



# Frequently Asked Questions Split Loan for Eligible Customers

## Overview

Buying a home, whether an established one or newly built, is one of the most important purchases you will ever make. Indigenous Business Australia (IBA) may be able to assist you to make your dream a reality by providing you with a housing loan and practical advice.

IBA housing loans are available to those Indigenous Australians and their families buying their first home who are unable to obtain all of the required housing loan funds from a commercial lender (bank, credit union or specialist lender). Indigenous Australians who are eligible to borrow a portion of the funds from a commercial lender to buy their first home may be offered a split loan by IBA for the balance of the funds required.

An IBA split loan is a housing loan where IBA customers are required to borrow some of the loan funds needed to complete a home purchase from a commercial lender. The remainder of the loan funds are borrowed from IBA.

IBA offers to its customers split loans so that:

- more Indigenous Australians will be able to take advantage of IBA's Home Ownership Program to buy their own home;
- the waiting time for an IBA housing loan is reduced; and
- more Indigenous Australians will be provided with the opportunity of establishing a relationship with commercial lenders which can offer a broader range of financial products tailored to meet their needs or goals.

## Frequently Asked Questions

### Q What is an IBA split loan?

A An IBA split loan is a basic "no frills" housing loan. This is different to a loan from a commercial lender, whose housing loan products have more features and benefits. Also, commercial lenders are generally in a better position to help you with your other day-to-day financial needs (for example, daily transaction and investment accounts, debit cards and home insurance products).

### Q Why do I need to borrow some of the required loan funds from a commercial lender?

A IBA housing loans are only available to Indigenous Australians and their families who cannot obtain some or all of the required loan funds from a commercial lender. However, for those customers who are eligible to obtain some of the required loan funds from a commercial lender IBA will only lend a portion of the required funds through its split loan product.

### Q Which commercial lender should I use? Is there a particular commercial lender that IBA can refer me to?

A You choose the commercial lender that is most suitable to your needs. Once you have decided on a commercial lender, IBA will work with it to assist you with the financing of the purchase of your home.

### Q How much can I borrow from IBA?

A This will depend on your income and the financial commitments you have at the time you lodge a housing loan application (after being invited to do so by IBA) as well as the purchase price of the home. Once IBA conducts an assessment of your loan application, a Preliminary Assessment Letter will be sent to you which will advise on how much you can borrow.



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## Q How much do I need to borrow from the commercial lender?

A IBA will advise you how much you will need to borrow from the commercial lender of your choice. The Preliminary Assessment Letter you receive from IBA will detail this for you. How much your commercial lender will lend you will depend on a number of factors including your income and its overall assessment of your loan application that you lodge with it.

## Q Will I have two loan repayments?

A Yes you will, but the payments will be made by automatic deduction from your bank account which will make this a smooth process.

## Q Does that mean I get charged two lots of fees?

A Currently IBA does not charge a loan application fee or a professional fee to prepare mortgages for new loans. However, IBA will request that you pay for the costs it incurs on your behalf in establishing your loan with IBA, such as the property valuation, building and pest inspections costs and state levied duties. Your commercial lender may charge you fees for establishing your loan with it and you should negotiate the amount of any fees and charges with the commercial lender prior to accepting a loan offer.

## Q Do I have to have a fixed or variable interest rate with the other lender?

A You can choose either a fixed or variable interest rate with the loan you take out with your commercial lender. Interest rates can go up or down depending upon a range of economic factors. You need to carefully consider which option to choose.

If you are unsure about which product to choose, you should discuss it with a financial advisor.

## Q How will the interest rate on my IBA loan be calculated?

A The interest rate for an IBA split loan is set at a fixed rate of 4% p.a.<sup>1</sup> for the first three calendar years which thereafter will increase by 0.5% annually on the 1st of January until it reaches the IBA Home Loan Rate.<sup>2</sup>

## Q What do I do once I have chosen a commercial lender?

A You will need to lodge an application with your chosen commercial lender so that they can assess your loan requirements. Your IBA Lending Officer will provide you with assistance wherever possible.

## Q What happens if I can't get a loan from a commercial lender?

A If you are refused a loan by a commercial lender, make sure you obtain this in writing then get back in contact with your IBA Lending Officer.

## Q What do I do if I want more information and I want to talk to IBA?

A Call 1800 107 107\* (then select option 1) to talk to a Lending Officer. Or, if you have already received a letter from IBA, call the local number provided in that letter.

Please note: Before taking up any home finance with IBA and / or another lender it is recommended that you seek independent financial and legal advice.

1. This rate is effective from 1 July 2009 and is subject to change.

2. The IBA Home Loan Rate as at 15 October is 4.25% p.a. and is subject to change.