RESOURCE GUIDE

RHL RESULTS HOME LOANS

Home Loan Securities

Acceptable Forms of Security

The most common and acceptable forms of security for a home loan include:

1. Residential Property
   a) Fully Detached House
   b) Apartment or units
   c) Townhouses
2. Investment Property
3. Vacant Land
4. Homes to be Built
5. Equity in Existing Property

Non-standard or Specialized Securities

Non-standard or specialized securities, while less common than traditional residential properties, can sometimes be acceptable to certain lenders. These securities typically come with stricter criteria and conditions. Here are some examples:

1. Rural Properties
2. Commercial Properties
3. Mixed-Use Properties
4. Holiday Homes or Short-Term Rental Properties
5. Specialty Residential Properties
6. High-Density Apartments
   Multiple Dwellings in 1 Title
   Tiny House

Important Considerations

Loan-to-Value Ratio (LVR): The LVR is a key consideration for lenders. It represents the ratio of the loan amount to the appraised value of the property. Higher LVRs typically require lenders mortgage insurance (LMI).

Property Valuation: Lenders will require a professional valuation of the property to determine its market value before approving it as a security.
Property Condition and Location: The condition and location of the property can affect its acceptability as security. Properties in good condition and in desirable locations are more likely to be accepted.

While traditional residential properties are the most common form of security for home loans, various non-standard or specialized securities may also be acceptable to some lenders under specific conditions. These alternatives often involve more complex evaluations and tighter lending criteria.

Example Scenario:

We had clients who purchased a vacant land in Selby with the intention of relocating their tiny home onto it. Initially, they had secured pre-approval from a specific lender and paid a $2,000 holding deposit.

However, after this initial step, the lender required a 20% deposit, which our clients were unable to provide. In response, we sought out alternative lenders who were willing to accept vacant land with a tiny house as a security for a home loan.

Despite the prevailing trend at the time, where most lenders only considered the land as security, we successfully secured a loan for our clients through a different lender.

Recently, due to the increasing demand for financing options for tiny homes, a few lenders have begun to reconsider their policies and are now open to considering tiny homes as viable securities for home loans.

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