



# Choosing a home loan.



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**IF YOU THOUGHT CHOOSING A PROPERTY WAS DIFFICULT – JUST WAIT UNTIL YOU HAVE TO CHOOSE THE HOME LOAN THAT WILL PAY FOR IT! HERE’S A CHECKLIST OF THINGS YOU’LL NEED TO THINK ABOUT BEFORE YOU CHOOSE A HOME LOAN:**

**Do you need Lenders Mortgage Insurance (commonly referred to as LMI)?**

- If you have less than 20% deposit you may need to pay for lenders mortgage insurance. Lenders Mortgage Insurance is a premium payable by you the borrower that protects the lender (financial institution) against potential losses if you are unable to repay your loan. [Learn more about Lenders Mortgage Insurance](#)

**How much deposit do you have?**

- Different lenders offer loans with different Loan to Value ratios (LVRs).
- The LVR is the percentage of the loan amount that you are able to borrow from the lender. For example if the loan amount you would like to borrow is \$300,000 and the maximum LVR is 90%, then you would only be able to borrow \$270,000 and you would need to put down a \$30,000 deposit. [Learn more about LVR](#)

**What fees apply to the loan?**

- There may be a number of fees that apply to the loan. These could include;
  - Application fees
  - Property valuation fees
  - Account keeping fees
  - Annual fees
  - Redraw fees



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## MAKE SURE YOU UNDERSTAND WHAT FEES ARE ATTACHED TO THE LOAN

### What is the interest rate?

- Lenders will typically display a current/advertised rate and a comparison rate. The comparison rate calculates what the average rate on that home loan product would be for a \$150,000 loan over 25 years, taking into account most fees and charges. Confusing! The advertised rate generally doesn't include any extra fees or charges.
- In addition some lenders will have a honeymoon rate or introductory offer. The honeymoon rate and introductory rates are generally lower rates offered only for a short time at the start of your loan. So always remember to check the comparison rate to get an idea of the real rate once your introductory period comes to an end.

### What's the best type of loan for me?

- Do you want fixed or variable? You will need to weigh up the pros and cons for your individual circumstances, to get the lowdown on the benefits of both types of loan. [Plus check out our fixed or variable article.](#)
- Remember some loans have the ability to split your loan so that a proportion of the loan amount is variable and the remaining portion is fixed.

### Does the loan have the features that are important to you?

Whilst rate and repayment amount are important, you may also want to check whether the loan you are considering has certain features;

- An offset account – [Learn more about a mortgage offset](#)
- A redraw facility
- The ability to make extra repayments
- The ability to split the loan between fixed and variable

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The factor that will have by far the biggest impact on the overall cost of your loan is the interest rate – so ensure that you are not paying an uncompetitive rate. [View our most recent Home Loans Star Ratings report to get a run down on the best value home loans](#)