

Loan Type	Advantages	Disadvantages
<p>Standard Variable Loans</p> <p>Australia's most popular type of home loan. The interest rate can vary throughout the term of the loan - both up and down. The term is usually 25 to 30 years.</p>	<ul style="list-style-type: none"> • If interest rates fall, your repayments will also come down. • You can usually make additional repayments without incurring a penalty, allowing you to pay off your loan faster. • A very flexible type of loan, often has more features than other types of loans. 	<ul style="list-style-type: none"> • If interest rates rise you will have to make higher repayments.
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<p>Basic Variable Loans</p> <p>Many lenders now offer basic variable loans with lower interest rates than standard variable home loans but with fewer features. Like all variable loans the interest rate and your repayments can vary over the term of the loan.</p>	<ul style="list-style-type: none"> • The biggest advantage is price. Basic variable loans have a relatively low interest rate. • Repayments are usually lower than standard variable loans. 	<ul style="list-style-type: none"> • Most of these loans do not offer the same range of features or flexibility as standard variable loans. For example, many basic variable loans cannot be used in combination with other loans and are not portable.
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<p>Fixed Rate Loans</p> <p>With a fixed rate loan your interest rate and repayments are fixed for a set period, usually between one and five years. Most fixed loans will automatically default to a variable loan at the end of the term, but can rollover to another fixed term.</p>	<ul style="list-style-type: none"> • When rates are rising it is guaranteed that your interest rate will not go up. • You know how much your repayments will be for fixed period of the loan. 	<ul style="list-style-type: none"> • In periods of decreasing interest rates your interest rate will not drop during the fixed term. • Fixed loans either do not allow additional repayments without penalty or limit the amount of additional repayments which can be made without penalty. • There can be penalties for changing from a fixed rate loan to a variable interest rate, or changing lenders, before the fixed term is over.
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<p>All-in-One Loans</p> <p>All-in-One loans are typically variable interest rate loans that allow you to deposit all of your income into the loan and then withdraw money from the loan account for all your day to day</p>	<ul style="list-style-type: none"> • It operates like a transaction account. Most All-in-One loans provide convenient access to the loan account such as a cheque book and debit 	<ul style="list-style-type: none"> • You may have to pay a premium for the flexibility of an All-in-One loan such as a monthly fee or higher interest rate.

purchases and transactions. The longer spare funds stay in the account, the greater the interest savings.

cards for ATM and EFTPOS transactions.

- Using your home loan as your transaction account can reduce the number of accounts you need and simplify your finances.

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Introductory Loans
 The interest rate is usually low to attract new borrowers. Introductory loans normally have a period of two years or less with most being for 12 months. Introductory loans can be fixed, variable or capped rates. After the introductory period most introductory loans revert to the standard variable rate.

- Usually the lowest interest rates available on the market.
- If payments are made at the interest rate applicable after the introductory period the principal can be reduced quickly.
- Some banks provide an offset account on these loans.

- Payments may increase when the initial period ends.
- If you have a fixed introductory rate and interest rates fall you could be locked into higher rates.

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100 percent offset
 100 percent offset are a separate savings account run in conjunction with your home loan. The interest rate on the 100 percent offset account is the same as the interest rate on the home loan. Any money you put in the offset account is deducted from your home loan balance before interest is calculated.

- It operates like a transaction account. It will generally have a cheque facility and a cash card which allows you to make ATM and EFTPOS transactions.
- The interest rates on 100 percent offset accounts are higher than other savings and transaction accounts.

- You may have to pay a premium to have a 100 percent offset account i.e. a monthly access fee or a higher interest rate.
- You may have to have a minimum balance, such as \$2,000, in the offset account for the offset effect to be calculated.

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Combination Loans
 A combination loan is where the borrower takes a portion of the total amount borrowed under one loan product and the remainder under another e.g. half the amount borrowed under a variable interest rate and the other half under a fixed rate.

- The fixed portion provides you with repayment certainty.
- The variable portion provides you with repayment flexibility - you can pay off as much as you like, when you like.

- The variable portion of your loan is still vulnerable to increases if rates go up.
- If interest rates drop below your fixed rate, you still have to make repayments at the high rate.

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<p>Line of Credit This is a line of credit which is secured by a mortgage over a residential property. With a line of credit it is possible to draw down to the set credit limit as required.</p>	<ul style="list-style-type: none"> You can use the money as you need it and pay it back when you can. Interest rates are usually lower than for credit cards or personal loans. Credit limits are usually higher than for credit cards or personal loans. 	<ul style="list-style-type: none"> Unless care is shown it is possible to reduce the equity you have built up in your home.

- You choose what proportion of the loan amount you have fixed and variable.

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