Investment property loans | Natloans

Canonical: https://www.natloans.com.au/home-loans/buy-an-investment-property/

Details:

Thinking about an investment property? We can help you understand your borrowing options, compare loans from our lender panel and work through the finance before you commit to a purchase. Whether it's your first investment or an addition to your portfolio, start with a budget that allows for the costs as well as the rent you hope to receive.

Start with the whole financial picture

The purchase price and advertised rent are only part of the decision. Allow for stamp duty, conveyancing, inspections and loan costs upfront. Ongoing costs can include council and water charges, insurance, strata or owners corporation fees, property management, maintenance and periods without a tenant.

Work out what you would need to contribute if rent is lower than expected, the property is vacant or interest rates rise. A lender's borrowing limit is not a substitute for your own budget. Property values can fall, and selling can take time and involve significant costs.

Compare the loan structure

Principal and interest

Your scheduled repayments cover interest and reduce the amount borrowed. This helps you pay down the debt over the agreed term. Compare the repayments with your income and property costs, allowing a buffer for unexpected expenses.

Interest only

During an interest-only period, your required repayments do not reduce the principal. They may be lower initially, but the debt remains and repayments can rise substantially when principal repayments begin over the shorter remaining term. Compare the rate, fees, total interest and later repayments before choosing this structure.

Fixed, variable or split

A fixed rate gives certainty for the fixed period, but limits on extra repayments and break costs can matter if you sell or refinance. A variable rate can change when the lender changes its rate and may provide more flexibility. A split loan combines the two. We can help you compare the features against how you expect to use the loan.

Offset and redraw

An offset account can reduce interest on the linked loan, while redraw gives access to eligible extra repayments under the lender's rules. Compare any additional fees with the benefit you expect to

receive. For an investment loan, ask your tax adviser before mixing private and investment borrowing or redrawing funds for a different purpose.

Deposit, equity and security

Your required deposit depends on the lender, property valuation and proposed loan. A smaller deposit may involve lenders mortgage insurance or other restrictions. We will check the current requirements for the options available to you rather than assume a single deposit percentage applies.

If you already own a property, you may be able to borrow against some of its equity to help fund the purchase. Equity is the difference between the property's value and the debt secured against it; usable equity depends on the lender's limits and your ability to repay. Releasing equity means taking on more debt, not withdrawing free money.

Ask which property or properties will secure the borrowing, what happens if you want to sell one and how the arrangement affects your future options. A property used as security can be at risk if you cannot meet the loan obligations.

Keep tax and cash flow separate

Rental income and eligible rental expenses affect your tax position. Negative gearing generally describes a rental investment where deductible expenses, including eligible interest, exceed rental income. A possible tax deduction does not repay the whole loss: you still need money to meet the costs.

Taxable profit and cash left in your bank account are different calculations. Principal repayments are not deductible rental interest, and non-cash deductions can affect tax without providing cash for a repayment. Repairs, improvements, borrowing expenses and depreciation also have different rules. Ask a qualified tax adviser to check your ownership structure, loan purpose and records before relying on a deduction.

Our role is to help with the lending. Your accountant, financial adviser and solicitor can help you assess tax, investment suitability and legal arrangements.

Research the property before committing

Check comparable rents, vacancy levels, the property's condition and the costs of keeping it in a lettable state. For an apartment or townhouse, review owners corporation or strata records, fees and planned works. An attractive yield does not remove risks from repairs, vacancies or a falling property value.

Arrange appropriate inspections and have a solicitor or conveyancer review the contract. Confirm your finance position before making an unconditional offer or bidding at auction. Pre-approval is an indication subject to conditions, not a guarantee that the lender will approve a particular property.

What to bring to our conversation

Your income, regular expenses and existing loan commitments.

Your deposit or equity position and details of any property already owned.

The proposed purchase price and property details, if you have found a property.

Rental information or an agent's estimate, plus a realistic allowance for operating costs.

Your intended timeframe and any plans to renovate, sell or buy another property.

We can then compare relevant lender options, explain the costs and conditions, and help you prepare the application. The lender assesses the application and property valuation before making its credit decision. We will clarify applicable fees and our remuneration before you proceed.

Talk through your investment loan options

Book a free consultation or call 1300 955 791 . If you're ready to begin, open our home loan application .

For further guidance on the financial risks and costs, see ASIC Moneysmart's investment property guide .