

RayWhite®

TEA GARDENS HAWKS NEST

Property Management Newsletter

FEBRUARY 2020



LINE OF CREDIT HOME LOANS

There may come a time in your life where you need to access additional cash (money) relatively quickly, without having to wait lengthy loan approval times or you may simply want to have the comfort and reassurance of cash in the bank 'so to speak', without having cash in your bank. It could be that you need the money as you have emergency medical expenses, want to carry out home renovations, you require a deposit to purchase an additional property, car, boat or simply take a holiday, to name a few.

Whatever the reason, there will be times when borrowing money is inevitable. If you have a reasonable level of equity in your home, you could consider a line of credit home loan.

WHAT IS A LINE OF CREDIT HOME LOAN?

A line of credit is an ongoing agreement between you and your bank, which gives you access to predetermined amount of credit (money) whenever you need it. With a line of credit home loan, any money you borrow is usually secured against the equity in your home.

HOW DOES IT WORK?

If the purchase price/value of the

home is \$360,000 and you borrow money from a bank with a \$72,000 deposit, you will have \$72,000 equity in your home and a loan of \$288,000, which is the difference of the property value and current loan amount. Ten years later, your debt or loan is down to \$110,000 and your property has increased in value to \$450,000. This means that all up, you now have around \$340,000 equity in your home. Provided you meet the lending criteria of the financial institution, you may be able to take out a loan against a proportion of the equity you have giving you access to a pre-approved credit limit of money that you can borrow as much as you want up to the limit, with additional interest payments obviously.

THE PROS AND CONS

A big advantage of a line of credit is that you are using your property as security against the loan and are a lower risk to the lender and will generally pay a lower interest rate than other forms of debt. As you are using your property as equity, it does mean that if your investment declines in value or you manage your loan poorly you could lose your property. Whether a line of credit loan is appropriate can also depend on what the debt is being put towards and what the other debt option would be. Using a line of credit loan to consolidate credit card debt, for example, could end up being an expensive option if you do not pay off the loan in a timely matter.

HAVE YOU THOUGHT ABOUT BUYING ANOTHER INVESTMENT PROPERTY?

32/139 Myall St,
Tea Gardens NSW 2324



3 bed, 2 bath, 2 car

Price:
\$450,000-\$500,000

Would rent for:
\$415-\$430 per week