

# Finance FAQ

Throughout the finance process it is natural to have questions and lots of them.

To answer a few of the common questions we have compiled some FAQ's, however if you do have more questions that's okay just ask.

*No need to search, that is what we are here for.*

## Difference between a bank and a broker?

A broker works in your best interest to find you a loan. Compared to the banks they have a range of different banks and loans they can compare to best suit their clients situation. Whereas a bank only has their loans to offer.

## What is Pre-Approval?

A loan pre-approval means that a lender has agreed, in principle, to lend you an amount of money towards the purchase of your home but hasn't proceeded to a full or final approval. It allows you to know your maximum available funds so you can narrow your search, negotiate with more certainty, and bid with more confidence if you're going to auction.

## What is LMI?

Lenders' Mortgage Insurance, or LMI, is insurance that protects the lender, not you. It's usually a one-off payment made by the borrower at the time of loan settlement.

## What is refinancing?

Refinancing your mortgage basically means that you are trading in your old mortgage for a new one, and possibly a new balance. When you refinance your mortgage, your bank or lender pays off your old mortgage with the new one; this is the reason for the term refinancing.



### What is genuine savings?

This is a term used to describe funds that borrowers have saved gradually by themselves. When assessing a mortgage application, a lender will want to see that you have diligently saved money over time in order to evaluate whether you have the capacity to make your monthly repayments. Every lender has its own definition and requirements for genuine savings, which will depend on the amount that you borrow, and some may not even require it at all.

### Do you need Pre-Approval before making an offer?

No you do not need pre-approval to make an offer on a property however it is in your best interest to obtain one. A pre-approval provides confidence when bidding for a property and means you can offer without a finance condition which therefore makes your offer stronger than those subject to finance.

### When should I refinance my home loan?

People usually consider refinancing their home loan when they are coming to the end of their fixed rate term. Most people consider refinancing their mortgage every 3 to 4 years even if they're on a variable rate.

### How long does it take to obtain formal approval?

The average time for formal approval takes about four to six weeks from submitting the application to your lender, to reaching settlement on the property.

