



The Smart Guide to...

residential loan types

Residential loans generally fall into one of five main types. These are basic, standard variable rate, fixed rate, pro-pack and line of credit.

Basic

A Basic home loan is a 'no frills' discounted-rate home loan. Most Basic loans have an application fee, but no ongoing fees. They tend not to have offset accounts, and you may need to pay for redraws. As a result, they are ideal for smaller loan amounts and for investors who want a loan where they make minimum repayments only.

Standard Variable Rate

A Standard Variable Rate home loan is no longer very standard at all. Its rate is not discounted and often the full application fee applies. There are usually no ongoing fees.

Fixed Rate

A Fixed Rate home loan has a set interest rate for the initial period (between 1-10 years) giving you protection against variable rate rises. There are usually restrictions on the ability to make extra payments and do redraws. Break costs apply if you sell or refinance during the fixed rate period.

Pro-Pack

A Professional Package loan has all the 'bells and whistles'. Generally they have a discount of 0.4-0.7% off the standard variable rate depending on loan size, and no application fee but they do have an annual fee which may be in the range of \$120 to \$395 depending on the lender. In return you usually get free redraws, multiple sub-accounts, and many lenders also offer a free offset bank account and a free credit card as well. This type of loan tends to suit people who want to move all their banking to the one institution or who have both a home loan and an investment loan. For larger loans the lenders will consider an additional rate discount for customers on this type of loan.

Line of Credit

A Line of Credit account is where a certain limit is available, via internet banking, chequebook and/or credit card, for you to draw on. These accounts tend to have higher interest rates, and work similarly to a credit card in that you need to make sure you stay under your limit. They are no longer very popular because the astute borrower will take a cheaper type of loan and simply redraw the money when they need it.

Always check the detailed product matrix we give you for the specific features of the loan product you are considering.

Devmac Pty Ltd t/as Blue Ribbon Home Loans is a credit representative (Credit Representative Number 410569) of BLSSA Pty Ltd (Australian Credit Licence No. 391237).