Obtaining a loan can be confusing. Below are some basics that may assist you.

10 Steps of the Mortgage Process:

1. Interview

During your initital meeting with the Mortgage Professional they will listen to your requirements and will explain the features and benefits of loans that may work with your situation. They will discuss and provide you with numerous options available to suit your needs. Once you are happy with your selection of the loan product, the loan process will commence.

2. Loan Application

Your Mortgage Professional will work with you through a number of documents including a Needs Analysis and Credit Quote and Proposal and then complete the lenders application that you have chosen. They will explain what is required in relation to the necessary documentation which is to be included so they can lodge your home loan application.

3. Lender Assessing Application

The lender will assess your application to determine whether you meet their credit requirements. This process includes confirmation of your income, employment and a credit reference check. Your supporting documentation is also assessed at this time. If the credit assessor requires any additional informationthey will send through a request to the Mortgage Professional.

4. Conditional Approval

The Mortgage Professional will receive a communication from the lender in the form of a conditional approval on your behalf. With this the lender will outline any matters that need to be addressed before they can issue an unconditional approval. The Mortgage Professional will advise you upon receipt of this approval

5. Valuation

The most common condition of an approval is valuation of the security being provided. The lender will order the valuation and this could take up to 3-4 days to complete. If there is an application fee applicable the cost of a valuation is often included in this fee.

6. Lenders Mortgage Insurance (LMI)

Mortgage Insurance is only necessary if you have less than 20% deposit or insufficient equity in an existing property.

What is Lenders Mortgage Insurance?
Most lending institutions require borrowers to contribute a 20% deposit before they will agree to provide a loan. By using LMI, lenders are able to pass on the risk of a smaller deposit to a mortgage insurer. LMI protects lenders against a loss should a borrower default on their home loan. If the security property is sold as a result of the default, the net proceeds of the sale may not always cover the full balance outstanding on the loan. Should this be the case, the lender is entitled to make an insurance claim to the Mortgage Insurer for the reimbursement of any shortfall, calculated in accordance with the terms of the insurance policy. It's a once off premium paid by the borrower and in some cases can be capitalised within the loan.

7. Formal Approval

When a home loan application is formally approved (also known as unconditionally approved) it means that all conditions and criteria required to assess the application have been supplied, assessed and approved. It is only when formally approved that the borrower can feel comfortable they can obtain a home loan. If you are buying a property it is advisable not to exchange contracts until your loan has been formally approved. The Mortgage Professional will be notified of formal approval and will then notify you. A formal Letter of Offer will be issued by the lender. Mortgage documents will be prepared and sent directly to the applicant/s or the applicant/s solicitor depending on what was requested.

8. Mortgage Documents

Documentation provided to you by the lender includes the letter of offer; transfer document; terms and conditions of the loan and any other documents that are pertinent to the lenders own guidelines. If a purchase is involved then it is highly recommended that you go through the paperwork with your conveyancer and for the conveyancer to liaise with the lender to schedule a settlement date. If it is for a refinance or a 'top up' it is recommended you sit down and go through these documents with your Mortgage Professional.

9. Insurance Requirements

With the new liabilities it is important to consider or review your insurance requirements to ensure you are appropropriately covered. Types of insurance you should consider iinclude:

- Home insurance
- Contents insurance
- Life insurance
- Income protection

10. Settlement

After the mortgage documents are signed, witnessed and sent back to the lender, then settlement is arranged via your solicitor/conveyancer or if there is not a necessity for a conveyancer then the Mortgage Professional will be involved to ensure settlement is completed.

Understanding the Costs

Stamp Duty
This is a government cost that is usually the biggest expense outside the property purchase price. Stamp duty varies between the states.
www.stampdutycalculator.com.au

Loan setup up costs
This includes establishment fees and will vary pending on the lender and the loan product chosen. You may also require Lender's Mortgage Insurance (LMI) depending on your deposit size.

Conveyancing Costs
Conveyancing is the process of which a property's ownership is transferred from the current owner (the vendor) to the buyer. A conveyancer specialises in this field. Either a conveyancer or solicitor will review your Contract of Sale and ensure appropriate checks are conducted with local government agencies.

Inspection Costs
It is always recommended that prior to purchasing a property, you hire professionals to inspect the property for structural defects, concerns, pest infestations and anything else that could potentially cause damage to a property.

This is general information only.