

The Pharmacist's Guide To Financing Australian Property

Up to 90% LVR, with a preferential rate, and
without paying Lenders Mortgage Insurance (LMI)



Welcome. I'm Craig Vaughan, Principal of Professional Home Loans.

If you're a pharmacist and thinking about purchasing Australian property, then this is the guide for you.

For many pharmacists wanting the best mortgage deal, conducting all the research, chasing the paperwork, and following up the banks is something they simply don't have time to do.

And the fact is that most banks, lenders, and brokers do not have access to the special policy which provides pharmacists with far more benefits than a slightly cheaper loan rate.

The result is that you receive the wrong information and, worse still, you end up paying too much on your loan rate and/ or find yourself having to pay Lenders Mortgage Insurance which could have been avoided. I've even heard of pharmacists being put in the 'too hard' basket, with the lender's representative simply not having the time to work on a more complex application.

The good news is help is available. My firm, **Professional Home Loans**, specialises in helping pharmacists like you get the job done quickly, easily, and with a minimum of fuss. We know how valuable your time is, so we even have systems and processes which allow appointments to be conducted electronically (no more having to visit a branch or have a broker come around in the evening after a long day at work).

This Special Report is designed to help you understand and navigate the process of financing property, and accessing the discounts available to you as a pharmacist. A few minutes spent reading this report will save you a ton of time and money, as well as cut out that long-term frustration so many banks and lenders give away for free.

When you've finished reading, if you have any questions or would like to speak with one of our brokers –on a no cost and no obligation basis - [contact us online](#) or call 1300 397 287 and we'll be happy to assist.

Craig Vaughan

2014 / 2015 AFG Broker of the Year Finalist

Principal | Professional Home Loans



CRAIG'S PROFESSIONAL MEMBERSHIPS AND AFFILIATIONS INCLUDE:

- Licenced by the Australian Securities and Investment Commission (ASIC)
- Full Member of the Mortgage Finance Associate of Australia (MFAA accredited number 47419)
- Member of Credit Ombudsman Services Limited (COSL)
- Diploma of Financial Services (Mortgage Broking)
- Member of AFG, Australia's largest mortgage broking aggregator
- Diploma of Financial Planning 1, 2 and 3
- Bachelor of Laws with units in property and taxation law
- 2014 / 2015 AFG Broker of the Year Finalist

CONTENTS

- 1 What is Lenders Mortgage Insurance ('LMI')?
- 2 Why will Some Lenders Waive LMI
- 3 How Can I Have LMI Waived (summary of policy)?
- 4 Case Studies
- 5 LMI Table Comparing LMI Charges from some of the major banks
- 6 What if I do not meet the Criteria to have LMI Waived?
- 7 The Pharmacist's Guide to Financing Australian Property
- 8 Why Pharmacists Partner with Professional Home Loans
- 9 A Personal Invitation to You

What is Lender's Mortgage Insurance ('LMI')

Lender's mortgage insurance is insurance that protects the BANK/LENDER in the event of buyer default. The easiest way to explain it is to compare it to a person insuring their car. In the event of an accident or theft the insurance company will pay out the car owner to either fix the car or buy a new car. LMI is similar in that it pays out the bank should the borrower default on the mortgage and the bank makes a loss on the sale. However, whereas the car owner pays the car insurance and receives the benefit, with LMI it is the borrower that pays the insurance and the bank that receives the benefit.

ARE ALL HOME LOANS INSURED?

No. As a general rule only loans greater than 80% LVR ('Loan to Value Ratio') are mortgage insured. A borrower with a 20% deposit (plus costs) would not usually be required to pay the bank's LMI premium.

DOES LMI PROTECT THE BORROWER?

No. LMI protects the bank in the event of default, not the borrower. Borrowers are advised to take out their own personal life and income protection insurances as protection against unforeseen circumstances.

HOW MUCH DOES LMI COST?

Please see the LMI case studies and summary table below.

Why will some lenders waive the LMI premium?

Some lenders have reviewed their database of loans and determined that the default rate on home loans for pharmacists with given metrics is at or near 0%. Because the risk of default from these professions is so low, some lenders have decided to consider waiving the LMI premium in limited cases.

How can I have my Lenders Mortgage Insurance Premium Waived?

The qualification criteria are split into two different categories, with a different policy applying depending on the category in which you fall. Both categories require that at least one borrower is an Australian citizen or permanent resident, that there is a minimum 10% deposit (plus costs) available, and that other normal credit criteria are met.

The 2 categories are:

1. Medical Practitioners (includes Pharmacists, Physiotherapists, Optometrists, Dentists and Vets);
2. Industry Professionals (includes Lawyers, Accountants, Mining, Geologists, Engineers and Surveyors).

If you fall within category 1, the only requirement is that you are a member of the AMA or relevant professional body.

If you fall within category 2, you will be required to be a member of your industry body (ie, accountants to be registered as a CPA, CA, CFA or FIAA) and have a minimum income of \$120k per year if living in NT, Tas, SA or WA, and \$150,000 if living in QLD, NSW, ACT and VIC (note this can include rental income).

Case Studies

CASE STUDY 1: SYDNEY PURCHASE 90% LVR

'Janice' was a pharmacist living in Melbourne earning \$120,000 per year. She and her partner (an admin worker) had agreed to purchase a property in Sydney at auction for \$890,000. Janice had more than 10% deposit but wanted to keep some aside for a rainy day.

The numbers looked like this:

FUNDS REQUIRED		FUNDS AVAILABLE (\$)	
Purchase Price	890,000	Loan (including mortgage insurance)	821,100
Stamp Duty	35,540		
Mortgage Registration Fee	105		
Transfer Fee	209		
Miscellaneous (solicitors etc.)	2,500		
Lenders Mortgage Insurance	21,100		
Total Funds Required to complete purchase	949,454	Total funds available from home loan	821,100

With LMI of \$21,000 payable, Janice would need \$128,354 (plus costs) to complete.

Sourcing a policy that allowed Janice to waive the LMI, we saved her \$21,100 in mortgage insurance with no compromise on interest rate. This meant Janice only had to use \$107,354 of her own savings leaving more left over in her rainy day fund.

TOTAL LMI SAVINGS: \$21,100

CASE STUDY 2: REFINANCE TO 90% LVR TO RELEASE EQUITY TO FUND NEW PURCHASE

One of the advantages of this policy is that it can be used for refinancing too, in order to release equity to purchase another property to either rent or in which to live.

In this case study, 'Kim' was a pharmacist earning \$165,000 per year. She was looking to purchase one, possibly two, investment properties for up to \$650,000 each using only the equity in her existing home.

Her current home was valued at \$670,000 and she owed \$470,000 on her ANZ mortgage. We could take this loan to 90% of value without paying lenders mortgage insurance, meaning maximum loan against her existing property of \$603,000 (90% of \$670,000). As Kim already owed of \$470,000, this meant Kim had useable equity available of \$133,000 (\$603,000 - \$470,000) to fund deposit plus costs.

For the refinance, the LMI saved on the equity release was \$16,582 (the amount the LMI would have cost if Kim had not applied for a waiver due to her profession).

Further, the LMI savings on each of the purchases was \$16,087 per purchase.

TOTAL LMI SAVINGS: \$48,757

Comparison of LMI Premiums by Lender

This table shows a comparison between the approximate LMI charges levied by four lenders on a range of mortgage amounts where the loan is made on 90% LVR.

If you meet the criteria for an LMI waiver policy, and have a 10% deposit (plus costs) toward the purchase price of your property, these are the approximate saving you would make.

LOAN AMOUNT	CBA	ST. GEORGE	HOMESIDE	AMP
\$ 400,000	\$ 6,746	\$ 7,880	\$ 6,931	\$ 6,671
\$ 600,000	\$ 13,306	\$ 16,500	\$ 13,313	\$ 12,691
\$ 800,000	\$ 17,741	\$ 22,000	\$ 17,751	\$ 16,921
\$ 1,000,000	\$ 22,177	\$ 27,500	\$ 22,189	\$ 21,152
\$ 1,500,000	\$ 36,341	\$ 45,802	\$ 36,956	\$ 35,362
\$ 2,000,000	\$ 50,318	\$ 61,070	\$ 52,036	\$ 49,200

Of course, it's possible to make large savings by choosing a bank with lower LMI premiums. But if you qualify for a full waiver, the savings are even greater and can be made without compromise to the interest rate on the loan.

What if I do not meet the criteria to have LMI waived?

If you do not meet the criteria for having the LMI waived, there are still options open to you:

- If you can make a 15% deposit plus costs, then we can still seek full LMI waiver for you providing your application is otherwise strong;
- For applicants with excellent employment history, and two years or longer with their current employer, we can achieve discounts in the region of 30% on prevailing rates;
- You may consider using a guarantor to guarantee the balance of the 20% deposit to avoid paying the LMI.

If you can meet option 1 or 3, then there would be no LMI payable. If you meet option 2, then LMI would still be payable but at a discounted rate.

The Pharmacist's Guide to Financing Australian Property

The process of buying property as a professional has 14 steps. I cover these in depth in my book *Buying Property in Australia, a Guide for Professionals*. This book is a fully comprehensive step-by-step guide for professionals buying their first property in Australia. Throughout its pages, you'll find out how to obtain a fully verified finance pre-approval, as well as read examples of the full process for each Australian state, discover the common costly mistakes to avoid, and benefit from many more tips and process methods. This book is exclusively available to purchase from our website.

In this special report, it's not possible to go into the depth in which I do in *Buying Property in Australia*. However, we do cover some the more critical milestones that take place on the road to buying an Australian property.

YOUR FIRST STEP: ARRANGING A FULLY-VERIFIED HOME LOAN PRE-APPROVAL

As a pharmacist seeking a waiver of LMI, or a preferable interest rate, it is a very good idea to get a fully-verified home loan pre-approval before signing any contract. Let me explain what this is, and why it's important.

WHAT IS FINANCE PRE-APPROVAL?

Pre-approval is simply a letter from a lender, which confirms you meet their criteria for a home loan up to a certain limit. There are several benefits to obtaining this in advance:

- It gives you peace of mind about property affordability;
- There is no-obligation to take up the finance, but it's there if you need it;
- It speeds up the formal approval process down the track;
- Pre-approval gives you an edge when negotiating with real estate agents and vendors.

WHY MUST PROFESSIONALS BE CAREFUL WHEN GETTING PRE-APPROVAL?

Many lenders will grant finance pre-approval, subject to a full check of your application when you sign the contract, to confirm it meets their policy guidelines.

This is where you have to be careful. Banks have different credit policies for professionals and will waive LMI in some circumstance and not others.

WHAT'S THE SOLUTION?

The solution is to ensure you obtain a “fully checked and verified finance pre-approval” before signing any contracts to purchase.

This means the lender does all necessary fact checking prior to giving you pre-approval. This ensures you won't be left thinking you have approval when you don't.

Doing this ensures there will be no ugly surprises when you need to finalise your financing.

KEEPING YOUR CREDIT FILE CLEAN

Every time you apply for a home loan, a record of the application goes on your credit file. Further, if you apply and there is an LMI insurer involved the insurer will normally conduct a separate credit check. This means there will be two enquiries for the one home loan application.

This is important because the more applications on your credit file the more likely it is that you will be declined.

The keys to pre-approval are:

- Have a clear finance strategy
- Check lenders' lending criteria
- Approach the right lenders
- Qualifying for LMI waiver means only one credit enquiry on your file, and that helps your credit rating remain clean

Because we work with so many pharmacists, we have a good understanding of the criteria each lender imposes for LMI waiver policies - feel free to ask us for more information.

Before You Sign Any Contract...

Before you sign any contract to purchase, we recommend you seek independent legal advice. A good solicitor will examine the contract and give the “OK” before going ahead.

It's also a good idea to have your mortgage broker look over the contract. When we do this for our clients, here are some of the things we look out for:

- The property you're purchasing meets the lender's guidelines
- Full and complete names are entered on the contract
- The contract is subject to finance, and that the timeframe for approval is reasonable

Remember, it's much easier to fix a contract before you sign it than after.

As soon as you sign a contract, be sure to let your broker know so they can swing into action. Because getting LMI waived is more complex than lending to standard borrowers, it's a good idea to ensure you have as much time as possible.

OTHER IMPORTANT TIPS WHEN BUYING PROPERTY IN AUSTRALIA

As I mentioned above, I cover each of the property-buying steps in much more detail in my book, *Buying Property in Australia, a Guide for Professionals*. Here are a few more tips:

Know what you're buying

If you're not familiar with the Australian property market, it is essential to seek assistance from people able to help and guide you. We are happy to put you in touch with reputable professionals if needed (e.g. solicitors, accountants, buyer's agents). Just ask us for a referral.

Make all contracts conditional

Make all contracts subject to finance and a satisfactory building and pest inspection if possible. This makes it easier to get out of the contract if things don't stack up properly.

Insure any property as soon as the contract goes unconditional

Once a contract goes unconditional, it is generally your responsibility to insure the property.

Transfer off-shore funds in advance

If the funds required for settlement on a property are located offshore, it's a good idea to transfer them into an Australian bank account well in advance. Doing so means you'll avoid a last minute scramble to complete the deal.

Why Pharmacists Partner with Professional Home Loans

We've helped thousands of pharmacists avoid LMI and save huge amounts of money. Here are the top five reasons why pharmacists decide to use Professional Home Loans:

1. We specialise in helping pharmacists get the funds they need without paying LMI, to buy Australian property at a great rate, with the minimum of fuss and paperwork;
2. We understand bank and lender policies as they apply to you. This helps speed up the process of obtaining funds, while protecting your credit file from unsuccessful finance applications.
3. We are able to refer you to reputable professionals as needed.
4. We've worked with hundreds of satisfied clients. Read what some of them have to say about our service and the success they have had here.
5. Our service is free to you. Our job is to find the most suitable loan for your situation, and we are paid a commission by the lenders.

A Personal Invitation to You

FREE 30-MINUTE FINANCE STRATEGY SESSION FOR PHARMACISTS

Discover How To Get Approved With A Lower Interest
Rate & Save Up To \$40,000 in Fees

- ✔ Borrow up to 90% of the purchase price
- ✔ Pay ZERO Lenders Mortgage Insurance Premium - save up to \$40,000
 - ✔ Pay lower interest rate
 - ✔ Fast-Track your property purchase
 - ✔ All no-cost, no-obligation service

BOOK FREE INITIAL STRATEGY SESSION

There's no cost or obligation to this initial consultation - just a chance to get some answers and explore the benefits of working together.

I trust you've found this Report useful. My team and I look forward to speaking with you soon.

Sincerely,

Craig Vaughan

2014 / 2015 AFG Broker of the Year Finalist

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