

# Improving your odds...

The Melbourne Cup is not only known as the race that stops a nation, but the race most difficult to pick a winner - given the field comprises the best of the best. You can however improve your odds when picking a home loan.

## The odds

Just because a horse has the lowest odds on the day does not guarantee it will 'WIN'. Similarly a home loan with the lowest interest rate does not mean it is going to be the cheapest or best home loan for you.

## No two horses are the same

It's difficult to pick the winning horse as there are many factors contributing to the likelihood of a horse winning: track conditions, weather, horse size, handicap weight, jockey experience, barrier draw and probably even a little bit of luck.

**Home loans are similar to horses in that there are varying attributes:**

- interest rates
  - introduction rates
  - application fees
  - valuation fees
  - monthly account fees
  - no monthly fees, and
- the list goes on making it confusing to select the winner.

## Choosing a home loan does not have to be a gamble - like betting on a horse.

### Improving the odds

While the best way to improve your odds for picking the winning horse may be to obtain a trainer's tip or rumour, financially comparing mortgages is a little easier. While the headline interest rate might give the appearance of being a winner, it does not factor in all the additional costs. From July 2003 all fixed term consumer credit loans containing an interest rate must provide comparison rate schedules in accordance with a standard formula to take into consideration these additional costs. This allows a direct comparison of the loan's financial terms.

### Comparing the odds?

Be sure to compare comparison rates that have been calculated on the same basis (for example comparison rates on a loan balance of \$250,000 over 25 years) as differing assumptions may provide misleading information. Be sure to utilise comparison rates calculated on similar loan amounts and terms proposing to be borrowed. It should also be noted that comparison rate calculations do not take into consideration government fees and charges only charged in certain instances. Therefore the rate may not provide a complete picture.

### It is not all about the odds

The cheapest home loan is not necessarily the best home loan for you. There are many other considerations other than the financial cost that need to be considered (access to a re-draw facility, offset account and many others).

### Picking a winner

While picking a winning home loan is not as difficult as picking the winning horse, consulting with a lending specialist will definitely improve the odds. Call the office today to find out more about the field of home loans currently competing to win your business.

Disclaimer: This article is generic in nature. All finance and investment decisions should be considered wisely and based on your personal and financial circumstances. Seek proper advice before committing to any course of investment action. This is not deemed as advice.