THE ULTIMATE LOAN LINGO GUIDE

LOAN THEORY.

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Account Declaration
An accountant declaration is a signed letter from a qualified accountant that confirms someone's financial details and income. Lenders often ask for this document when you're applying for a home loan to make sure your financial information is correct.

Airbnb Income
Airbnb income is the money you make from renting out your home or part of it to guests for short stays on Airbnb. Some mortgage lenders will count this extra income when they consider your home loan application.

Allowance Income
Allowance income is money you receive on a regular basis, often from the government or another source. Lenders may count this steady income as part of your earnings when you apply for a home loan.

Annual Fee
An annual fee is a once-a-year charge that some lenders add for maintaining and managing a loan. In other words, it's a yearly cost you pay to keep your home loan account active.

Application Fee
An application fee is an upfront charge you pay when applying for a loan. It covers the lender's costs for processing your home loan or mortgage application.

Arrears
Arrears means you are behind on your mortgage payments. If you are in arrears, it means you have missed one or more home loan repayments and still owe that overdue amount.

Australian Business Number (ABN)
An Australian Business Number (ABN) is a unique 11-digit number that identifies a business in Australia. It's issued by the government's Australian Business Register. If you're self-employed, having an ABN is important because lenders often require it when you apply for a home loan or manage business finances.

Australian Prudential Regulation Authority (APRA)
APRA (Australian Prudential Regulation Authority) is the government agency that oversees banks, insurance companies, and other financial institutions in Australia. It makes sure these companies follow rules and remain stable. By doing so, APRA helps protect consumers, including home loan borrowers, ensuring the financial system stays safe and fair.

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Australian Securities and Investments Commission (ASIC)
ASIC (Australian Securities and Investments Commission) is an Australian government agency that regulates financial markets and companies. It makes sure businesses like banks, lenders, and brokers follow the law so that financial dealings are fair and transparent. This protects investors and everyday consumers, including people taking out home loans, from fraud or unfair practices.

Australian Taxation Office (ATO)
The Australian Taxation Office (ATO) is the main government agency that collects taxes for the Australian Government. It handles taxes like income tax and GST, making sure individuals and businesses pay what they owe to fund public services.

Bad Credit
Bad credit means a person has a history of not managing loans or debt well, often shown by a low credit score. This could happen due to late payments, defaults, or other financial issues. Having bad credit can make it harder to get a home loan, but some lenders offer mortgages to people with poor credit histories.

Basic Rate
A basic rate is the lowest interest rate a lender offers on a home loan. It usually applies to simple or “no-frills” home loans, which have lower costs but often don't include extra features like redraw facilities or offset accounts.

Basis Point
A basis point is a small unit for measuring changes in interest rates. One basis point equals 0.01% (one hundredth of a percent). For example, if a mortgage interest rate goes up by 10 basis points, it increases by 0.10%.

Best-Interests Duty (BID)
The Best-Interests Duty (BID) is a legal rule in Australia that requires mortgage brokers to put their clients’ needs first. It means the broker must give home loan advice that is best for the client's financial interests, rather than doing what’s best for the broker or lender.

Borrowing Capacity
Borrowing capacity is the amount of money a bank or lender might agree to lend you for a home purchase or other asset. It depends on things like your income, expenses, credit history, and the lender’s own rules. In short, it’s how much home loan you can likely get based on your financial situation.

Break Costs
Break costs are fees you might have to pay if you pay off a fixed-rate home loan before the term ends. Lenders charge these fees to cover the interest they expected to earn if you had kept the loan for the full term.

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Bridging Loan

A bridging loan is a short-term loan that helps you buy a new home before you sell your current one. It bridges the gap by giving you temporary funds to purchase the new property until your old home is sold.

Building Insurance

Building insurance is coverage that protects your house from unexpected damage or disasters, such as fire, storms, or other accidents. If something happens to the structure of your home, this insurance helps pay for repairs or rebuilding.

Business Activity Statement (BAS)

A Business Activity Statement (BAS) is a form businesses in Australia fill out to report and pay various taxes, like GST and PAYG installments. If you're self-employed or run a business, a lender might ask to see your BAS when you apply for a home loan to understand your financial position.

Capital Gains Tax (CGT)

Capital Gains Tax (CGT) is a tax you pay on the profit from selling an asset, such as a property. It's calculated based on how much the asset's value increased since you bought it and how long you owned it. In short, if you sell a house for more than you paid for it, you might owe CGT on the gain.

Capital Growth

Capital growth, also called capital appreciation, is the increase in the value of an asset over time. For example, if you buy a house and its value goes up over the years, that increase is the capital growth.

Cash Rate

The cash rate is the interest rate that banks pay when they borrow money from each other for short periods (usually overnight). It's set by the central bank and is also called the base rate or bank rate. Changes in the cash rate often influence the interest rates banks charge consumers on home loans and other loans.

Cashback

Cashback is a bonus or rebate some lenders offer when you take out a home loan or refinance your mortgage. It means the lender gives you back a certain amount of money after the loan is set up, acting as a small refund to encourage you to choose their loan.

Certificate Of Title

A Certificate of Title is an official document that shows who legally owns a property. It serves as proof that you are the owner of a particular home or piece of land.

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Comparison Rate
A comparison rate is a percentage that reflects the total cost of a home loan, including the interest rate plus most fees and charges. It gives you a more realistic figure to compare different loan offers, helping you see which mortgage might be cheaper overall.

Conditional Approval
Conditional approval is an initial yes from a lender stating they are likely to approve your home loan, but only if certain conditions are met first. It means your mortgage application looks good, but the lender still needs more information or verification (like checking your documents or valuing the property) before giving final approval.

Construction Loan
A construction loan is a type of home loan designed to help you build a new house or renovate an existing one. The money is usually given to you in stages as the construction reaches different milestones, rather than all at once.

Contents Insurance
Contents insurance is a policy that covers your personal belongings inside your home. If things like furniture, electronics, or other valuables are damaged, stolen, or destroyed by events like fire, flooding, or theft, this insurance helps pay to repair or replace them.

Contract Of Sale
A contract of sale is a legal agreement between the buyer and seller of a property. It lists all the terms and conditions of the sale, including the price, settlement date, and any special conditions. Once both parties sign, it becomes a binding contract to transfer ownership of the home.

Conveyancing
Conveyancing is the legal process of transferring a property from the seller to the buyer. It involves preparing and checking all the documents for the sale, and it's usually done by a conveyancer or a property lawyer.

Cooling-Off Period
A cooling-off period is a short time frame (usually a few days) after signing a contract to buy a property, during which the buyer can cancel the purchase. If you back out within this period, you typically won't face large penalties, though the rules and any small fees can vary by state.

Credit Report
A credit report is a record of your credit history. It shows how much you've borrowed in the past, whether you paid on time, any outstanding debts, and your credit score. Lenders check your credit report when you apply for a home loan to decide if you're a responsible borrower.

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Credit Score

A credit score is a number that represents how trustworthy you are with credit based on your financial history. It's calculated from your past borrowing and repayment behavior. A higher score means you're seen as more likely to repay a loan, which can help you get approved for things like home loans.

Cross-collateralisation

Cross-collateralisation is when you use two or more properties as security for one or more loans. Instead of each loan being tied to just one property, multiple properties secure the debt. Investors sometimes do this to buy additional property without a separate deposit, multiple properties secure the debt. Investors sometimes do this to buy additional property without a separate deposit

Debt Consolidation

Debt consolidation means combining several debts into one, often by rolling them into your home loan. This way, you end up with just one monthly repayment (usually at a lower interest rate) instead of many. It can make managing your finances easier and might reduce the overall interest you pay.

Debt-To-Income Ratio (DTI)

Debt-to-Income Ratio (DTI) compares how much money you owe to how much money you earn. It's calculated by dividing your total monthly debt payments by your gross (pre-tax) monthly income, then multiplying by 100 to get a percentage. Lenders use DTI to check if you can afford a home loan – a lower DTI means your debts are low compared to your income, which is a good sign for loan approval.

Default

A default happens when a borrower fails to meet the terms of a loan. For example, if you miss your mortgage payments or break the loan agreement, the loan goes into default. Defaults can lead to penalties and will hurt your credit score.

Deposit

A deposit is the upfront amount of money you pay towards the price of a property you're buying. The bigger your deposit, the less you need to borrow for your home loan.

Deposit Bond

A deposit bond is a guarantee you can use instead of a cash deposit when buying a property or at an auction. It promises the seller that you will pay the deposit at settlement. In other words, it's like a certificate that stands in for the actual cash deposit until the sale is finalised, and it's also called a deposit guarantee.

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Depreciation

Depreciation is the loss of value of an asset over time. This happens due to wear and tear or things becoming outdated. For example, if you have a rental property or a car, it may depreciate in value each year as it ages or new models come out.

Discharge Form

A discharge form is a document that proves you've paid off your loan in full. Once this form is processed, it removes the lender's claim on your property. If you refinance with a new lender, the discharge form tells the old lender to release their mortgage on your home so the new lender can take over.

Equity

Equity is the portion of your home's value that you truly own outright. It's calculated by taking the current market value of your property and subtracting what you still owe on your mortgage. For example, if your home is worth $500,000 and you owe $300,000, your equity is $200,000.

Equity Release

Equity release (or cash-out refinancing) is a way to access some of your home's value without selling it. It involves replacing your current mortgage with a larger one and taking the extra money as cash. Basically, you take out a new, bigger home loan, pay off the old one, and use the leftover money for other needs.

Exchange Of Contracts

Exchange of contracts is an important step in selling or buying a property. It's when the buyer and seller both sign the contract for sale and swap copies, making the agreement legally binding. After the exchange, both parties are committed to the deal under the agreed terms, such as price and settlement date.

Extra Repayments

Extra repayments are additional payments you make on your home loan on top of the required repayments. By paying more than the minimum, you can reduce the amount of interest charged and pay off your mortgage faster.

Family Tax Benefits (FTB)

Family Tax Benefits (FTB) are payments from the Australian government to help eligible families with the costs of raising children. They provide extra financial support to families, usually through a fortnightly or annual payment, to assist with everyday child-related expenses.

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First Home Owner Grant (FHOG)
The First Home Owner Grant (FHOG) is a one-time payment from the government to help first-time home buyers purchase their first house or apartment. If you're buying your very first home and meet certain conditions (which differ by state or territory), you can receive this grant to put toward your purchase. The amount of the grant and the eligibility rules depend on where in Australia you are buying.

Fixed Interest Rate
A fixed interest rate is an interest rate on a loan that stays the same for a set period of time. With a fixed-rate home loan, your interest rate (and your repayments) won't change during that agreed period, giving you certainty in your budgeting.

Fixed Price Construction
Fixed-price construction is an agreement where the builder and the client agree on a set price for a building project before it starts. This means the total cost of construction is decided upfront and shouldn't change later as long as the project goes as planned.

Flood Zone
A flood zone is an area that has a higher risk of flooding. Authorities designate these zones based on factors like heavy rainfall patterns, nearby rivers that might overflow, or coastal tides. If a property is in a flood zone, it means the area is more likely to experience floods, which can affect insurance and building regulations.

Frequency
Frequency, in terms of loans, refers to how often you make your repayments. Common repayment frequencies are monthly (once a month), fortnightly (every two weeks), or weekly. For instance, a monthly frequency means you pay your mortgage once per month.

Funding Position
Funding position is the amount of money you need to borrow to buy or refinance a property after using your own funds. To figure it out, you total all the costs of the purchase (property price, fees, taxes, etc.) and then subtract the money you can contribute (like your deposit and savings). The remainder is what you would need to borrow as a loan.

Gambling History
Gambling history is a record of someone's betting or gambling activities. Lenders might review your gambling history (like frequent betting transactions on bank statements) when you apply for a home loan. because heavy gambling could affect your financial stability and ability to repay the loan.

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Genuine Savings
Genuine savings are funds you've saved up yourself over time, not given to you as a gift or loan. Lenders often want to see that your home loan deposit is made up of genuine savings because it shows you can manage your money and save regularly.

Gifted Funds
Gifted funds are money or assets that someone (usually a family member or friend) gives you without expecting you to pay them back. For example, if your parents give you money to help with a house deposit, but they might ask for a letter confirming that the money is truly a gift and not a loan.

Guarantee
A guarantee is a legal promise where one person or group agrees to be responsible for someone else's debt if that person can't pay. For instance, a parent might give a guarantee on their child's home loan, meaning if the child doesn't make the payments, the parent will have to pay instead.

Guarantor
A guarantor is a person who agrees to take on the responsibility of a loan if the main borrower cannot pay it back. Often a close family member, the guarantor essentially co-signs the loan and promises to cover the mortgage payments if the borrower defaults. Being a guarantor often involves using their own assets (like their home's equity) as extra security for the loan.

Honeymoon Rate
A honeymoon rate is a low, introductory interest rate on a home loan that lasts for a short initial period. Typically, this special rate is offered for the first 6 to 12 months to entice borrowers, and after that, the interest rate increases to the normal variable or agreed rate for the rest of the loan.

Household Expenditure Model (HEM)
The Household Expenditure Model (HEM) is a guide that lenders use to estimate a borrower's living expenses. It provides an average amount that a household might spend on day-to-day living costs. When you apply for a home loan, banks use HEM figures (along with your actual expenses) to help decide if you can afford the loan repayments on top of your regular spending.

Inner City/High Density
Inner city/high density refers to areas in or near a city center where a lot of people live and work in a small area. These places have many buildings close together, like apartments and offices, and often have a lot of high-rise housing. Because space is limited, the population density is high, meaning many people live in the area compared to suburban or rural areas.

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Interest In Advance
Interest in advance is an arrangement where you pay all the interest on your home loan upfront for a certain period (usually a year). During that time, you don't pay any of the loan principal, just the interest. Investors sometimes use interest-in-advance loans because the upfront interest payments can have tax benefits when the loan is for an investment property.

Interest Rate
An interest rate is the percentage of a loan amount that a lender charges you for borrowing money. It determines how much extra you pay on top of the amount you borrowed. For example, on a home loan, a 3% annual interest rate means you'll pay an additional 3% of the remaining loan balance in interest over the year.

Interest-Only Repayments
Interest-only repayments are when you temporarily pay only the interest on your loan, and none of the principal (the amount borrowed). During an interest-only period, your monthly payments are lower because you're not repaying the original loan amount. However, after this period ends, your repayments will go up since you'll start paying off the principal too.

Investment Loan
An investment loan is a home loan used to buy a property that you don’t plan to live in, but rather to rent out or hold as an investment. These loans often have slightly higher interest rates than loans for owner-occupied homes, because lenders see investment properties as riskier. The goal is that the property will earn income (rent) or grow in value over time.

Joint Tenants
Joint tenants is a way for two or more people to own a property together with equal rights. In a joint tenancy, each person owns the whole property together (not split into sections). If one joint tenant dies, their share of the property automatically goes to the other co-owner(s) instead of to their estate.

LMI Capitalisation
LMI capitalisation is when the cost of Lenders Mortgage Insurance (LMI) is added onto your home loan instead of being paid upfront. This means the LMI premium gets rolled into the loan amount, so you're borrowing a bit more to cover it. The benefit is you don't need to pay the insurance cost right away, but the downside is you'll pay interest on that higher loan balance.

Lenders Mortgage Insurance (LMI)
Lenders Mortgage Insurance (LMI) is an insurance policy that protects the lender if the borrower fails to repay the home loan. Lenders usually require LMI when the borrower has a deposit smaller than 20% of the property’s price, as the loan is considered riskier. The important part to remember is that LMI covers the lender, not you, but it's the borrower who pays for it—often running into thousands of dollars, which can be added to the loan amount.

Liabilities
Liabilities are your financial debts or obligations. They include things like your mortgage, car loans, credit card debt, or any other money you owe. When you apply for a home loan, lenders look at all your liabilities to help determine if you can afford the new loan, typically by calculating your debt-to-income ratio.

Line Of Credit
A line of credit is a flexible loan that gives you access to money up to a certain limit that you can use as needed. You can withdraw money when you require it and pay it back over time, and you only pay interest on the amount you've borrowed. It works a bit like a credit card. Some homeowners set up a line of credit against their home’s equity, allowing them to borrow money for things like renovations or other expenses when necessary.

Loan Limit
A loan limit is the maximum amount of money a lender is willing to let you borrow for a loan. For example, if a bank sets a loan limit of $500,000 for your home loan, that’s the highest loan amount they’ll approve based on your financial situation and their policies.

Loan Structure
Loan structure refers to the way a loan is set up. It includes elements like the type of interest rate (fixed or variable), the length of the loan (loan term), how often payments are due (repayment frequency), and any special features (like an offset account or redraw facility). All these details together describe how your mortgage is organized.

Loan Term
Loan term is the length of time you have to repay a loan, usually measured in years. For a home loan, common terms are 25 or 30 years, meaning you agree to make regular payments for that many years to pay off the loan. If you pay off the loan early, you might face break fees depending on your loan agreement.

Loan-to-Value Ratio (LVR)
Loan-to-Value Ratio (LVR) is the percentage of the property's value that you're borrowing. It's calculated by dividing your loan amount by the value of the property and multiplying by 100. For example,"Loan-to-Value Ratio (LVR) is the percentage of the property's value that you're borrowing. It's calculated by dividing your loan amount by the value of the property and multiplying by 100. For example, if you buy a property worth $600,000 with a $480,000 loan, your LVR is 80%. Lenders use LVR to assess risk: a lower LVR (because you have a larger deposit) usually means a less risky loan.

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Low-Documentation (Low-Doc) Loan

A low-doc loan is a home loan for people who don't have the standard proof of income documents like payslips or tax returns. Instead, borrowers might provide alternative evidence of their income (such as bank statements or an accountant's letter). These loans are common for self-employed people. Because there's less paperwork to prove income, low-doc loans can come with higher interest rates or stricter terms.

Lump-Sum Payment

A lump-sum payment is a single, large payment made towards a loan on top of your regular repayments. For example, if you get a bonus or inheritance, you might put that money directly into your mortgage as a lump-sum. This reduces the balance of the loan and can help you pay it off faster and reduce the total interest paid.

Maturity

Maturity is the end date of a loan, when the last payment is due and the loan is fully paid off. For instance, a 30-year home loan will reach maturity 30 years after it starts. If the borrower hasn't paid the loan by the maturity date, the lender can take action since the loan agreement has ended without full repayment.

Medico

Medico' is an informal term for a medical professional, like a doctor or a nurse. In the context of home loans, some lenders have special 'medico' loan packages with perks or lower rates for doctors and other healthcare professionals.

Mortgage Stress

Mortgage stress is when paying your home loan becomes difficult to manage alongside your other living expenses. A common rule of thumb is that if your mortgage repayments are 30% or more of your household income, you might be in mortgage stress. This situation means you may struggle to cover both your loan payments and everyday bills comfortably.

Mortgagee

A mortgagee is the lender or bank that provides a home loan. They lend the money and in return hold the mortgage on the property as security until the loan is paid off.

Mortgagor

A mortgagor is the person who takes out a home loan – in other words, the borrower. The mortgagor is the homeowner who has a mortgage on their property and is responsible for paying back the loan.

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Negative Gearing
Negative gearing is an investment approach where the cost of owning a rental property (like loan interest and maintenance) is higher than the income it produces (rent) in the short term. This results in a loss each year, but investors might use negative gearing to get tax deductions for those losses and hope the property's value rises over time to make a profit later.

No-Documentation (No-Doc) Loan
A no-doc loan is a home loan that requires very little to no traditional documentation of income. The borrower doesn't have to provide pay slips, tax returns, or detailed financial statements to prove their income. Because the lender has less information, these loans often come with higher interest rates or stricter conditions. They are relatively rare and usually for borrowers with unconventional financial situations.

Non-Conforming Loan
A non-conforming loan is a home loan for someone who doesn't meet the standard lending criteria of mainstream banks. This could be due to a bad credit history, unstable income, or other unusual circumstances. Such loans are offered by specialist lenders and often have higher interest rates or fees because they are taking on more risk.

Non-resident
A non-resident is someone who is not a citizen or permanent resident of Australia. For example, a foreign national or an Australian citizen living overseas might be considered a non-resident. Non-residents who want to buy property or get a home loan in Australia usually face special rules and may need approval from government authorities (like the FIRB) and find lenders that offer loans to non-residents.

Offset Facility
An offset facility is a feature of a home loan where you have a bank account linked to your mortgage. The money in that account is offset against your loan balance when interest is calculated. In practice, if you have savings in the offset account, you'll only pay interest on the loan balance minus those savings, which can reduce your interest costs and help pay off the loan faster.

Owner Occupied
Owner-occupied means the property is owned and lived in by the owner, rather than being an investment property that is rented out. Home loans for owner-occupied properties often have slightly lower interest rates compared to loans for investment properties.

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PAYG
PAYG stands for “Pay As You Go.” It refers to a common employment and tax system where you receive a regular wage and your employer withholds income tax from each paycheck to send to the government. Being a PAYG employee (rather than self-employed) means you get a consistent salary with tax already deducted, which lenders often view as stable income when you apply for a home loan.

Part 9 Debt Agreement
A Part 9 Debt Agreement is a formal arrangement in Australia for people who cannot pay all their debts. It’s an alternative to going bankrupt. Under this agreement, you make a deal with your creditors (the people or companies you owe money to) to pay back a portion of your debts over time in a manageable way. While it helps you avoid full bankruptcy, it will affect your credit history and can impact your ability to borrow money (like getting a home loan) in the future.

Partial Offset
A partial offset account is a type of offset account where only a portion of your savings is used to reduce the interest on your home loan. For instance, the bank might count only 40% or 50% of the money in the account against your loan balance when calculating interest. It still lowers the interest you pay, but not as much as a full 100% offset account would.

Portability
Portability is a feature of some home loans that lets you transfer your loan from one property to another. If you sell your home and buy a new one, a portable loan allows you to keep the same loan (with the same interest rate and terms) and simply switch the security from your old property to the new one. This can save time and costs because you don't have to get a brand new loan for the new property.

Positive Gearing
Positive gearing is when an investment property earns more income (from rent) than it costs to own. This means after paying all expenses like the mortgage, maintenance, and fees, you still have money left over. The property essentially pays for itself and even generates extra cash for you each month.

Power Of Attorney
Power of Attorney is a legal document that allows one person to give another person the authority to make decisions and act on their behalf. For example, you might give a trusted family member Power of Attorney to handle your financial or legal matters if you are unable to. The person who gives the power is called the principal, and the person who receives it is the agent or attorney-in-fact.

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Pre-Approval
A pre-approval is a valuable tool for homebuyers, as it can help them determine how much they can afford to spend on a home, get a better understanding of their monthly mortgage payments, and make a stronger offer on a home.

Principal
The principal is the original sum of money you borrow in a loan. For example, if you take a home loan of $3000, then $300,000 is the principal. Interest is calculated on the principal, and as you repay the loan, the principal amount goes down.

Principal And Interest Repayments (P&I Repayments)
Principal and Interest (P&I) repayments are the regular payments on a home loan that cover both the principal and the interest. Each time you make a P&I payment, part of the money goes towards reducing the loan amount (principal) and part goes towards paying the interest. By making these payments, you're gradually paying off the entire loan over its term.

Progress Payment
A progress payment is a payment made to a builder or contractor as different stages of a construction project are completed. Instead of paying for the whole project upfront, you pay in installments after each major milestone (for example, after laying the foundation framing, etc.). If you have a construction loan, the lender will usually release these payments directly to the builder as the work progresses.

Redraw Facility
A redraw facility is a home loan feature that lets you take out any extra money you've paid into your mortgage beyond the minimum required repayments. If you've made additional repayments and you need that money back for any reason, you can withdraw (redraw) those extra funds instead of taking out a new loan.

Refinancing
Refinancing is when you replace your current home loan with a new one, usually with a different lender. Homeowners often refinance to get a lower interest rate, reduce monthly payments, or access home equity (for example, by taking out some cash). Refinancing can save you money or help you adjust your loan to better suit your current needs.

Rentvesting
Rentvesting is a strategy where you rent a home to live in, while you own an investment property elsewhere. Basically, you continue to be a renter in the area where you want to live (perhaps because it's close to work or offers a lifestyle you like), but you buy a more affordable property in another location to rent out. This way, you're both a renter and an owner-investor at the same time.

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Repayment Holiday
A repayment holiday (or payment pause) is a short break from making your home loan repayments. During an agreed period, you're allowed to either stop or reduce your mortgage payments, which can help if you're experiencing temporary financial hardship. Keep in mind that interest usually still accrues during this time, so the loan may cost more overall and your future payments might be slightly higher to catch up.

Reserve Bank of Australia (RBA)
The Reserve Bank of Australia (RBA) is Australia's central bank, which means it oversees the country's monetary policy and financial system. It sets the official cash rate, which influences the interest rates banks charge on loans (including home loans) and pay on deposits. The RBA also issues currency and works to keep inflation stable and the economy healthy.

Revert Rate
A revert rate is the interest rate your loan will switch to after a special rate period ends. For example, if you have a honeymoon or fixed-rate period on your home loan, once that period is over, the interest will revert to the lender's standard variable rate (or whatever rate was agreed to follow). This is usually a higher rate, so it's important to know what your revert rate will be.

Security
Security, in loan terms, is an asset you promise to a lender to secure a loan. In home loans, the property you buy usually acts as the security (also called collateral). This means if you cannot repay the loan, the lender has the right to sell that property to recover the money.

Self-Managed Superannuation Fund (SMSF)
A Self-Managed Superannuation Fund (SMSF) is a private super (retirement savings) fund in Australia that you manage yourself. The members of the SMSF are typically also the trustees, which means they decide how to invest the super fund's money. Some people use SMSFs to invest in property or other assets for retirement, but there are many rules and responsibilities involved in running one.

Self-Managed Superannuation Fund (SMSF) Loan
An SMSF loan is a loan that a Self-Managed Super Fund takes out to buy an investment property. It lets the SMSF borrow money to purchase,say, a rental property as part of its investments. Such loans are usually structured carefully via something called a limited recourse borrowing arrangement, and only the super fund (not you personally) is responsible for repaying the loan.

Serviceability
Serviceability is a measure of your ability to afford the repayments on a loan. When a lender checks your serviceability, they look at your income, expenses, and other debts to see if you can comfortably make the mortgage payments. It's essentially whether you can service (pay for) the loan without financial strain.

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Settlement
Settlement is the final step in buying property and finalizing a home loan. On settlement day, the buyer pays the remaining purchase price (often using the home loan funds) to the seller, and the property's ownership is officially transferred to the buyer. This is when you receive the keys and the sale is complete.

Split Loan
A split loan is one home loan divided into two (or more) parts, each with a different interest rate type. For example, you might split your mortgage so that one part is on a fixed rate and the other part is on a variable rate. This allows you to enjoy some of the stability of a fixed rate and some of the flexibility of a variable rate in one loan package.

Stamp Duty
Stamp duty is a tax charged by Australian state or territory governments on certain transactions, especially when you buy property. It's a one-time cost that the buyer has to pay, calculated based on the property's price (the more expensive the property, the higher the stamp duty). For example, when purchasing a house, you might have to pay tens of thousands of dollars in stamp duty, which is usually paid at settlement.

Surplus
Surplus means extra money left over after all expenses and debts have been paid. If your income is higher than your total spending and obligations, the remaining amount is your surplus. For instance, if you earn $5,000 a month and spend $4,500 on bills and living costs. you have a $500 surplus.

Unconditional Approval
Unconditional approval, also called formal approval, is the final confirmation from a lender that your home loan is approved. It comes after the lender has thoroughly checked your finances, the property value, and all your documents. Once you have unconditional approval, the bank is fully committed to lending you the money, and you just need to complete any remaining formalities (like signing the loan contract).

Unencumbered
Unencumbered means free of debt or other claims. If a property is unencumbered, it means there are no mortgages, loans, or liens against it – the owner owns it outright without any financial obligations tied to it. An unencumbered asset is one that isn't serving as collateral for any loan.

Valuation
Valuation is the process of estimating how much a property is worth. A professional valuer (appraiser) looks at the house and the local market to determine its value. Banks usually require a valuation when you apply for a home loan to make sure the property is sufficient security for the loan.

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Variable Interest Rate
A variable interest rate is a home loan rate that can change over time. It goes up or down based on market conditions or decisions by the lender (often influenced by changes in the Reserve Bank's cash rate). If you have a variable rate mortgage, your repayments can increase if rates rise or decrease if rates fall.

Vendor
A vendor is the seller of a property. In a real estate transaction, the vendor is the person or entity that currently owns the home and is selling it to a buyer.

Vendor Finance
Vendor finance is when the seller of a property also acts as the lender for the buyer. Instead of the buyer getting a loan from a bank, the buyer makes an agreement to pay the seller the purchase price over time (often with interest). In this arrangement, the seller is financing the sale, allowing the buyer to pay them in instalments for the property.

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