



# FACT SHEET



## Lo Doc & No Doc Loans

These loans are primarily used by, but are not the sole domain of the self – employed.

### LO DOC (NO PROOF OF INCOME)

Lo Doc (or Low Doc) loans require no proof of income in the traditional sense (tax returns, payslips etc). This saves the borrower the hassle of working through pay slips, tax returns and other documents when applying for a home or investment loan.

Usually a borrower will complete and sign an income declaration form with the standard home loan application. The declaration will either state the borrower earns a certain amount or that the borrower can afford the loan applied for. Some lenders may phone your accountant or receive a letter from them stating you can repay the loan.

### TYPES OF LO DOC LOANS

There are varying products a Lo Doc Loans come in varying forms:

- Variable Rate
- Fixed Rate and
- Lines of Credit
- Credit Impaired

### MORE EXPENSIVE

Lo Doc Loans are usually (though not always) slightly more expensive than traditional loans due to the higher risk profile.

### MORTGAGE INSURANCE

Some Lenders require the borrower to pay mortgage insurance if the Loan to Valuation Ratio (\*LVR) is more than 60%. Some lenders absorb this cost and the borrower pays for it by way of an increased interest rate.

*\*For more information see the "Mortgage Insurance" Fact Sheet*

### RISK ASSOCIATED WITH LO DOC LOANS

Provided you have advised your lender and your broker with accurate information Lo Doc borrowing is a legitimate way to borrow money easily.

### Australia Tax Office Audits

**If requested all lenders are required to open their files to the for ATO Audits.**

**Some clients who overstate their income have been identified by the ATO in these audits. If you wanted to know more please refer to the "ATO Lo Doc" Fact Sheet or visit the ATO at [www.ato.gov.au](http://www.ato.gov.au)**

### NO DOC

No Doc loans not only require no proof of income they don't require the borrower to disclose their assets and liabilities. This loan is also known as an "asset lend" as the lender is purely lending on the basis that enough security is held. Generally the lender will lend a smaller percentage against the security property and charge the borrower a slight premium on the interest rate.