

Factors to consider when getting a

HOUSE LOAN

FOR variable loan rates, assess whether you can afford the loan when reference rates (e.g. base lending rate) are revised upwards since interest rates are generally pegged at a margin above the reference rates of banking institutions.

■ **Loan packages that offer flexibility in repayment** and ability to redraw surplus money repaid are generally more expensive. Assess whether you can truly benefit from the flexibility before you make a decision.

■ **Loans with zero entry / moving cost will ease your initial cash flow as banking institutions will finance the fees and charges**, such as legal fees, stamp duties and disbursements fees incurred. Such costs are ultimately borne by you. Assess whether it is more economical to fund the entry/moving cost yourself or obtain the funding from banking institutions.

■ **Most loan packages have a lock in period for the loan**, this is the minimum period you need to maintain your loan with the banking institution them without being subject to any penalty.

■ **Find out details** on these so that they may not affect your overall financial planning if you decide to settle your loan in full in advance.

■ **In looking at interest rates**, do not look purely at the initial special deal as you could be paying more interest even though the initial interest was low.

■ **You should get details when the first-year rate begins**, e.g., whether it is from date of offer letter

or date of first drawdown of the loan, as this will effect the duration where you can enjoy the lower rates.

■ **Some banking institutions provide the option to start principal repayments** even when the house is under construction which would result in interest savings. Negotiate with your banking institution, consider this option if you wish to start your repayment immediately.

■ **For refinancing of loan, you should assess whether savings from lower interest rate is enough to compensate you for all the costs related to refinancing**, e.g., processing fees, legal fees, stamping and transfer fees, as well as penalty charges.

■ **Find out whether there will be any administrative fees imposed on your loan account** during the tenure of the loan as any fees

imposed will increase your borrowing cost.

■ **You also need to consider service quality factors**, such as whether the banking institution is professional in dealing with customers, the quality of service and the ease of remitting your monthly installments.

