



HEAD OFFICE

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OZ WIDE LOANS - Widening Your Loan Choices

A

ABA

Australian Bankers' Association

ABIO

The Australian Banking Industry Ombudsman provides a channel through which customers can make complaints about their bank and be dealt with independently

accrued interest

Interest you have earned or incurred that is yet to be paid or charged

additional repayment

Extra money paid into your loan over and above the minimum prescribed amount

adjustments

Process of allocating expenses on settlement day that the seller has paid for but not used and which the buyer has not used but will be responsible for (e.g. council rates, utility, phone bills)

all in one loan

Usually variable loan that allows you to deposit all your income against your loan and withdraw money from the loan account for everyday expenses. The longer spare funds reside in the account, the greater the potential savings on interest

amortisation

Period of time you have to repay a loan at the arranged terms

application fees

Fees charged to cover lender's internal costs of setting up a loan approval for a buyer

ASIC

Australian Securities and Investment Commission

auction

Public sale of property - ownership goes to the highest bidder subject to a reserve price being reached

B

bad debt

Debt with little chance of being settled and is written off as a loss

balance sheet

Statement of assets and liabilities and net equity for a company/entity at a point in time

bank cheque

Cheque that draws money specifically from funds you hold in the bank

bankruptcy

A debtor's estate is placed into the hands of a receiver who then distributes whatever funds are available for distribution

basic variable

Variable home loan at a reduced rate but generally has fewer features than a standard variable loan

body corporate

A group of owners of units within a building who form a self-elected committee to administer and manage common areas and the building



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OZ W I D E L O A N S - W i d e n i n g Y o u r L o a n C h o i c e s

break costs

Costs incurred when a loan is paid off before the end of its term (generally occurs in fixed loans)

bridging finance

Loan to cover purchase of a new property when you are yet to sell the existing one

C

capital

Current value of your long term assets e.g property, business

capital gain

Monetary gain when you sell an asset at a profit i.e. for more than you paid for it

capital gains tax

Federal tax on your monetary gain from the sale of an asset (applies if asset bought and sold after Sep 1985)

capitalisation

When interest payable is accrued and added to the total debt payable

capped loan

Where interest rate is not allowed to exceed a set level for a period of time but is allowed to drop (not fixed)

Certificate of title

Document that details land dimensions and ownership details and any encumbrances

chattels

Personal property - buildings and fixtures as well as clothes and furniture

combination loans

Where variable loans come under same banner to form one loan. Can have a portion fixed, variable or line of credit (also called split loans)

Common property

Area used by many as owned by tenants in common

company title

Property title when owners of units in a block form a company

comparison rate

Compare actual rate of loan against another taking into account all charges (nominal interest rate p.a., compounding frequency, upfront and ongoing fees) - according to Consumer Credit Code

compound interest

Interest paid on both accumulated interest and original principal

construction loan

Specifically for purpose of funding the building of a new dwelling. Generally, you can draw down money as required to pay as and when you need to

consumer credit code

Act in Parliament governing relationship between buyers and sellers

contract of sale

Written agreement outlining terms and conditions for purchase or sale of property

contract

A legally enforceable agreement between parties e.g exchanged when deposits are exchanged on the sale of a property

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conveyancing

Legal process for transferring ownership on a property

cover note

Temporary property insurance before a formal policy is in place

CRAA

Credit Reference Association of Australia - holds credit card details on the general public

credit

Money which is borrowed to be paid back under an arrangement with a lender. Also an amount that is paid into an account as opposed to a debit

credit limit

Maximum amount borrower has access to at any one time

creditor

A party to whom money is owed

D

daily interest

Interest calculated daily so varies depending on the account balance

debit

Account entry to show a withdrawal to an account

debtor

Someone who owes money to another party

default

Failure to meet a debt payment on a due date

default rate

The rate a loan moves or rolls over to automatically at the end of any fixed period

deposit bonds

Guarantees the purchaser of a property will pay the full deposit by the due date. Institutions provide deposit bonds and act as guarantors, providing surety often when cash is not readily available

disposable income

Income remaining after all known expenses have been deducted

draw down

Access available loan funds, especially lines of credit where limit is set and you can use the funds as required

E

end loan

Loan amount you are left with after you have sold your existing home and paid the proceeds towards a bridging loan

encumbrance

An outstanding liability or charge on a property

endorse

Sign the back of a cheque to confirm or transfer its ownership to someone else

equity

Amount of an owned asset



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equity loan

Loan usually secured by proportion of the value of your house which you own

establishment fees

Lender's fees to set up a loan - may or may not be charged

exchange of contract

Legal point of time when the vendor and purchaser swap legal documents and start enquiries with view to settlement

F

fittings

Items that can be removed from a property without causing damage to it

fixed interest

Interest rate which is set for an agreed term

fixtures

Items that would cause damage to a property if removed. Their removal must be stated in the contract of sale and any damage made good by seller

FHOG

First home owners grant

freehold

Dwelling and the land on which it stands is owned by the owner indefinitely

G

gearing

Ratio of your own money against borrowed funds

GiroPost

Facility to allow you to conduct banking transactions at a post office

guarantee

A promise made and bound by the terms of a contract

guarantor

Party who agrees to be responsible for payment of another person's debt

H

holding deposit

Refundable deposit based on goodwill of the buyer to go ahead with the purchase

I

income statement

Statement of income and expenses for a period, usually a year

interest

Lending body's charge for the use of funds or the return on deposited funds

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interest adjustment

When additional repayments are made on a fixed loan, an interest adjustment cost is sometimes charged as compensation to lender for loss of interest revenue

interest only loan

Loan where principal is paid back at the end of the term and only interest is paid during the term of the loan. Loans are usually for a short term (1-5 yrs)

internet banking

Transfers, payments, home loan applications and the like are made via the internet

introductory loan

Loan offered at reduced rate for an introductory period (usually no more than 15 months) to new borrowers

J

joint tenants

Equal holding of property between 2 or more people. If a party dies, that share goes to the survivors

L

land tax

State government tax charged to owners of a property over a stipulated value unless it is their principal place of residence

land transfer registration

State government tax assessed on the selling price of the property

lease

Document granting a period of tenancy of a property and specifies terms and conditions

liabilities

Debts or obligations

lien

The right to hold property as security against a debt or loan

line of credit

Flexible loan arrangement with a specified ceiling to be used at a customer's discretion

loan security duty

Mortgage stamp duty

loan to valuation ratio

LVR - ratio of the amount lent (loan) to the valuation of the security (generally the value of the house)

M

margin

The difference between the lender's interest rate (or an indicator) and the rate actually charged to borrowers

maturity

Date that a debt or investment must be paid in full



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mortgage

Security for a loan taken out for property deal

mortgagee

Lender of funds

mortgagor

Person borrowing funds for a mortgage

mortgage brokers

Person or organisation that markets several loans from a panel of lenders. Their service is to offer the best loan to suit a borrower's circumstances

mortgage discharge fee

Administration fee to cover costs incurred in winding up a loan

mortgage insurance

Taken out by the lender in the event the borrower defaults on the loan/sale of property i.e cannot cover outstanding amount required. Mortgage insurance premiums are payable by the borrower generally when the amount borrowed is over 80% of the property value (LVR > 80) but it could be applied for lower loan to valuation ratios

mortgage manager

Company responsible for managing every facet of a borrower's loan. Often source loans from mortgage originators

mortgage originator

Retail and wholesaler lenders who source securitised funds to package them as loan products

mortgage protection insurance

Covers borrower's loan repayments in the event they cannot meet them due to illness or redundancy. Not the same as mortgage insurance

mortgage registration fee

State government fee for registration of a mortgage (usually about \$80)

N

negative gearing

Where the return on an investment is insufficient to meet the costs of the investment, which then means a reduction in assessable taxable income

non-conforming borrowers

Applicants who fall outside the normal credit eligibility parameters from a mainstream lender's perspective

O

off plan

A property (often a unit) is purchased before it is built and completed and the decision is based on the developer's plans

offer to purchase

Legal agreement that details a specific price and arrangement for the purchase of a specific property

offset account

Savings account linked to your mortgage such that interest earning on your savings is applied to reduce the interest on your mortgage



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ombudsman

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ongoing fee

Any loan maintenance fee charged regularly over the life of a loan

overdraft

Pre-arranged limit arranged through a bank to which a person can exceed an account balance

P

passed in

Property is "passed in" at auction if the highest bid fails to meet the reserve price set by the vendor

payee

Person or entity to which a cheque is payable

portability

A new property may be substituted as security for an existing loan

principal

Capital sum borrowed on which interest is paid

principal and interest loan

Loan in which both principal and interest are paid during term of the loan

private sale

A sale which does not include a real estate agent's involvement

private treaty sale

A property sale where buyer negotiates on a price set by the seller as opposed to an auction sale

R

redraw facility

Loan facility whereby you can make additional repayments and then access these funds when necessary. Limitations such as minimum redraw amount and a withdrawal fee often apply

refinancing

Replace or extend an existing loan. Taken out either with the same institution or another

rental guarantee

Developer promises a certain return on an investment property. Usually based on a % of purchase price and often relates to investment properties purchase off plan

reserve price

Specified minimum price acceptable to a seller at auction

residential investment loan

Loan granted for an investment property i.e. property will be rented out as opposed to owner occupied



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S

search

Examination to confirm a vendor is in the position to sell a property and there are no encumbrances

securitisation

Taking a pool of diverse assets such as different home loans and converting them to a tradeable security such as a bond which investors can then purchase and trade

security

An asset that guarantees the lender their borrowings until the loan is paid in full. Often the property itself is the security

semi-detached

Two houses that share a common wall/s

settlement date

Date on which new owner finalises payment and takes possession

signatory

Person authorised to use and sign on an account

stamp duty on loan

State government tax on mortgage amount

stamp duty on property purchase

State government tax on the purchase price of a property

standard variable

A variable home loan with comprehensive features compared to a basic variable loan. Often rolls on when fixed rate expires

stepped

Stepped account is where different interest rates are applied to different portions of the account e.g first \$1,000, second \$1,000

strata title

Gives you ownership of a "unit" within a larger building which you may sell, use, lease or transfer at your discretion. Also entitles you to membership of the body corporate

stratum title

Records your ownership of a "unit" of a larger property. Owner becomes a shareholder in the company that manages the common area, not just a member

sub-prime borrowers

Same as non-conforming borrowers

T

tenants in common

Holding of property by one or more people in equal or unequal parts. If one party dies, property is divided according to law

term

Duration of a loan or portion of that loan

term deposit

Type of savings account where the size of the deposit, interest rate and length of time the money is deposited for are all fixed. Often called a fixed interest account

title search

Process to ensure the vendor has the right to sell and transfer ownership



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Torrens title

Records your ownership of a piece of property which you are legally entitled to lease, sell or dispose of as you wish. Also known as Certificate of Title

transfer

Document registered with Lands Title Office that confirms the changes of ownership as noted in Certificate of Title

U

unencumbered

Property free of liabilities or restrictions

V

valuation

Report as required by the lender which gives a professional assessment of the property's value

variable interest rate

Rate that varies in accordance with rates in the marketplace

Z

zoning

Local authority guidelines as to the permitted use of land