

CHOICES



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News from...

ANTHONY MUIR



Principle / Mortgage Broker

The times, they are changing.

In the last few months, we've seen many lenders make some significant changes to their investment lending policies.

Why? The simple answer is because they have to.

At the end of last year, the Australian Prudential Regulation Authority (APRA) made it clear that it wanted Australia's lenders to reduce their level of investment lending growth, and in order to do that, some lenders have had to tighten their investment lending policies.

So what does this mean for potential investors? Many lenders have raised their interest rates on new and existing loans so if you already have an investment loan, it's important to speak to your Mortgage Choice broker.

At Mortgage Choice, we can help you navigate your way through these potentially confusing changes and help you find the product that suits your needs from our wide choice of lenders. Best of all, we will do all of the legwork at no cost to you, so you don't have to worry about a thing.

The information provided in *Choices* is for general education purposes only and does not constitute specialist advice.

☎ 07 5504 5569

✉ info.bundalli@mortgagechoice.com.au

🌐 www.MortgageChoice.com.au/antony.muir

42 Bundall Road, Bundall, QLD 217

Mortgage Choice Limited ACN 009 161 979. Australian Credit Licence 382869.
Mortgage Choice Financial Planning Pty Limited ACN 158 645 624, AFSL 422854.

Rein in high interest debt?

Are you feeling stressed by a few credit cards that you never manage to fully pay off, or by a car or personal loan?

Thankfully, there are a few easy things you may be able to do to better manage debts and reduce your stress levels, including:

- **Pay the highest rate first:** Focus on getting through your most expensive debts one at a time. But don't forget to pay at least the minimum amount on all of your debts to avoid additional fees and charges.
- **Review your accounts:** If it's been more than 12 months since you shopped around, you may not be in the best account for your needs. Researching what else is available may help you find accounts with lower interest rates and more features that could work harder for you.



- **Debt consolidation:** Consolidating debts into an existing mortgage could help reduce the amount of interest you are paying and may make your entire financial situation more manageable. The money you then save on your short term debts can be filtered back into your mortgage to help you pay it off faster.
- **Consider how you structure your finances:** Setting a budget is the best first step to getting out of debt, and it will also give you a chance to see if you are making the most of your money. If you have an offset account attached to your mortgage that you're not regularly using, you may find you are able to pay down your debts faster just by using your offset account more wisely.

When debts pile up, it is not uncommon to feel stressed about paying them off. Talk to us about how we can help.

A change has come

Australia's lenders have made some sweeping changes to their investment lending policies of late, so what do these changes mean for you and your property investment plans?

In December 2014, the Australian Prudential Regulation Authority (APRA) announced it would cap investment lending growth at 10% for all lenders, in a bid to curb the recent surge in investor activity.

Months later, Australia's major lenders started to implement various pricing and policy changes in order to meet their cap and stem investment lending growth.

As part of the changes, some lenders have restricted the amount of money they will lend to investors, while others have made it more difficult for buyers to prove they can service their loan.

So what do these changes mean for you if you are thinking of investing in property?

In theory, these changes should make it harder for potential investors to obtain finance to fund their property investment purchase. In reality however, if you already have other investment properties or an owner occupied home that you can use as leverage, you should have no problems obtaining finance.

If you don't have other properties, you may find (depending on the lender you go with) that you have to have a 20% deposit. Of course, not all lenders have this rule, so you may find you can still fund an investment property with a much smaller deposit.

OF COURSE, IF YOU ARE THINKING ABOUT TAKING ADVANTAGE OF THE CURRENT ENVIRONMENT AND INVESTING IN PROPERTY, IT IS WORTH CONSULTING WITH A PROFESSIONAL

What do the changes mean for existing property investors?

If you already have an investment property, you may find you soon (depending on your lender) have to pay a higher interest rate as some of Australia's banks have increased the interest rates on their investment loans.

Despite all of the changes being made to investment lending, a recent Mortgage Choice Investor survey found the vast majority of potential and current investors (54%) won't let them affect their future property investment plans.

Of course, if you are concerned about how the changes may affect you either now or in the future, it pays to speak with a professional.

At Mortgage Choice, we have access to a wide choice of lenders and hundreds of products, so we can help you navigate through the current investment lending changes to find the right lender and loan for your needs.



YOUR QUESTIONS ANSWERED

What is an offset account?

An offset account is an everyday account linked to your home loan. At the time your home loan interest is calculated, the balance in this account is considered a deduction from your home loan principal. As a result, the interest charged to the loan is reduced, without you making additional repayments.

Let's say for instance, your loan is worth \$300,000 and you have \$20,000 in the linked account. The daily interest charge will be based on a loan of \$280,000 (\$300,000 less \$20,000). For every day that you have money in your offset account, your interest charge for the loan will be reduced.

The value of an offset account can then have a snowball effect. Because your regular repayments remain the same, more of this payment goes towards reducing the loan principal, helping you pay off the loan sooner.

How can you make the most of your offset account

- Set up your salary to be deposited directly into your offset account.
- If you're saving for something such as an overseas holiday or a new car, keep this money working for you until the day you need it by saving it in your offset account.
- Use a credit card for everyday purchases and make the most of the interest free period. Just make sure you pay the balance off in full each month to avoid fees and charges.
- Consider if a savings account is still right for you. Usually, the interest you save through your offset account will be worth more than the interest you earn on a savings account and you may also save on taxation by not actually earning any interest. Plus, your money won't be locked away for a fixed term.

TIP!

If you have a high interest debt, like a credit card, it may be wise to focus on paying down the balance before holding cash in the offset account.

FOR TAILORED ADVICE ON WHETHER AN OFFSET ACCOUNT IS BEST SUITED TO YOUR NEEDS AND HOW TO MAKE THE MOST OF IT, CONTACT US



Considering going guarantor?

There are unexpected highs and lows when agreeing to become a guarantor.

High property prices are seeing some first home buyers turn to parents and close relatives to act as a guarantor for their loan. It's an option that can help them get into their first home sooner – but it also brings considerable responsibilities and risks.

Having a guarantor can offer several benefits for first home buyers. It's especially useful for borrowers with a small deposit as providing a guarantor can potentially mean avoiding or reducing the cost of Lenders Mortgage Insurance.

However it's important to realise that as a guarantor, you effectively offer to take on responsibility for the home loan if repayments can't be met. So it's not something to take lightly. It pays to consider how you would cope financially if the unexpected happens, and the lender turns to you to make good on the loan. Your own financial wellbeing could be compromised – at worst, you could risk losing your own home.

Some lenders allow guarantors to impose a limit on the sum they guarantee. And, over time, you may be released from your role as guarantor as the loan is paid down or as the home equity rises.

Even if you are comfortable that the borrower is well-equipped to manage a home loan, it's still worth making a realistic assessment of their financial track record and job security. You need to be absolutely clear on the extent of your responsibilities and understand any potential risks you have as a guarantor.

ALTHOUGH THERE CAN BE RISKS INVOLVED WITH BECOMING A GUARANTOR, THERE ARE A NUMBER OF WAYS YOU CAN PROTECT YOURSELF. IF YOU'RE THINKING OF BECOMING A GUARANTOR, SPEAK WITH YOUR MORTGAGE CHOICE BROKER ABOUT WHAT IS INVOLVED



Budgeting for a big occasion

Enjoy your special event without burning a hole in your hip pocket.

If you're saving for your first home, learning to live with your current mortgage or saving for a special occasion, a household budget can be a valuable tool. And with the holiday season around the corner, it's a great opportunity to take a fresh look at your budget and see what is achievable for you.

It's time to ask – Do you really know where your money goes?

A budget lets you track where your money is going, identify areas where you could cut back, and provide spending limits for any big occasions. By taking a sensible, planned approach, you can start to build towards your future rather than becoming weighed down with high interest credit card debt.

Budgeting...easy as 1,2,3

- 1 Identify all your after-tax income.
- 2 List your total spending. Keep a spending diary for a week or two to identify day-to-day expenses. Use account statements to pinpoint annual costs like car rego.
- 3 Subtract total spending from your overall income.



TIPS FOR BUDGETING

- 1 **DESIGN A BUDGET THAT LETS YOU HAVE FUN**
The key to budgeting is moderation. Planning for the fun things will help you live within your means and stay on track to achieving your goals.
- 2 **BE REALISTIC**
Underestimating your budget can easily put you in the red. The end of the year is the perfect time to look back on your year's expenses if you've just prepared them for tax time so you can see exactly what you spent.
- 3 **PLAN FOR THE ONE OFF EXPENSES**
A friend's wedding, a big birthday, Christmas. Don't forget to account for big one off expenses that you know are coming and include them in your budget.
- 4 **ALLOW SOME WRIGGLE ROOM**
Life can sometimes bring unexpected expenses. Plan for a little bit of wriggle room and ensure that you're reviewing your budget annually (at least).

TAKE A LOOK AT THE BUDGET PLANNER ON THE MORTGAGE (HOICE) WEBSITE TO WRITE UP YOUR BUDGET.
[MORTGAGE\(HOICE\).COM.AU/BUDGET-PLANNER](http://MORTGAGE(HOICE).COM.AU/BUDGET-PLANNER)



Creating an oasis at home

Comfort is key when creating an oasis in your outdoor space at home.

For an outdoor room to work it has to feel as comfortable as your living room. A sparsely furnished corner of the garden, courtyard or patio is not going to do the trick. Furniture has to 'feel' good to the body and 'look' pleasing to the eye to induce a sense of luxury and comfort. You would never decorate your living room with plain timber or metal furniture, so why do that outdoors?

Decoration is the finishing touch that makes all the difference to the outdoor experience. Whether it's for alfresco dining or an outdoor conversation setting around a fire-pit, the way the furniture is arranged will affect how easy the space is to use and how good it feels to spend time in. Lots of outdoor furniture is built for comfort these days and guests will find it easier to settle in if the built-in bench has a soft cushion to sit on.

Fine tune the mood with soft, lamp lighting, or scented candles in hurricane lanterns. Have a lidded basket handy which contains cosy throw rugs to snuggle up with your loved ones around the fire-pit.

Think of your outdoor room as a 'growing investment'. Just like your kitchen and bathrooms, it has become just as important to renovate your backyard to add value and lifestyle to your property. Once you start thinking this way about your outdoor space, I am sure more ideas will come to you of how you can create an oasis at home, with a feeling of intimacy, luxury and comfort.



Jamie Durie

*Award-winning designer, author
& environmentalist*





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Authorised under permit numbers NSW LTPS/15/06009, ACT TP 15/06875, SA T15/1348. Competition starts 31 August 2015 and ends 31 January 2016. Draw 4pm AEST on 15 February 2016 at Salmat Digital Pty Ltd, Level 2, 116 Miller Street, North Sydney NSW 2060. Winner notified on 16 February 2016 by email. Visit mortgagechoice.com.au for full details. Mortgage Choice Limited ACN 009 161 979. Australian Credit Licence 382869. Level 10, 100 Pacific Highway, North Sydney NSW 2060.

GOLD COAST HOUSING MARKET KEY STATISTICS

Statistics	Houses	Units
Median sale price	\$605,067	\$359,338
Change in median sale price (12 mths)	6.6%	1.4%
Change in median sale price (3 yrs)	14.4%	1.6%
Change in median sale price (5 yrs)	3.0%	-8.6%
Median asking weekly rent	\$518	\$388

Source: CoreLogic RP Data Suburb ScoreCard, Corporate Edition, August 2015 (all data is to May 2015). All figures are current and based on data available at the time the report is published. Figures are indicative only and subject to revision.

Housing market outlook

The annual rate of home value appreciation continues to surge higher across Australia, with dwelling values up 11.1% over the 12 months to August.

Sydney continues to be the standout performer, with the capital city recording growth of 18.4% over the last year.

But while growth conditions in Sydney (and to a slightly lesser extent Melbourne) have been extreme, the remaining capital cities continue to see milder rates of growth. The third highest capital gain across the nation's capitals was recorded in Brisbane, where values were 3.9% higher over the past 12 months. At the other end of the spectrum, Darwin values have fallen by 5.3%.

One of the factors driving values higher in the largest cities is the short supply of homes for sale. In Sydney there are approximately 18,150 property listings, which is below average.

Conversely, in those cities where the housing market is weakening, listing numbers have shown a consistent rise.

With listing numbers low and market demand high in Sydney, buyers have been faced with some urgency in their decision making, which is driving prices higher.

The cumulative effect of tighter lending conditions, more expensive mortgage rates for investors, and affordability constraints, should dampen the exuberance we have seen across the Sydney market.

Source: Tim Lawless, CoreLogic RP Data

The best compliment you can give us is to refer a friend



Do you know someone thinking about getting a new home, car or personal loan? If you've been happy with our service, **please pass on our contact details**. We'd love to help!

Why choose Mortgage Choice?

We care about helping Australians afford to live the life they want to. Did you know Mortgage Choice can help you with more than just your home, car and personal loan needs? If you're after insurance or want some direction with financial planning, our specialists are here to help. We can even help you with the financial needs of your business.



CONTACT DETAILS

☎ 07 5504 5569
✉ info.bundall@mortgagechoice.com.au
🌐 www.MortgageChoice.com.au/antony.muir
42 Bundall Road, Bundall, QLD 4217

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