2. Credit Rating: How have you handled your affairs in the past – do you pay on time?
- >3. Serviceability: Do you have enough income to service the level of debt??

How can your broker help?

All lenders have their own lending policies, and agreements with mortgage insurers. Using a broker gives you access to a variety of lenders with different policies. A broker guides you to a loan product that suits your circumstances best. It's the broker's job to present your deal to the lender in the most favourable light. This doesn't mean they lie or deceive the lender, but brokers have learned how certain lenders view certain situations, and how to optimise your position.

>1. Short on Equity?

Your broker should have good knowledge about the various lenders who "break" the traditional rules, such as those who are prepared to lend 100%, or even 106%, of the value of the property you wish to purchase. Certain mainstream lenders will lend 95% of the purchase price and allow you to take advantage of the LMI (Lenders Mortgage Insurance), thereby giving you access to about 97% of the equity.

>2. Credit Issues?

Most credit blemishes can be explained and worked around with most lenders. A good broker will present your situation to the bank in a compelling and fair way to secure a loan.

>3. Low Serviceability?

Lenders assess your serviceability (ability to repay a loan) by evaluating your existing income streams and level of debt. All lenders have their own policies and guidelines with regard to serviceability, and the amount of money they are prepared to lend varies dramatically between them. For example, some lenders assess the potential rental income of your investment property at 100%, but most assess it at 75-80%. For a couple with 2 children and a combined income of \$75,000 and 1 rental property, the maximum lending amounts vary as follows:

\$ 107,000
\$ 135,000
\$ 302,000
\$ 303,500
\$ 306,000
\$ 314,500
\$ 349,500
\$ 354,000

We haven't included the names of the lenders, because the order is not fixed. Some banks prefer some types of borrowers to others. It's the job of your broker to know what sort of business the lenders want, and to present you in the best possible light to secure a loan.



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