# Home Owner Scenarios

## Scenario 1: Refinance to a New Lender for a Better Rate

Bob has an existing home loan where he is paying a higher interest rate and wants to go onto a lower interest rate. He approaches his current lender to no avail.
Bob insists that he refinances to a new lender for a better rate.  Let's see how this works……

### CURRENT SITUATION

| | |
|---|---|
| Current Home Loan Amount | $400K |
| Current Home Loan Interest rate | 5.74% |
| Monthly Repayments (Principle and Interest) approx | $2335 |

### GOAL - REFINANCE TO YOU LENDER

| | |
|---|---|
| Home Loan Amount New Lender | $400K |
| Exit costs (paid to the current lender) | $900 |
| New Home Loan Interest Rate | 5.04% |
| Monthly Repayments (Principle and Interest) New Lender | $2160 |
| **Monthly Savings ($2335-2160)** | **$175** |

### SUMMARY

Bob achieves his goal. Although he pays the exit fees to the previous lender, within 5 months he will begin to save money. He will continue to enjoy the savings of $175 each month. He can choose to pay this saving into the loan to further reduce his debt or use the money for some other purpose.

HIDDEN EQUITY

## Scenario 2: Consolidate Debt to Home Loan

Kim and Brian have an existing home loan, credit card and personal loan debts that they want to consolidate into their home loan. Let's see how this works………

### CURRENT HOME LOAN

| | |
|---|---|
| Valuation of the Property | $415K |
| Home Loan Amount | $300K |
| Home Loan Interest Rate | 5.74% |
| Home Loan Monthly Repayments | $1750 |

### CURRENT CREDIT CARD AND PERSONAL LOANS

| | |
|---|---|
| Credit Card Loan | $10K |
| Secured Personal Loan | $20K |
| Credit Card Monthly Repayment | $925 |
| Secured Personal Loan Monthly Repayment | $185 |
| Total Monthly Repayments (Home Loan, Credit card and Personal Loan) = $1750 + $925 + $185 | **$2860** |

### GOAL – CONSOLIDATE DEBTS

| | |
|---|---|
| Home Loan to cover existing house | $300K |
| **Total Debt to add to the Home Loan** (Payout credit card and personal loans) | $30K |
| 80% of the Value of the Property = | $332K |
| **New Home Loan Amount** (existing loan + consolidated debt) | **$330K** |
| Fees to change their loan arrangements | $300 |
| * Lenders Mortgage Insurance | 0 |

*They do not need to pay Lenders Mortgage insurance as the new debt is less than 80% value of their property

### NEW LOAN SETUP

| | |
|---|---|
| New Home Loan Amount (existing loan + consolidate debt) | $330K |
| Home Loan Interest Rate | 5.74% |
| New Home Loan Monthly Repayments | **$1925** |
| **Savings ($2860-$1925)** | **$935** |

### SUMMARY

The benefit of this strategy is Kim and Brian are paying $935 less in interest per month. Their credit cards and personal loans have been cleared and they are intending to pay down the additional debt added to their home loan as soon as possible.

## SCENARIO 3: Use Your Equity to Purchase an Investment Property

Sally and George are existing home owners with equity in their home. They want to use their equity to help them purchase an investment property for approximately $340K. They wish to avoid paying Lenders Mortgage Insurance therefore they will be borrowing only 80% of their available equity.  Let's see how this works……

### CURRENT SITUATION

| | |
|---|---|
| Value of their Existing Property | $450K |
| 80% Value of their Existing Property | $360K |
| Existing Home Loan Amount | $320K |
| **Available Equity (Loan – 80% Value)** | **$40K** |

### GOAL - PURCHASE INVESTMENT PROPERTY

| | |
|---|---|
| Purchase Price of the Investment Property | $340K |
| 5% Deposit required to Purchase Investment Property | $17K |
| *Approximate Purchasing Costs | $18K |
| Total costs to Purchase Investment Property | $35K |
| **Action – Unlock Equity and take out Home Loan for amount** | **$35K** |

* This is an approximate cost for the Solicitor, Lenders Mortgage Insurance, Transfer Duty for the New Purchase only

### SUMMARY

Sally and George now have three Home Loans as shown. They were able to achieve their goal of purchasing their Investment Property using the equity in their existing home.

| | |
|---|---|
| Existing Home Loan | $320K |
| Home Loan to cover Deposit & Purchasing Costs for the Investment Property | $35K |
| Investment Property Home Loan | $323K |

*The examples above are for illustrative purposes only and in no way is to be taken as advice. We recommend you always take the time to speak to your financial advice accountant or solicitor in matters dealing with purchasing property so they may take into account your personal circumstances*

**For any more information, please contact Hidden Equity on 07 5438 1551 or email on info@hiddenequity.com.au**