

MORTGAGE MONEY HARDER TO GET?

- Allistar Walker

A hot topic currently is where can I get a 90% or 95% loan? A year ago mortgage money seemed easy to get but it was pricey. Now it is cheap, much cheaper, leading lenders have gone into their shells and are reluctant to part with more than 80% of the purchase price.

The Good News is that 95% loans can be arranged at present. They may require greater care in packaging to impress the lender and your deposit will need to be saved, not dropped into your lap. You also may have to pay a higher interest rate over the whole loan.

Second Mortgages too are available to top up an 80% mortgage. You will pay a higher interest rate on the second mortgage, but retain standard or discounted rates on the first mortgage. The second mortgage will also be over a much shorter term, making for higher repayments.

The question is what is best for the customer? A 95% loan or an 80%/15% loan? The lender will not tell you as they would want you to do it their way. This is where an independent, professional advisor can help you by disclosing all the options available to you.

Overall a blended 80/15 loan may be better than a 95% first mortgage loan. A 95% loan quickly becomes a 98% loan once the Lenders Mortgage Insurance on the whole loan has been capitalised. There is no Lenders Mortgage Insurance for loans 80% or below. The 80/15 blend has no Lenders Mortgage Insurance. Also you get the forced advantage of building up equity quicker in your property. Cash is King and always will be in our society. Once you have decent equity in your property, many more avenues for bettering your position open up. These could be property improvements, car loan, purchasing another property and the list goes on.

A competent advisor or mortgage broker will tell you

- Which scenario will put you in a better financial position quicker
- What the total interest costs for each scenario are.

The banks are still going through difficult times (don't weep) and can be expected to be very defensive in their lending policies. It is up to you working with your independent broker (we would be happy to help), to make sure you get the best possible assistance.

Allistar Walker is a Senior Fellow of Financial Services Institute of Australasia and an accredited mortgage/insurance advisor. His full disclosure is available at www.mortgagehelp.co.nz or he can be contacted at 410 6023 and enquiry@mortgagehelp.co.nz

