

# KEYSTONES



Keystone - the stone that holds all the other stones together

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The newsletter for Keystone Lending Pty Ltd  
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## HOW MUCH CAN I BORROW

This is one of the most asked questions that I receive. The answer is both simple and complex.

In the early days the institution would simply look at your income and multiply that by 30% or 35%, from this figure you would deduct any debts that you have to pay and the result would be the repayment on the maximum loan you could borrow. This was usually calculated at the actual rate of the loan.

Nowadays it is a little more complex. The maximum you can borrow is based on your net income, the debts you have to pay, and how many dependant children you have. From this figure they calculate the repayment on the maximum loan you can have.

To make things a little more interesting each lender uses a different figure when assessing how much you need to live, and what rate they will use when assessing your repayments.

The lender will then come up with a figure they can lend based purely on your income, living expenses, and other commitments.

On top of this they will then look at how much the property is worth. As most lenders will lend a maximum of 95% of the purchase price this also comes into the equation.

As an example, if the maximum loan based on your income is \$300,000 but the property you are buying is only worth \$250,000, the most the lender will lend you is 95% of the purchase price that is \$237,500.

This assumes you are buying the property.

If you are refinancing from another institution the most they will lend is 90% of the value of the property.

In this example that means the bank will only lend \$225,000, - (90%).

There are exceptions to how much each institution will lend based on the value of the property and some of these are listed over the page.

This information does not take into account any savings or deposit you may have.

For any further information please do not hesitate to contact us.

**Phone Don, Tony or Lisa today on  
1300 88 5515**

## INTRODUCING....

From 1st February 2005 we have had Lisa Gray join us.

For those of you that do not know Lisa is my wife so we are keeping the business in the family.

Lisa's job will primarily be back office, however she will be coming with me on the odd occasion to see people and provide some input.

## LOANS

We have some lenders on our panel who will lend up to 100% of the purchase price of the property you are looking to purchase

There are some catches.

1. They will only lend in metropolitan areas of each state. This usually means they will only lend in capital cities and Woollongong, Gosford and Newcastle in NSW. They will go as far as Maitland in the Hunter Valley.
2. You do not have to pay mortgage insurance, however they do collect a fee which they call a Loan Extension Fee of 2.5% of the purchase price of the property. This is to cover them in the event they have to take possession and sell the property. They hope the 2.5% from everyone will cover any losses.
3. The interest rate is marginally higher than you would pay for a normal loan.

We also have some lenders who will look to lend up to 95% of the purchase price on a property provided you have 3% genuine savings. As usual there are some catches.

1. You must have saved the 3% over 6 months
2. They will only lend in certain postcode areas which usually means the town has to have a population greater than 5,000 or 10,000 people.

We also have one lender that will look to lend up to 95% of the purchase price of a property and do not require you to have genuine savings. There are some catches;

1. You must have the balance of the money to complete the transaction—this can come from a gift and/or the First Home Owners Grant.
2. They have a restriction on the amount of income the household can earn.
3. They have a restriction on the loan amount they will go to and the value of the property
4. They will only lend to people who are going to live in the property they are buying.

If you are interested in any of these please do not hesitate to contact us.....

## THANK YOU

A very BIG thank you to all those people who continue to refer to me - I treat that as a great compliment because it means I have done the right thing by you.

**REMEMBER KEYSTONE LENDING,  
"YOUR BETTER LOAN EXPERIENCE",  
THE ONE PLACE TO CONTACT FOR ALL YOUR LOAN NEEDS  
- AND THE SERVICE IS FREE -**

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