

## *Line of Credit Home Loan*

### **Looking for a way to pay off high interest debts, fund your home improvements or make a major purchase?**

A line of credit (also known as a Home Equity Line of Credit) is a flexible transactional mortgage that allows you to access the equity in your property for a variety of financial needs.

Unlike a standard loan where you start paying interest and payments at a fixed rate until repaid, a line of credit acts like a revolving credit card. In other words, you don't pay interest on the full loan; you only pay for what you have used and when the debt is repaid you still have access to the credit.

### **How does it work?**

You have a predetermined credit limit that can be redrawn at any time. The funds can be accessed as and when you want through a variety of methods including credit card, cheque or EFTPOS.

Interest is much lower than that of credit cards and it is only charged on the amount drawn down. Some lines of credit have only the interest as the minimum payment, which can be helpful when finances are tight.

Repayments can be made in full or on a monthly basis and extra repayments can be made at any time.

### **How to use it well**

Have your salary deposited into your line of credit account at the start of the month so it reduces the total balance of your mortgage for a short time. Put your monthly expenses on credit card and take advantage of the card's interest free period. Pay the credit card off in full at the end of the month or interest free period from the line of credit. Your salary is lowering your mortgage interest charged by sitting in the line of credit for the month.

### **How not to use it**

Like any credit card account, line of credit loans require discipline to stay within your financial limits. Without careful financial management you could end up increasing your mortgage rather than reducing it, simply by drawing on more funds than you can afford.

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To find out more about the pros and cons of this type of loan, give us call and we would be happy to discuss it in more detail.

For further information, please don't hesitate to call AlphaLoan today so we can match your needs against 100's of home loans from our panel of lenders, including all the major banks and many more!

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