



THE ULTIMATE

Guide to Buying an Investment property

Find out how to buy an investment property the quick and hassle-free way. Our guide contains our loan process, documents, pre-approval, tips and more.

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loans.com.au

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Why get an investment loan with loans.com.au

At loans.com.au we are proud to offer one of the most competitive interest rates in Australia for customers who want to buy a home.

You could save thousands of dollars on your home loan and pay it off sooner with loans.com.au.

So why choose loans.com.au?

- ✓ Award-winning investment loans packed with features
- ✓ A game-changing online model which means we can pass on ultra-low interest rates to our customers
- ✓ Simple online application process with our innovative onTrack system
- ✓ Borrow safe in the knowledge that we are secure, powered by Firstmac, which has been in business for more than 40 years

The simple process at loans.com.au

1. Apply online
2. Upload your documents and track the progress of your loan using onTrack website plus mobile app
3. Talk to a specialist lender in our Australian-based call centre
4. Access your account online, VISA, ATM

Apply now! To find out how much you can borrow, just use our handy [borrowing power calculator](#). If you are ready to apply for a loan, you can get started now by filling out one of our easy online applications [here](#). It only takes a few minutes. Otherwise, keep reading to learn more about the journey to buying a home.

1

Decide what you want

- Location/Suburb of property
- Buy a house or unit
- Buy an existing home
- Build a new home
- Buy to live in
- Buy to rent out

2

How much can you afford?

- Value of your current home
- Buying by yourself
- Buying with somebody else
- Your deposit saved
- Your income
- Your expenses

3

Other costs to consider

- Stamp duty
- Lenders Mortgage Insurance (LMI)
- Security assessment
- Conveyancing

The investment property process

Buying an investment property is an exciting time but it can also be daunting. There are so many different challenges to overcome including finding an investment property, buying it and getting the best value loan.

4

Selling your current home

- Choosing a real estate agent
- Private Sale or Auction
- Price
- Sell first or buy first

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Getting pre-qualified

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- Get pre-qualified

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Making an offer

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- Subject to finance clause on a contract

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The Investment Property Loan Process to Settlement

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- Upload documents
- Speak to a specialist
- Security assessment complete
- Loan Documents delivered and returned
- Property Settlement

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Repaying your loan

- Connect to online services
- Setting up repayments
- Your redraw offset account (if applicable)
- Activating your visa debit card (if applicable)



1 Decide what you want to buy

Before you start searching for a home you need to narrow down your criteria. Things to consider:



Location

Where do you want to buy? Ideally you'll want to buy in an area that suits your needs and lifestyle, close to work, public transport, schools and shops. Proximity to family is also a consideration. However, you need to make sure that your chosen area is within your price range so it is worth remembering that a first home will often be a bit further away than you would like but will set you up for a better located second home.



House or unit

What do you want to buy? Most people ultimately want to live in a free-standing house but apartments have many advantages, especially for the first home buyer. They are significantly cheaper, low maintenance, and much less expensive to refurbish. Whichever way you jump, you will need to decide between house and unit or apartment before you start looking.



Building a new dwelling

Building a new house or buying an apartment off the plan is an option for investment. If you decide to build, you will want to consider a Construction Loan which is designed specifically for people building a house or unit.



To live in or rent out

Most people want to live in their first home but increasing numbers are buying a first property as an investment property, so-called rentvesting. When you buy to rent the tenant can help pay the mortgage until you have built up your equity. It is important to remember that you cannot access the First Home Owners' Grant if you don't live in the property first for a specified period.

2 How much can you afford?

Before you start looking for a property you need to work out how much you can afford to pay so you don't waste time on houses in the wrong price range. This will be determined by a number of factors.

Value of your current home

If you already own a home, how much money would you be left with if you sold it and paid off the mortgage? That sum is your equity. Whether you plan to sell your current home or retain it as an investment, the amount of equity you have in it will be a big influence on how much you can borrow. If you sell before buying, you will know how much you have but if you plan to buy first and sell later, you and your new lender will have to make an estimate.

Buying by yourself

If you are buying by yourself the amount you can borrow will be determined by your finances alone.

Buying with somebody else

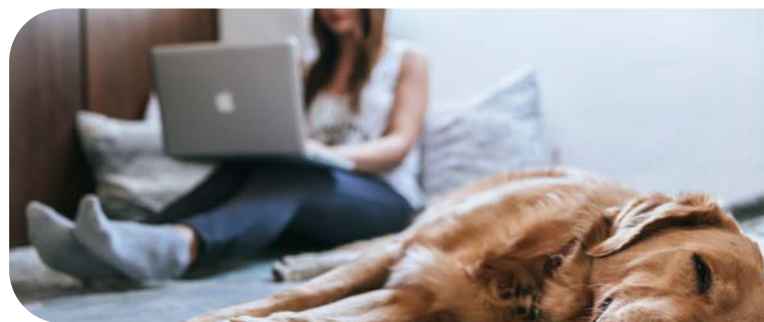
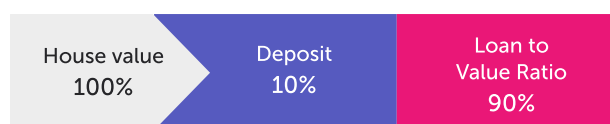
If you are buying with somebody else, be it a spouse, partner or family member, the amount you can afford to borrow will be determined by both of your finances.

Your deposit

When you come to buy a home the size of your deposit is very important for several reasons:

→ 100% loans are not available anymore. Most lenders will want you to put down at least 10% of the purchase price of the property. The rest – 90% of the purchase price of the property – can be financed using a home loan.

$$\begin{array}{c} \text{Loan to Value Ratio} \\ \text{(LVR)} \end{array} = \frac{\text{Mortgage amount}}{\text{Value of property}}$$



→ A larger deposit may mean a lower interest rate. The larger the deposit the lower the risk to lenders so they may charge you less.

→ Avoid Paying Lenders Mortgage Insurance - If you can put down a deposit of 20% or more, you can often avoid paying 'Lender's Mortgage Insurance' (LMI). LMI protects the lender – not you, if you cannot repay your loan so avoid it if you can.

Income

The size of your income has a big influence on how much you can borrow because the more you earn the more you can afford to repay. Make sure you include and document all of your sources of income when you apply for a loan including salary, rent, interest, and business income.

Expenses

Your lender will also want to know your expenses because it helps them assess how much you have left over to make loan repayments.

Home equity

If you have substantial equity in your home you can potentially borrow against it and use the money as a deposit for your investment property. If you have enough equity, this can help you avoid Lender's Mortgage Insurance.

Negative gearing

Negative gearing occurs when the cost of owning a rental property outweighs the income it generates each year. This creates a loss, which can normally be offset against other income including your wage or salary, to provide tax savings

Repayment type

Interest-only loans have traditionally been popular with investors. However, you will pay a slightly higher interest rate for interest-only.

3 Other costs to consider

Unfortunately there are more costs than just the price of the property. Read on to find out other costs you may be up for when buying your first home.



Stamp duty

When you buy a property, you have to pay a state tax called stamp duty within 30 days of the property settling. Stamp duty is decided by separate state and territory governments, rather than the Federal Government, so rates vary. Some states give special discounts for First Homeowners who meet certain criteria.



Security assessment

Most lenders will require you to pay for an assessment of the property you are using as security when you apply for a loan.



Pest and building inspection

A property that has structural or pest issues will cost you thousands of dollars to repair. To avoid this, you should get a building and pest inspection report. This can cost you \$300 to \$1,000 depending on your area and the size of the house.



Move-in expenses

Another cost that can add up is removalist fees. These will depend on how far you're moving and how much furniture and belongings you want to take with you.



Lender's Mortgage Insurance

Lender's Mortgage Insurance is an insurance policy that protects the lender from financial loss in the event the borrower can't afford to pay their home loan repayments. Most lenders make it a condition of borrowing that you pay for a lender's mortgage insurance policy if you have less than 20% deposit.



Conveyancing

Conveyancing is the process of transferring ownership of a legal title of land (property) from one person or entity to another. When you buy a property you should appoint a conveyancer or solicitor to handle the conveyancing for you.



Utility connections

This can include connections to electricity, telecommunication, water and gas.



Quick repairs

There may be minor repairs and maintenance required after you've moved into your new home. It may be wise to set some money aside in case some quick repairs are required.

4 Getting pre-qualified

What is pre-qualification

A loan pre-qualification gives you an indication of how much you should be able to borrow from a lender. This can help you set a realistic budget when looking for a house. Private sellers, auctioneers and real estate agents are also more likely to consider you as a serious buyer if you have pre-qualified for a loan, meaning you can be confident when negotiating.

Apply online


You can apply for loan pre-qualification easily online with loans.com.au in under 5 minutes by entering a few details on our website.





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What is the main purpose of this loan? *


Buying my home



Refinancing my home



Building a house


Refinancing my investment property


Buying an investment property

Have you found a property? *


Yes


No

How much would you like to borrow? *

What is the property value? *

LVR

☐

ⓘ If you haven't found a property, please estimate the value.

BACKCONTINUE

Making an offer

There are two ways to buy a property in Australia. You can make an offer to purchase via a contract, or by bidding at an auction.



Private sale

Most residential properties in Australia are sold by making a private offer via a contract to purchase.

Using this method, the owner sets the price they would like to get for their property. You put in an offer, which is usually below the asking price and negotiate as necessary with the seller from there by writing your offer on the contract and giving it to their agent. Offers pass back and forth until you and the buyer agree on price and terms and exchange contracts.

You pay a deposit, typically 10 per cent of the selling price, and there is a cooling-off period. The cooling-off period allows you to complete final legal, building and financial checks but if you do back out of the sale you will most likely forfeit a small part of your deposit. When you buy via a contract offer you will typically also include clauses in the contract for finance and a building-and-pest inspection. These allow you to cancel the purchase without penalty if you cannot get acceptable finance or if the building and pest report has serious faults.



Auction

A property auction is a public sale usually conducted by an agent acting as an auctioneer. It is governed by strict rules.

The auction is advertised for a specific place, time and date. Prospective buyers bid and the property is offered to the highest bidder. There is an advertising campaign with open house inspections for several weeks leading up to the auction date.

When a property is sold at auction, the owner sets a reserve price – the minimum for which they will sell the property – and prospective buyers make their bids, with the property going to the highest bidder over the reserve price. The most important thing to remember is that there is no cooling-off period. You will also need to provide a substantial deposit on the day of the auction if you are the winning bidder. This is usually paid by cheque.

6 Our investment loan process to settlement

Now you've made an offer and had it accepted either at auction or through a private sale, here are the next steps to get you settled!

1



Start your application

Simply fill out your application online at loans.com.au by entering some of your details, or chat to one of our friendly lending specialists over the phone and they can complete your application for you.

2



Login to onTrack

After your application is complete, use our system we call onTrack on your desktop or device to add your documentation such as payslips and bank statements, and track the progress of your application.

3



Speak to a specialist

You will then have an appointment with one of our lending specialists to organise your preliminary approval of your loan, and help you progress through the home loan approval process through to settlement as quickly as possible.

4



Security assessment

We will arrange for a security assessment to be done on the property you are buying/refinancing.

5



Signing purchase documents & loan documents

Check onTrack to received your final approval, mortgage documents and loan agreement. You must sign these and return them in to onTrack to progress to settlement.

6



Settlement

Your loan will settle and you'll start saving with your new low rate, and get your keys to your first home!

7



Access your account online

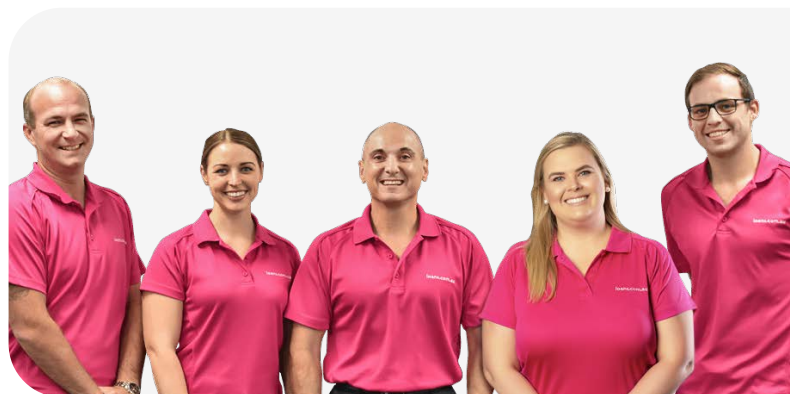
Once settlement is complete, we will send your login credentials to start managing your payments in the Smart Money app.

About loans.com.au

loans.com.au is a proud Australian online lender based in Brisbane. Since we began in 2011, we've helped thousands of happy customers in every state and territory.

We offer low interest rates and with our easy to use online portal, we put you in control of your home loan application.

From our local call centre, our service team assist customers to apply for and manage their loans. With their support, you can move through your online application at your own pace and with full knowledge of what is happening at each stage.



We're awarded



loans.com.au is regulated by the Australian Government, and our operations are covered by the National Credit Code, enforced by the financial services watchdog, the Australian Securities and Investments Commission.

We are powered by the strength of Firstmac, Australia's leading non-bank lender. Firstmac has been operating successfully for over four decades.

At loans.com.au we strongly believe in supporting local community causes with our sponsorship and participation in their programs on the ground. We are major sponsors of the Steve Waugh Foundation, the Brisbane Broncos, Australia's CEO Challenge, Women In Digital and Women In Finance.



To learn more about what we offer and how we do what we do, visit loans.com.au.

onTrack Advantage

onTrack is our application portal where you can complete your home loan application entirely on your phone or computer, from application through to settlement and then managing your loan.

onTrack is great because:



Hassle-free application

Complete your application in your own time (no waiting for the bank branch to open!)



Download documents

Download all required forms and documents



Book an appointment

Book an appointment with a lending specialist at a time that suits you



Track your progress

Track the status of your loan, including what you have submitted, and where the application is up to



Upload documents

Upload all required forms and documents



Real-time messaging

Real-time messaging system to communicate with your loans.com.au support staff

Award-winning Innovation

Our onTrack online application portal is groundbreaking and makes applying for a loan so much easier and more convenient. But don't just take our word for it.



onTrack is an end-to-end system, making switch to loans.com.au hassle free and helping you save thousands sooner.

onTrack really gives you full control over your loan application, making it clear and simple for you to settle sooner, and start saving thousands.



Jargon buster

Deposit	Your deposit is the amount of your own money that you are putting in to your home purchase.
Cooling-off period	This is a period after you exchange contracts where you may get out of the contract as long as you give a written notice. If you use the cooling off period, there is a fee payable. The cooling off period varies between Australian states and there is no cooling off period in Tasmania, or on properties bought at auction in other States.
Construction loan	A type of loan especially designed to support people who are building their own home. With a construction loan you draw down your loan as needed to pay for construction progress payments.
Conveyancer	Licensed conveyancers are property law specialists who work on behalf of clients buying or selling property.
Lender's Mortgage Insurance	Lender's mortgage insurance protects your lender in the unfortunate event of you defaulting on your home loan.
onTrack	Our online portal which allows you to complete a home loan application entirely on your mobile device or computer from initial contact through to settlement and registration for online services.
Settlement	Settlement is when you pay the rest of the sale price (after the deposit) and become the legal owner of the property.



Call us on 13 10 90

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