



AMLC Real News



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The Way Real Estate & Finance Should Be - One Stop Shop

A Home That Gives You Money To Invest

Using the equity in your home to invest in other assets and create wealth is proving to be a financially pragmatic decision for many Australians.

Equity is the difference between what your property is worth and what you owe. For example, if your home is worth \$600,000 and you have \$150,000 to pay off the mortgage, your equity is \$450,000. You may be able to borrow against this amount to renovate, invest in shares or managed funds or buy another property.

You can put what is probably your biggest asset to work in two ways: via a home equity loan or a home equity line of credit. Since either option uses your existing home as collateral, interest rates for either form of financing are usually much lower than typical unsecured debt, such as credit cards and consolidation loans.

The other major advantage of home equity finance is that at least some of the interest is tax deductible.* To receive the full tax benefit, the total debt on your home, including the home equity loan, cannot exceed its market value.

Once you have decided that using home equity to invest is sensible, your next step is to choose between a home equity loan and a home equity line of credit.

Home equity loan

With a home equity loan, you receive the cash in a lump sum. The repayment term is usually a fixed period, typically from five to 30 years. The payment schedule calls for equal repayments that

will settle the loan within that time.

Most lenders allow you to borrow up to the amount of equity you have in your home. You are not required to borrow the full amount, simply borrow what you need. Interest rates can either be fixed or variable. You might consider a home equity loan if you need a set amount for a specific purpose, such as an addition to your home.

Home equity line of credit

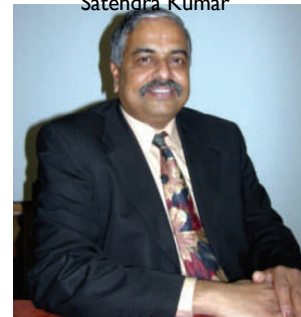
A home equity line of credit is a form of revolving credit. A specific amount of credit is set by taking a percentage of the appraised value of your home and subtracting the balance owed on the existing mortgage. The payment schedule calls for regular repayments that will repay the loan in full over that term.

Once approved, you will be able to borrow up to that limit at your convenience, with a fixed or variable interest rate. The advantage of a home equity line of credit is that you can take out relatively small sums periodically and interest will only be charged when you draw the money.

Both forms of finance are popular with Australian borrowers but it is important to remember that all debt needs to be managed carefully to maximise investment returns and minimise risks.

*You should seek your own independent, financial and tax advice. The information provided in this article is of a general nature only, and does not take into account your specific situation or objectives.

Satendra Kumar



News From Satendra Kumar

Welcome to the first issue of *AMLC Real News*. 2007 offers an exciting time for those entering the property market. Home loan bargains are available - it's just a matter of doing your homework. As a home loan specialist I can assist you in the important task of selecting a home loan suitable to your needs. Call today to find out how I help in your financial future.

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Phone: (03) 9546 7233
Fax: (03) 9546 7255
Mobile: 0412 283 131

1/300 Springvale Rd
Springvale, VIC, 3171

Email: info@amlc.com.au
Website: www.amlc.com.au &
www.amlcreal.com.au