

## online home loan approvals

### [Welcome](#)

[Home Loans](#)  
[Investment Loans](#)  
[Self Employed Home Loan](#)

[Equity Release for Seniors](#)  
[Secured Private Loans](#)  
[Caveat Loans](#)

[Refinancing Loans](#)  
[Credit Impaired Loans](#)

[This week's specials <<](#)

[About Us](#)  
[Loan Information Guidelines](#)  
[Key Questions You Should Ask](#)

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### Business & Home Loan Centre est. 1985

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## Investment Property Loans

When it comes to arranging a loan on an investment property, there are the **three main choices**.

### Standard variable rate or fixed rate investment loans

Most lenders will let you borrow up to **90 per cent** of the purchase price or valuation of an investment property. Lenders mortgage insurance may however be required if you borrow more than 80 per cent of the value. You then have the choice of deciding to take a variable rate loan or to fix all or part of your loan.

### Interest Only Investment loans

With Interest Only investment loans you **only repay the interest component** of the loan - not the principal.

**Terms** are normally from **three to five years** and the principal is repaid in full at the end of the loan term. Because borrowers only repay the interest component, interest only loans have **lower repayments** than principal and interest loans. This is **attractive to investors** as only the **interest portion of a loan is tax deductible**.

### Equity home loan

An equity home loan gives you a **line of credit on your mortgage** up to an approved amount. The loan can be taken in full or in stages, making it particularly useful for property investing as you only **pay interest on the loan amount drawn down**.

If you already own your home, you can **borrow against the "equity"** you have accumulated. Equity is simply the difference between what your property is worth and what you owe.

For example, if you have \$100,000 to pay off on a home worth \$500,000, you have \$400,000 worth of gross equity. This is **normally scaled to 80%** of the property value to work out the net equity that lenders use to lend against. In this instance there is \$300,000 of net equity.

At **bhome.com.au**, we would look to provide you with an **excellent choice of investment property loans** to ensure that you achieve a low interest rate and that your costs are kept to a minimum.

### Investment Property Information

The **most popular form of investment** amongst Australians is the **residential property - flats, townhouses and houses**. Others investments



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to find the best  
investment that suits  
your needs."*

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include offices, commercial property (like factories) and retail property. These different sorts of property often produce similar returns but it is unwise to believe that they have similar characteristics. If you are venturing outside housing for the first time for investment purposes, make sure that you understand the details of the new market and obtain expert advice if necessary.

|

### **Property Management**

Most investors, handle their property management through a real estate office who arranges for rent to be collected, fixes minor repairs and provides a useful summary for tax purposes at the end of the year - they generally charge between 7 and 10 per cent of the annual rent for this service.

### **Gearing**

The costs associated with investment property are allowable tax deductions.

**Negative gearing**, a common deduction, is possible when the **rental income** does not **fully cover the property expenses**. With negative-gearing **you only make money** when the **net capital value** of the property **increases** by more than the net negative out-goings. This is fine in a buoyant market, but can be disastrous in a down market.

It is also important not to forget **capital gains tax** - the tax payable on the increase in the value of your property between when you bought it and when you sold it.

**If uncertain, seek advice.**

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