



No record, no salary, no problem

Low-doc home loans are no longer confined to specialist lenders.

By John Kavanagh

Since their introduction into the Australian mortgage market in the late 1990s, low-doc mortgages have gone from being a relatively rare product offered only by specialist lenders to a mainstream offering of banks, credit unions and non-bank lenders.

As with any competitive market, it pays to check rates and features before committing to a loan. Lenders offer low-doc loans with loan-to-valuation ratios (LVRs) ranging from 80 per cent to 100 per cent. Some will lend to borrowers with bad credit histories; others will not.

A low-doc, or low-documentation, loan allows a borrower who has no records to show proof of salary or company earnings to certify on their own behalf. They are useful for people who have

started a small business and do not have adequate records or whose salary does not reflect the earnings of the business

When these loans were introduced to the local market they were limited in appeal because they were expensive and they offered low LVRs. But as a Cannex survey published last week shows, there is a lot more choice in the market today.

Cannex estimates that the low-doc mortgage market is worth \$38 billion today and accounts for 16 per cent of the home loan market. It reviewed 389 loans. The most significant finding of the survey was the wide variation in rates.

In the most common category, low-doc loans available for borrowers with no credit impairment, rates were as low as 7.1 per cent and as high as 12.3 per cent.

The average interest rate for loans in the category was about 8.5 per cent compared to about 7.75 per cent for comparable "full doc", or standard, loans.

Among the loans that were rated five stars (the highest score awarded), Citibank's Self Cert 80 Mortgage Plus had a rate of 7.36 per cent, ANZ's Lo Doc 80

has a rate of 7.57 per cent and a three year fixed rate option of 7.69 per cent, and Macquarie Bank's Select Classic had a rate of 7.39 per cent.

As the table shows, some of the institutions demand that the borrower has been self-employed for a minimum of 24 months and has a track record while others have no minimum period.

The other interesting feature of the survey was the growing number of lenders that offer high LVR loans.

Because of the risk of dealing with the borrowers who are unable to provide conclusive proof of earnings, lenders have tended to limit LVRs to 80 per cent. But that is changing.

Cannex found a large number of lenders offering 90 per cent and 100 per cent LVR low-doc loans. A few of them were rated five stars. Only one 100 per cent LVR loan got the top rating: Advantage Finance's Fee Eliminator.

The five star loans that offer up to 90 per cent LVR were Austral Credit Union's Low Doc Line of Credit and Morgan Brooks Direct's Equity Plus Low Doc.

TOP 10 CANNEX FIVE STAR RATED LOW-DOC HOME LOANS

Company	Product	Rate (%)*	Upfront (\$)	Ongoing (\$)	Min period for self-employed	100% Offset Account	Available for bad credit history
ANZ	Low-doc 80 250K-699K	7.57	500	NIL	24mths	Yes	No
CBA	Standard Variable Low-doc	8.07	550	8/mth	24mths	Yes	No
Citibank	SelfCert80MortPlus	7.36	250	NIL	No min	No	No
Homestar Finance	Low-doc Loan	7.65	595	NIL	No min	No	No
Ironbark Mort Sol	Standard FastDoc Low-doc	7.60	473	NIL	No min	No	Yes
Mortgage Ezy #	Ezy Low-doc Offset Option	7.19	987	150/s	24mths	Yes	Yes
Mortgage House of Aust	Freedom HL Low-doc	7.44	500	NIL	No Min	Yes	Yes
Morgan Brooks DIRECT	Low-doc 80 Variable	7.50	700	NIL	24mths	No	Yes
Macquarie Bank	Select Classic	7.39	NIL	20/Mth	24mths	Yes	Yes
State Custodians	Low-doc Standard Variable	7.50	855	NIL	24mths	Yes	No

* BASED ON VARIABLE RATE LOAN FOR \$250,000 AT 80% LVR # MAXIMUM LVR IS 82%