

NORWEST-FINANCE

“Low Doc Loans”



The traditional way of getting a loan by showing your income and proving your ability to repay the loan no longer apply. Because of increasing job flexibility and a growing trend of self employed people, most lenders have come up with Low Doc & No Doc products.

Low Doc is a service that allows you to get finance without the need to prove your income. There is still many people however that have questions about low doc finance. What

does it mean, what do I need & what can I leave out, what are the conditions, etc. With this paper, we aim to help you understand the ins and outs of Low Doc and No Doc.

WHAT IS LOW DOC?

A Low Doc loan is a loan which requires less documentation in relation to income. With most Low Doc loans, you do not need to provide financial (tax returns, pay slips, business financials, ...). Instead, you state your income on a declaration (usually called self certification form) and sign that you understand the financial commitment you are taking on. Obviously, this is a much easier way to get all your loan documentation ready.

WHAT IS NO DOC?

A No Doc loan is very similar to a Low Doc loan. No financial (tax returns, pay slips, business financials, ...) are required. Where it differs from Low Doc is that you state that you can afford the loan repayments, without making an income declaration.

WHY APPLY FOR A LOW DOC/NO DOC LOAN?

The Low Doc loans were initially designed for self employed people that have a complicated income structure or that are after finance whilst their financials are not up to date yet. Rather than going through the painful exercise of getting all financial papers of the business organised and of to the lender, you could sign a statement, declaring your income or ability to make payments.

And that is still the majority of people that apply for Low Doc/No Doc. But, in more recent years it has also become popular with property investors and even in some cases employed people. It is now accepted (by a few lenders) there are many reasons why it is sometimes hard to prove income and so the doors have been opened to all types of applicants.

WHAT ARE THE DOWN SIDE(S) OF LOW DOC/NO DOC?

As mentioned above, a Low Doc/No Doc loan makes getting your paperwork ready much easier. However, there are some aspects you need to be aware of when applying. Here are features that can be different compared to Full Doc.:

1. The maximum LVR is normally capped at 80% under Low Doc. (No Doc app. 70%)
2. Mortgage insurance is usually payable from 60%



LVR (80% with Full Doc)

3. The income you state **can be used by the ATO** as your taxable income.
4. A higher interest rate might apply to Low Doc/No Doc.

Having said all of that, not all lenders place all those restrictions on their Low Doc/No Doc products. Or specials will come from lenders that overrule their standard policy and provide excellent Low Doc offers for a limited time.

I HAVE MORE QUESTIONS, WHERE DO I GO?

We understand this paper will not answer all your questions. Finance is a very complex industry and there are many (many) lenders, all specializing in different types of finance. To know who can do what, how quick etc. takes a professional. Someone that works with the lenders every day and knows where to get you a solution. So call us and let us help you.

For more information on Low Doc & No Doc lending, please contact us

NORWEST FINANCE – Phone (Free call) 1800 7LOANS (1800 756267)

Email: lowdoc@norwest-finance.com.au

Fax: 02 8572 6087