

## *Help Your Children Buy Their Own Home*

**By refinancing your mortgage you can use the available equity in your own home to help your children buy theirs.**

According to research by the Commonwealth Bank and Newspoll in March 2004, over 40 per cent of first home buyers said the best way their parents could help them purchase a home was by assisting with the deposit.

One way to provide such assistance is to refinance your existing home loan. The new loan can pay out your existing loan; you can then give or 'loan' the balance to a family member to use as a deposit to purchase theirs.

This "family equity" approach can be a solution for many families but there are a number of issues to consider. Application fees, stamp duty, discharge fees and mortgage insurance are some of the potential costs. You may also be liable for early repayment fees upon repayment of your existing loan, and of course there are the usual repayments to be made on the new loan.

There are ways of minimising these costs, including:

- ✓ setting a schedule of repayments to pay off the loan in the minimum of time
- ✓ ensuring the new loan has features that allow extra payments
- ✓ by keeping the new loan at less than 80 per cent of the home value you should avoid mortgage insurance

An alternative to simply gifting the money to a family member is to formalise the arrangement with a written agreement, detailing the obligations of the family member who is receiving the benefit of the loan. By doing this you will help minimise or avoid disputes relating to the loan.

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!

Web: [www.alphaloan.com.au](http://www.alphaloan.com.au)

Mob: 0411 886 310

Email: [gvimpani@alphaloan.com.au](mailto:gvimpani@alphaloan.com.au)

