

What is Security Substitution?



Can I keep my loan if I swap my home?

Yes! You can swap the security on your current loan from the property you've sold to the one you are purchasing.

If you have an existing mortgage and looking at buying and selling at the same time you should consider security substitution/ loan portability, rather than paying out the old loan. It can be as simple as changing the security of the loan from one property to another – the loan effectively remains open at all times.

Why this might work for you



- You don't need to go through an assessment process, for example, provide payslips, bank statements, etc. This can be helpful if your financial circumstances have changed recently.
- Your current loan may be on a fixed rate and if you were to discharge it you may incur significant break fees.
- If you have paid mortgage insurance on the original loan, this remains the same so you don't have to pay it again on a new loan.

It is ideal to have the old property and the new purchase property settle simultaneously on the same day, however, if you have not purchased your new property before selling, the original loan can stay open secured by a term deposit or other form of cash deposit using the funds from the sale to cover/secure the loan balance.

Simultaneous settlement



The existing home loan functions as usual and you will be required to continue to make monthly repayments. You cannot access these funds while they are being used as security for your home loan. At the time of settling the new property, these funds would form part of the settlement money and the bank would then take security over the new property.

Other things to consider



- In most cases, lenders will require a valuation on the new property to verify there is adequate equity for the loan that is to be ongoing.
- The costs on the purchase of the new property i.e. Stamp Duty, Legal fees, Agent fees, usually Loan Portability fees, still apply.
- The loan-to-value ratio would have to remain at 80% or below. Possibly 90% if the original loan was mortgaged insured.
- The structure of the loan cannot be changed. Getting your head around security substitution can be a bit tricky but can be very useful in some situations.

Please note, not all lenders will offer security substitution, and there are only a few who allow you to transfer the loan from property to a savings account or term deposit. This means with most lenders, you need to transfer the loan directly from one property to another.

If you would like to discuss security substitution for your situation, click on this [link](#) to book a time to chat.



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