

Home Loan

FAMILY PLEDGE



The
Mortgage Approval
Company

Home Loan

FAMILY PLEDGE

Buying a home is exciting and The Mortgage Approval Company can now make it even easier. Often when you set your sights on saving for a deposit, many additional expenses crop up. Stamp Duty, legal costs, even moving and furnishing your new home can add to the financial burden. And if you're trying to save a large enough deposit to avoid Lender's Mortgage Insurance (LMI) on your home loan, it can be even harder.

Whether you're buying a house & land package, an established home or an investment property talk to The Mortgage Approval Company about a Family Pledge option. Whilst potentially saving you thousands of dollars in LMI a Family Pledge also makes it easy for a family member to guarantee part of your home loan for a specific guaranteed amount.

The result is that you get into your home faster with the help from your family.



The
Mortgage Approval
Company

Home Loan

FAMILY PLEDGE

What is a Family Pledge?

By using a Family Pledge you may be able to borrow up to the full purchase price of your new property, plus additional funds to cover costs associated with buying, such as stamp duty, legal costs and other expenses. Of course this depends on how much your family member is willing to guarantee, and you must be able to meet the monthly loan repayments for the total amount you wish to borrow.

The Benefits of a Family Pledge

If you are the borrower, it can:

- Help to reduce or avoid Lender's Mortgage Insurance, saving you money when you need it most.
- Maximise the amount you can borrow – up to 100% of the purchase price, plus costs such as Government Stamp Duty and legal fees.

If you are the Guarantor, it can:

- Allow you to nominate a specific amount that your guarantee is limited to, rather than a guarantee for the entire loan amount.
- A Family Pledge guarantor can be released from the guarantee much sooner than would normally occur, subject to the loan amount being reduced by the guarantee amount.

Use a Family Pledge with a choice of different home loans

The Family Pledge option is available for house & land, established homes and investment properties and is available on a range of different home loan products.

You can select the best home loan product for your needs and here at The Mortgage Approval Company we have access to 32 Australian lenders who offer hundreds of home loan products, features and interest rates.

How a Family Pledge Works

Lender's Mortgage Insurance (LMI) is generally payable on loans where the Loan to Value Ratio (LVR) exceeds 80%. With a Family Pledge, you are able to reduce or avoid the added cost of LMI, making the purchase of your home that much more affordable. Traditionally, when buying a new home or investment property, a LVR is calculated as follows:

Loan Amount divided by Property Value = (LVR)

For example, if you wanted to borrow \$315,000 (to cover stamp duty & other costs, but not LMI) for a property valued at \$350,000.

Loan amount divided by Property Value = LVR

\$315,000 divided by \$350,000 x 100 = 90%

With an LVR of 90%, LMI is applicable, which is an added cost. However, if you were to add a Family Pledge guarantee of \$45,000 as additional security, the LVR on your loan reduces.

Loan amount divided by Property Value + Family Pledge amount = LVR

\$315,000 divided by \$350,000 + \$45,000 x 100 = 79%

With a new LVR of 79%, LMI would no longer be required, which can be a significant saving. In the above example the LMI saving would be approximately \$5,821.

To apply or learn how a family Pledge can help you and an explanation of fees & charges, simply call The Mortgage Approval Company on 1300 677 850 and one of our home loan experts will assist you. Fees & charges, terms and conditions apply and are available on request. Prevailing credit criteria apply to all new loans and increases and are subject to assessment according to responsible lending requirements.