TRILOGY
INVESTMENT PROPERTY FUNDING

How to calculate your equity and what you can buy whilst avoiding Lenders's Mortgage Insurance

Written by Paul Wojtaszak
FINANCE STRATEGIST

www.trilogyfunding.com.au

The Author

Paul started working for Trilogy in 2015. BT [Before Trilogy], Paul worked for the Government for 8 years across various financial roles along with completing additional studies. He is a Platinum Achiever in Mortgage Broking which ranks him in the top group of Mortgage Brokers in Australia and became a partner of Trilogy in July 2020. Paul's accounting side serves him well in deciphering the many self employed clientele we have. Paul didn't come to Trilogy green, as he already had a year as a broker with another firm.

Paul's knack is being able to combine his technical accounting knowledge with the needs of investors and the banks requirements, this makes him a very technical broker and a great asset to his clients. On the personal side Paul is a bit of a character with a good sense of humour, which fits in just right with us Trilogians. And hey if you're a bit of a gym junkie then you just might see him down at The Den.

You can reach Paul on 0404 852 727
paul.wojtaszak@trilogyfunding.com.au
Paul Wojtaszak is a credit representative (Representative Number 474835) of BLSSA Pty Ltd, ACN 117 651 760 (Australian Credit Licence 391237).

Introduction

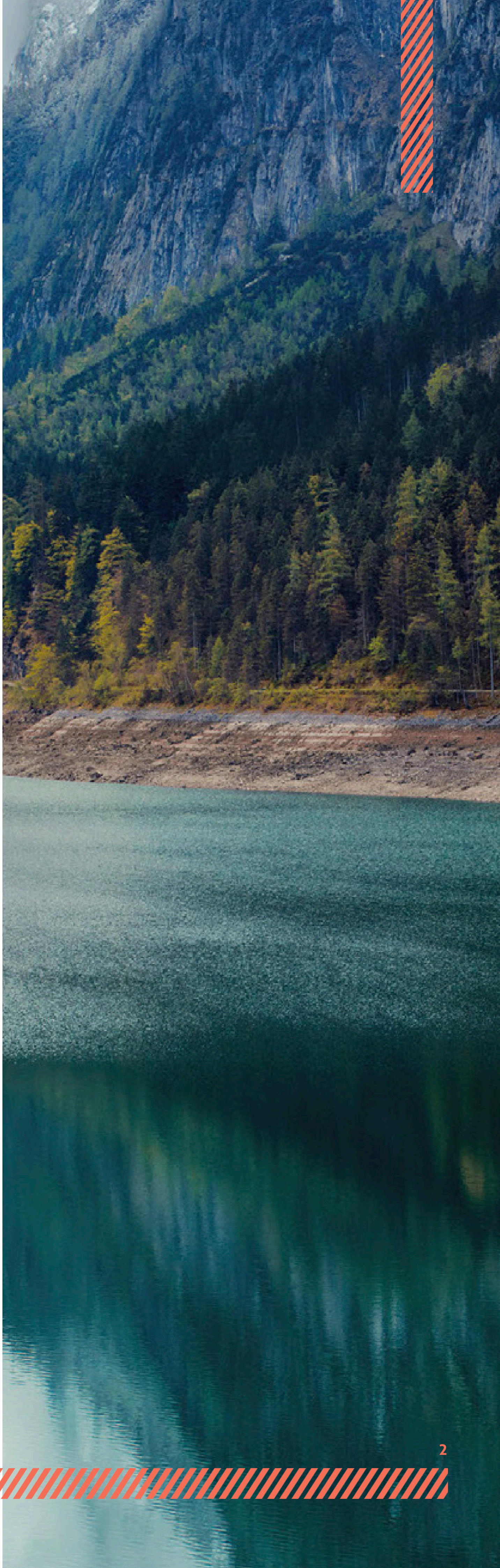
Every property investor who is in the throes of building a long term, high growth property portfolio knows the secret ingredient to success, is a little thing called equity.

Equity allows you to leverage into more property as your existing assets grow in value.

So how do you work out how much equity you have and therefore how much property you can afford? Better still, how do you work out what you can afford to buy before the added expense of Lender's Mortgage Insurance kicks in?

Paul

Paul Wojtaszak
Finance Strategist
www.trilogyfunding.com.au



Most lenders will lend you up to 80% of your properties value without incurring a Lenders Mortage Insurance (LMI) charge. LMI is a risk free associated with high LvR loans which protects the lender should you stop making payments.

A simple example:

Assuming your home is worth $650,000 with a current mortage of only $240,000, and you'd like to buy an investment property. Excluding your ability to service the loan, how much could you spend?

$650,000 x 80% (borrowable equity) = $520,000
$520,000 - $240,000 (your current loan) = $280,000

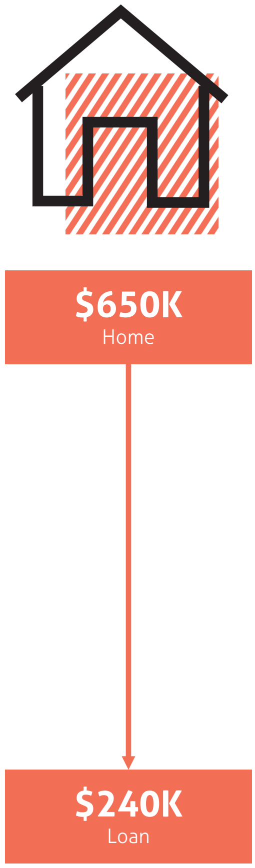
Ok, so $280,000 could be extracted from your home and be used to cover off a 20% deposit and 5% closing costs on a new property.

But how much will that buy?
Easy...
$280,000 = 25% deposit on purchase
$280,000 divided by 25 = $11,200
$11,200 x 100 = $1,120,000

So you could go and buy (not necessarily afford) $1,120,000 worth of residential real estate and have sufficient funds to cover all closing costs.

It goes without saying (maybe not) that this equation is purely an equity equation and doesn't take into account your ability to service the new loans.

So don't go and buy anything until you speak to one of our brokers who can establish how much a real property will cost you to hold.



For a professional take on your situation, including how to structure your portfolio for greater suitability, flexibility and control, why not take advantage of our complimentary **Investment Property Finance Consultation?**

With one 10 minute chat we can usually tell you whether or not we can help. The consultation is free of cost and obligation – simply call 1300 657 132 or contact us online to schedule a time.