

# Mortgage News

Your guide to mortgages, finance & property

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## Strategies for spotting a property lemon

Not knowing how to spot a property lemon can turn the sweetness of owning your own property into a sour experience.

Unfortunately when it comes to spotting a lemon, signs such as insect holes or water affected walls will be hard to recognise if masked with a fresh lick of paint.

While the best way to safeguard against buying a dud property is to have a comprehensive building inspection performed by a qualified professional, there are some warning signs that should flash up on every buyer's radar.

Not every property is built on solid foundations and cracks in the walls are a tell-tale sign that there may be serious problems with the property.

If you spot a crack that is wider than the width of your fingernail, or the bricks are out of alignment, then this could signal a major structural issue.

When inspecting a property's structure always take an extra pair of eyes along with you as your chances of locating any hidden defects are doubled.

There are also other senses that should come into play when it comes to unearthing potential problems.

If the property smells damp and musty there is the possibility of potential plumbing issues, such as leaking pipes.

Prodding around toilet, shower and sink areas should reveal any soft spots hidden from view that may conceal leaks.

And a ceiling with bulges could hide a multitude of sins, so be sure to check every room.

By shining a light on the ceiling situation you can uncover most issues, like mould or roof leaks.

And sure fire sign of potential pest trouble is bubbling paint, wood powder or crumbling timber around door and window frames.

Lastly, if the property looks like it's been renovated make sure you can be sure that these improvements were done in accordance with council regulations.

This is vital because if improvements have been done illegally then you'll be responsible for bringing them in line with industry standards – and that could prove very expensive.

For more on the hidden costs of buying a lemon, check out *5 repairs that will burn a hole in your pocket* in this issue.

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# Mortgage reduction strategies

Make your dream of debt free home ownership a reality with a few simple mortgage reduction strategies.

The longer you take to pay off the principal amount you have borrowed for your home the more interest you will end up paying – it therefore makes sense to try and put a dent in your mortgage as quickly as possible.

Mortgage reduction is much easier and less painful than most people think, and with a few simple steps you'll be sure to drive your mortgage down.

## Review your home loan

With the home loan wars running hot, lenders are now offering heavily discounted loan packages to win over your business.

Ensuring that your home loan still offers a competitive interest rate could save you thousands of dollars over the short, medium and longer term. However be sure to give us a call for advice on the most appropriate product for you and any fees or costs that are associated with switching before jumping ship.

## Increase your repayment frequency

Changing from monthly to fortnightly repayments is the safest and most effective mortgage reduction strategy.

By paying fortnightly you are effectively making a total of 13 monthly repayments over the course of a year, giving you one month's extra repayment every year.

At first glance this figure may not seem significant but you could essentially wipe more than 4 years off the life of a 25 year loan term and save tens of thousands of dollars should you engage this simple strategy.

## Make lump sums

Whether you've just received a tax rebate, Christmas bonus or an inheritance, use every opportunity to drive down the principal amount of your mortgage. The more cash you drive into your mortgage, the earlier you'll repay your loan.

And remember, if necessary, you can usually release any additional repayments from your home if you have to unlock those extra dollars at some stage in the future.

# Avoid the holiday hangover

There's no doubt that holidays help you achieve a better work/life balance but while it's important to get away, coming home to financial strain will be a burden.

But with the right approach you can treat the family to a well-deserved holiday without breaking the bank.

The journey begins with a frank assessment of your current financial situation. This will allow you to determine how much you can allocate to your trip, and how it will be spent.

Start off by lining up your credit cards and totting up how far you're in the red. Then look at any store cards, furniture finance and other debts that need servicing.

It's also important to look at any upcoming bills and expenses such as school fees, car rego or council tax that are likely to hit your hip pocket in the next six months.

Taking such a stark view of your finances may be unsettling but your financial commitments could come back to bite you if they are swept under the carpet for the sake of an over extravagant vacation.

Knowing where you stand financially will allow you to create a realistic and effective budget to be used for the trip.

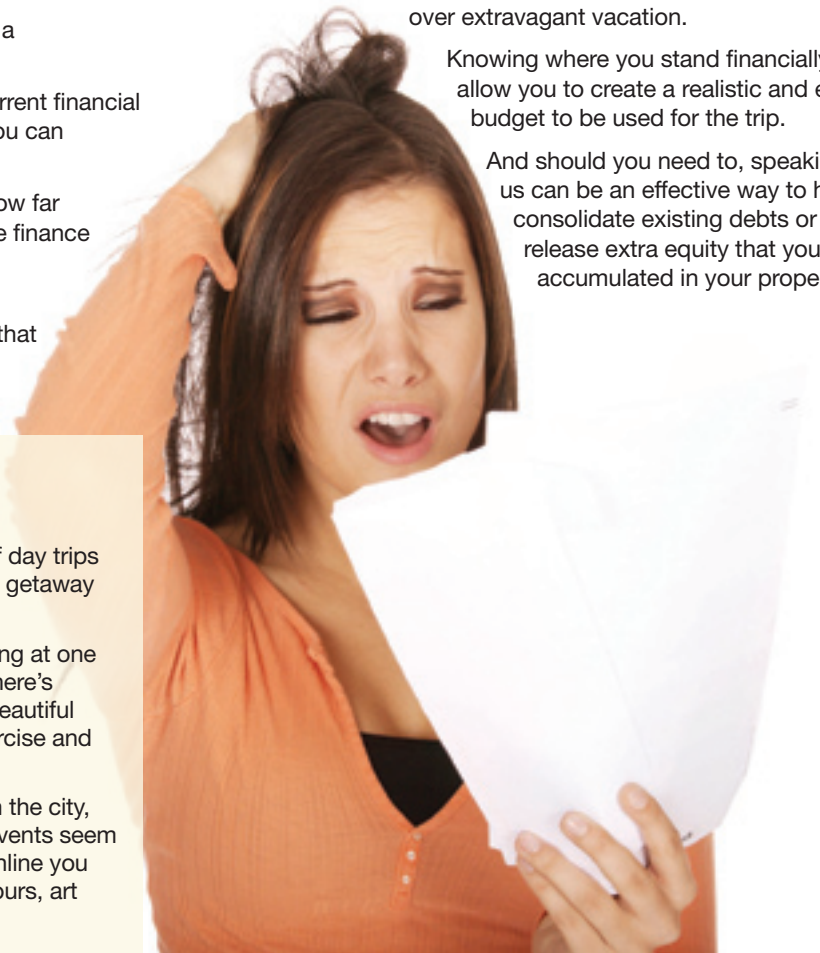
And should you need to, speaking to us can be an effective way to help consolidate existing debts or even release extra equity that you've accumulated in your property.

## Cheap tricks

If a holiday is out of the question, planning a series of day trips could be a cost effective solution. Here are few quick getaway ideas that'll keep the whole family smiling.

**The great outdoors** – Australians love the feel of being at one with nature and best of all it's a very cheap option. There's nothing better than a picnic or bush walk – and our beautiful national parks are everywhere. All the benefits of exercise and family enjoyment couldn't be easier.

**Hit the city** – There's always something happening in the city, so it's well worth taking a look at what's on. Annual events seem to run endlessly and with only a few minutes spent online you are sure to find hundreds of activities from heritage tours, art galleries, museums and festivals.



# 5 repairs that will **burn** a hole in your pocket



- 1 Wrecked wiring:** Blackened areas on power points can be the first indication of bad wiring. Re-wiring will involve hiring a professional, which can be a huge project and expense.
- 2 Fixing foundations:** This is a major undertaking that involves replacing shoddy stumps which hold up the entire house and can take months to execute.
- 3 Roof repairs:** A roof with faults can present a safety risk for the entire home. Expect repairs to climb into the thousands – worse still is a replacement!
- 4 Poor plumbing:** Problems to your plumbing will not only cause damage to your property it can also attract termites. Repairing issues, such as leaking pipes, especially in older properties, can end up being a financial burden.
- 5 Pest problems:** Expect your bank balance to take a big hit if your property is infested with pests. Ensuring they are eradicated once and for all can be a huge endeavour.



## Application assistance

Having your home loan approval delayed as a result of not having all your required documentation ready to go could end up costing a lot more than just time – it could mean losing your dream property.

Ahead of applying for your loan it is crucial that you get all your affairs in order so that your application will go through as seamlessly as possible when you find that perfect property.

An ID check will be one of the first things any lender will perform, so make sure you obtain a copy of your driver's licence or birth certificate and also have at hand copies of your Medicare Card, utilities bills or tax assessment notices as proof of identity.

Proof of saving and income will also need to be provided so that the lender can assess whether you have the means to service your home loan debt.

In addition, your credit record will have a huge impact on getting your loan approved so pay off any arrears or outstanding bills that have crept in before you approach a lender.

Your lender will require you to provide information regarding any current liabilities so get a hold of any HECS statements, credit card statements or other loan documentation you still owe.

You will also have to detail what your monthly expenses are, so take the time to calculate your expenses including what your rent, council rates and weekly travel costs amount to.

We are well geared to help you with every step of the home buying process – from identifying the best loan products, through to making an application. If you have any questions on the information you'll need to support your loan application please feel free to give us a call.

## Loan application documentation

What you'll need to supply with your loan application:

**Identity** – Includes drivers licence, birth certificate, passport, Medicare Card

**Income** – Includes pay slips, group certificates, bank statements

**Liabilities** – Includes HECS statements, lease agreements, existing loan statements, such as a car or personal loan

**Expenses** – Includes rent payments, bills, general living costs, rates notices

**Savings** – Includes bank statements, term deposit statements

# Economic wrap



The waters may have subsided, but the economic impact of the recent flood disaster is likely to be felt for some time.

Economists predict the Queensland and northern New South Wales floods will knock around one per cent off the Australian economy in the December and March quarters. However rebuilding should see at least half of this recouped by year's end.

Given the extent of the flooding, damage to public infrastructure such as roads, railways, bridges, electricity and water supply could easily top \$10 billion.

Yet until the true cost of the damage is calculated, economists widely believe the Reserve Bank of Australia (RBA) will keep rates on hold, which is good news for borrowers.

AMP chief economist Shane Oliver says the RBA will be more concerned with the negative impact the floods may have on economic growth than in increasing rates.

As such, he expects the RBA Board to leave the cash rate at 4.75 per cent until Q3, when positive inflation – generated by the mining sector – starts to push upwards.

At present, the mining boom remains alive and well. And, if anything, the boom is strengthening with the terms of trade continuing to rise. The impact is feeding through the economy via higher wealth levels and dividend payments,

higher employment, higher tax receipts and higher business investment.

Mining investment, which accounts for 4 per cent of Australian GDP, is set to add around 1.5 percentage points to Australian economic growth this financial year and 2.5 percentage points to growth for the 2011-12 financial year, according to ABS business investment intentions data.

Overall this suggests an environment of reasonable – albeit still somewhat disparate – economic growth, consistent with around 15 per cent profit growth.

So, while the floods may result in soft economic growth in the near term, from mid-year onwards there is a risk that the economy will start to overheat. This is a result of reconstruction following the floods and a boost in replacement spending by consumers combined with a surge in mining investment.

This will lead the RBA to resume tightening, which may result in the lifting of the cash rate.

With potential rate hikes towards the end of the year borrowers should now be thinking about how this will impact their capacity to meet mortgage repayments and what steps need to be undertaken to help relieve any stress.

Feel free to give us a call to discuss your situation – I'd be happy to run some scenarios and explore whether there may be a more appropriate home loan for your circumstances and financial goals.



**Tony Cottam and Rhonda Quinn pictured with 'just some' of the donations received for our inaugural Christmas Hamper Drive. These food hampers and children's toys were distributed to 7 needy families in the local community just prior to Christmas and were very much appreciated. A big thank you to everyone who supported us on this community venture.**

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