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**Brief: Short blog post to be used by mortgage brokers to inform potential clients and invite enquiries**

**Ultimate client: Loan Market**

**Publication: Various Loan Market websites**

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## **I have no deposit – can I still borrow?**

The short answer is, 'Yes' – but it's not easy. Here are some options:

### **Equity in another property**

If you already own another property you can use your equity in that property as the deposit for your new property. If you are doing this it may also be a good time for us to discuss mortgage consolidation.

### **Family Equity**

Many lenders offer an option called 'family equity' where a relative – usually one or both parents – acts as guarantor for your deposit. They usually cover 20% of the loan using the equity they have in their property, or cash held in a term deposit. Using family equity often means that you can borrow up to 105% of the property's value which is a great advantage if you are planning to renovate before you move in.

By covering 20% of the purchase price, family equity allows you to avoid the expense of Lender's Mortgage Insurance (LMI) – which can cost 1%-3% of the purchase price, or even more, depending on the price of the property and size of your deposit. LMI doesn't protect you – it protects the lender so you want to avoid paying for it if possible.

While using family equity sounds like a bit of a rough deal for your relative who puts up the guarantee, they can be protected by using a 'fixed liability' guarantee so they are only liable for the 20% deposit that they have underwritten and not the entire value of the mortgage.

### **A financial gift**

Other options that avoid LMI include accepting a direct financial gift of 20% of the purchase price – again often from parents. Be truthful – don't tell the bank it's a gift if it's actually a loan – and also understand the estate planning issues that relate to a gift as opposed to a loan.

### **Take out a personal loan**

You could take out a personal loan to cover the deposit. You will need to already have a small deposit (3% to 5%) as well as a high income and low expenses, a spotless credit history and no other significant debt.

## Self-managed super fund

Another option, if you have more than \$100,000 in superannuation, is to use a self-managed superannuation fund to buy the property. Your super fund can pay the deposit from existing savings and borrow up to 80% of the value of the property.

## A no-deposit home loan

If none of these options are available to you, all is not lost, though you will probably need to pay LMI. A 'no deposit home loan' allows you to put down a deposit of 5%. The bank will lend you up to 95% of the property's value and you will also be borrowing the additional cost of the LMI, which means you will be paying a little bit more each month than you otherwise would have.

## Use a broker

All of these financing options are complicated and require a thorough knowledge of the marketplace. When you use a broker, we approach the lenders that match your needs and also help you to present a credible looking application.

Call to action: (30 characters)

Loan Market can help – call us

### KEYWORDS

Equity | mortgage | home loan | deposit | no deposit | family equity |

### SOCIAL MEDIA MESSAGES

(Max: 100 characters each)

1. You can buy a property without a deposit – here is how
2. No deposit does not equal no home – find out how here
3. No deposit doesn't mean 'No' but it does mean 'it's complicated' – click for more