13 things the bank will never tell you

iChoice
INFORMED HOME LOAN OPTIONS

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Thanks for downloading! At the end of the day, banks are most loyal to their shareholders, not their customers. That's their job, so you can't be upset with them.

Dealing direct with the banks can be dangerous as each bank views you differently. Here are some things that we will advise you on, that the bank will not:

#1

Policies differ

I met a couple recently whose bank advised them that since the female applicant had been in her casual role for only 6 months, that her income couldn't be taken into account. So they were waiting until she had been working for a year, when we met them. By this time, the market had moved and they missed a couple of suitable properties. What a shame they didn't know that CBA needs you to be only employed casually for 3 months.

The same goes for a couple we met who we made furious with their NAB banker. They were advised that because her parents were retired, that they couldn't allow the parents to go guarantor. They were out of the market for 2 years, thinking all banks would be the same. Not so! We have sorted them out now.

When you take out a loan for business purposes, and if it's secured by a residential property, most banks still charge a higher rate and quarterly fees for a 'business loan'. A few banks, however, will just do it like a normal home loan, given the facility is secured by residential property. Cheaper and simpler. There are thousands of people who don't know this because they are loyal to a particular bank. Gee some of them are subject to annual reviews with the business bank, probably unaware of what happens when their tax returns aren't so crash hot one day. Don't get us started on annual reviews.

#2

Owner-occupied rates Vs Investment rates

If your bank doesn't lend at o/o rates with o/o security, they will never tell you that some of their competitors can do this. There are ways that you can borrow with much cheaper rates. Of course, it doesn't make any difference to the tax-deductible nature of the interest you pay, which depends on the original purpose of the loan.

#3

Cross collateralisation

Bankers generally like to be best protected. Good for them that's their job. Entering a structure of cross-collateralisation means that all your investment properties and your home, each secure all your debts. This doesn't affect tax minimisation either way, but can cause issues and is a not generally advised for the purposes of asset protection.

Loans can still be structured so that you borrow 104% for your investment properties without entering into a cross-collateralised arrangement.

There are a few times where we actually recommend cross collateralisation, but only in very particular circumstances.

#4

Discharge policy

When you have several properties at the bank, and you go to sell one down the track, banks will treat this differently. And if they're one of the banks that will need to reassess your capacity at that time, it might stop your investment strategy in its tracks, if your personal situation has changed.

#5 Narrow view

Bankers have targets. Sure so do brokers, but we rely on our clients introducing us to 5 of their friends and their family in the next couple of years. So we need to be remarkable and knock their socks off...not just with a smashing rate, but all the advice around wealth creation that sets us apart.

Silly things like having your credit card repayments being automatically swept from your offset account after the period of using the banks money for your purchases, interest free (say 55 days). Bankers generally don't mind if you carry a small balance on your credit card, it's another form of income stream. We like credit cards to be embraced responsibly. You can use the banks products to suit and benefit you. Not the other way around.

#6 Treatment of new-to-bank clients

When you speak with your bank, they will offer you their current intertest rates they have on offer. What they wont tell you is what they are offering customers at other banks, to entice them to come across. When banks want to grow their book, they offer fantastic deals for new-to-bank clients, but I'm afraid their existing clients don't the same offers. Perhaps you should see what other banks are offering YOU!

#7 Credit protection clients

Bankers get points for selling Insurances. Whilst they can be simple, they are often expensive compared with true Income Protection policies that should take you to age 65.

#8 Lender Mortgage Insurance

Whilst people understand that banks offer different interest rates, your banker won't tell you if their LMI is more expensive than their competitors. As brokers, we compare all the costs, not just the rate.

#9 Pre-approvals

We call them "AIP", being Approval In Principal. These can be dangerous. It's unfair for a banker to say Congratulations you are pre-approved! All it means that based on your current income and circumstances, and the CURRENT policies of the bank, you have passed the credit check and it seems OK. Be very careful. Download "The 10 dangers of a Pre-Approval" where we get more specific.

#10 Bankers move on

Having a relationship with a mortgage professional is imperative. No matter who you're dealing with at the bank, they will move on as they change positions, get promoted, or leave to another employer to earn more money. Dealing with a mortgage broker who has their own business is a surer way of having an ongoing trusted advisor.

#11 The full picture of costs relating to a purchase

In selling a loan to you, most bankers don't outline all of the costs associated with a purchase. They might not even be aware of them.

#12

Dual banking relationships

As you become an investor, there are clear benefits in having a relationship with 2 banks. Your banker wont ever tell you that or explain the benefits.

#13

Structure

There are ways to structure your lending to suit you rather than the bank. They might go the simpler way, but an experienced broker will show you different options.

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