



## Fact Sheet – No Deposit Loans

### What is a no deposit home loan?

As the name suggests, a no-deposit home loan allows you to purchase a home without a deposit. That means that you can borrow 100 percent of the purchase price of the home without having a penny to your name. Well not exactly, you need to be able to cover the legal and stamp duty costs.

### When is a no deposit loan appropriate?

The bible has a lot to say about debt and although it doesn't prohibit going into debt it lays down very clear principles about why it is to be avoided. However, scripture is silent on when it is appropriate to go into debt. We believe it is sometimes appropriate to go into debt where the following criteria are met:

1. The asset purchased has the potential to increase in value or produce income.
2. The value of the item equals or exceeds the amount owed on it.
3. The debt is not too large to put undue stress on the budget and therefore relationships.

No deposit home loans generally satisfy the first point as homes usually appreciate in value over the long term. However no deposit loans are unlikely to satisfy points 2 and 3. Although home values generally increase in value over the long term they can fluctuate in value over the short term. With no equity (your own money) in the home the value of the home is likely to fall below the amount borrowed in the short term. Finally, if you have been unable to save a deposit for a home it is a good indication that your budget is already stretched. Home ownership usually increases this stress rather than decrease it.

### Pros and Cons of no deposit home loans

Pros	Cons
Satisfaction of owning your own home and having your name on the title.	The bank holds the title as it has a mortgage over the property.
Can modify the property as you desire or simply put pictures on the wall where you want to put them.	Responsible for maintenance, council rates, mortgage payments, insurance.
Not wasting money on rent.	Wasting money on interesting payments and the need for mortgage insurance.
No landlord to force you to move when they want to move back into the property.	Less flexibility and more costly to move when owning a home versus renting a home.
Emotional satisfaction in owning your own home.	Emotional stress of meeting mortgage repayments.
Stability of living in a home your own.	Committed (servant) to the lender for an extended period. May limit your ability to be generous to others.

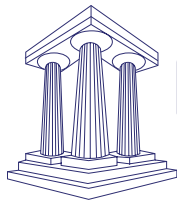
### Tips and hints

1. Have a spending plan or budget in place so you direct your money where it should go rather than look back and wonder where it went each month.
2. Pay off all consumer debt, personal loans and vehicle loans and save three months living expenses prior to buying a home.
3. Save a large deposit (minimum of 20% of the purchase price).
4. Do not over commit – your total accommodation costs (mortgage, phone, electricity, gas, water, rates, home insurance, mortgage insurance) total approximately a third of your disposable income and should definitely not exceed 40% of disposable income.
5. Dual income couples may need to factor in moving to single incomes if children are planned/arrive.
6. Pay off the mortgage as quickly as possible.

### Further Reading

Books available from Crown Financial Ministries at [www.crown.org.au](http://www.crown.org.au)

1. Debt Free Living by Larry Burkett
2. Your Money Counts by Howard Dayton
3. Your Money Map by Howard Dayton
4. Free and Clear by Howard Dayton



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Financial Advice Based on Solid Foundations

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