

# Mortgage *News*

Your guide to mortgages, finance & property

SPRING 2011



## Capitalising on a buyer's market

There are real opportunities awaiting home buyers and investors who are willing to take the plunge.

The property market has been relatively flat in some areas. We have seen prices soften across some segments and also new home sales fall.

With the number of listings soaring and fewer buyers around the traps, it is prime time for those armed with a sizeable deposit.

### Get your house in order

A buyer's market, in which the volume of property listings exceeds buyer demand, typically exists during periods of weak or negative consumer sentiment.

Understanding the right time to buy is key to successful investment, and while the risks may appear high, the likely returns can make buying a worthwhile decision.

With doubts surrounding the global economy beginning to wane and a possible

interest rate cut in the offing, now is the time to strike.

Many investors aim to capitalise on a market with fewer buyers actively in search of a new home as this puts greater negotiating power in the hands of those willing to buck the trend.

Investors and home buyers with a sizeable deposit behind them will have greater ability to influence the price of a property.

Even more important, buyers that have finance pre-approved can more quickly and with more authority negotiate with an agent, as they will know that you're a serious player and will therefore negotiate knowing an outcome can be realised.

If you'd like to assess your current borrowing capacity with a view to capitalise on the current market, and to arrange a mortgage pre-approval, give us a call today.

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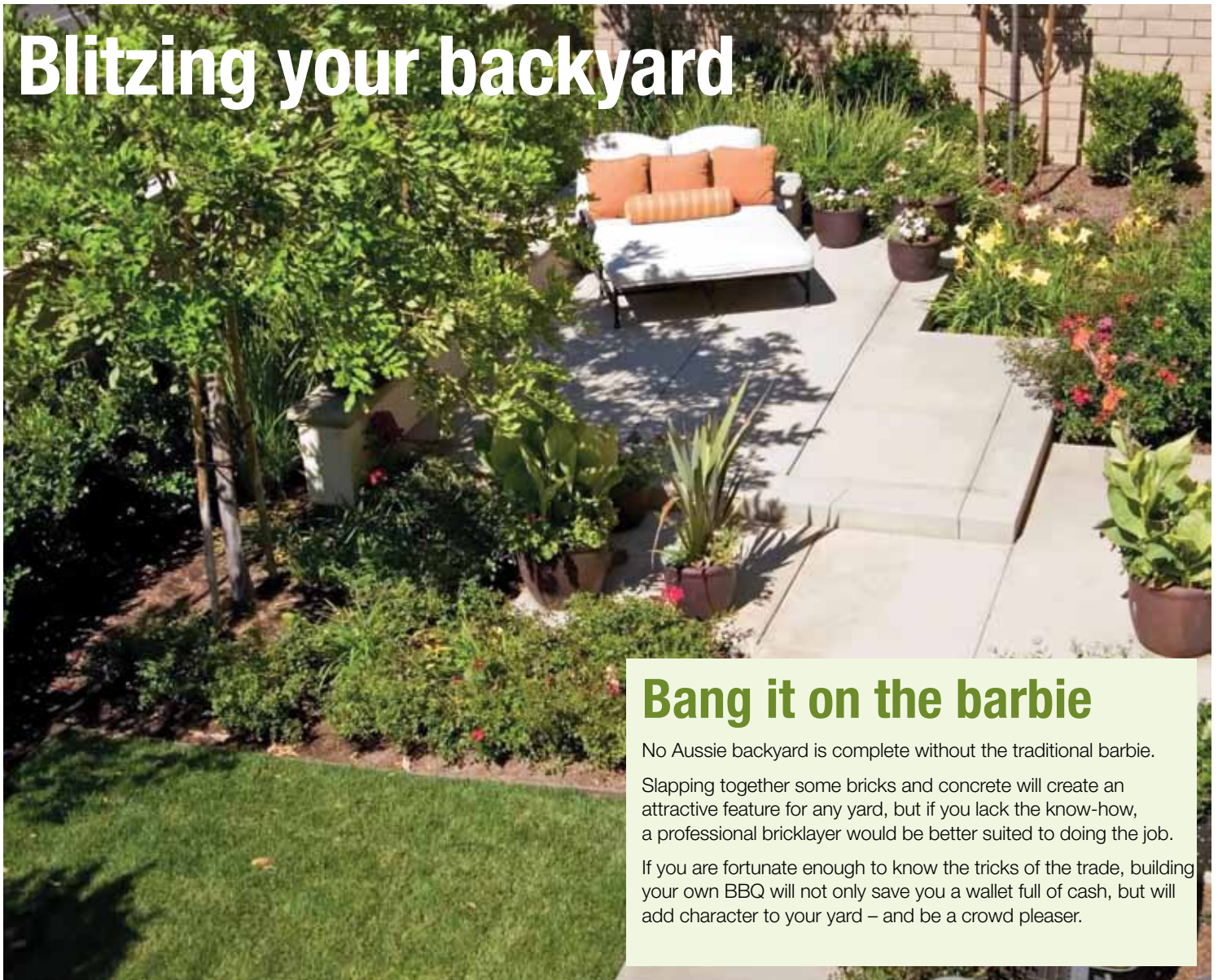
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information to  
help you make all  
the right choices.



# Blitzing your backyard



## Bang it on the barbie

No Aussie backyard is complete without the traditional barbie.

Slapping together some bricks and concrete will create an attractive feature for any yard, but if you lack the know-how, a professional bricklayer would be better suited to doing the job.

If you are fortunate enough to know the tricks of the trade, building your own BBQ will not only save you a wallet full of cash, but will add character to your yard – and be a crowd pleaser.

There's no end of TV shows dedicated to property renovation, but all too often they just concentrate on what's on the inside. What about what's outdoors?

Australians have a strong affinity with the great outdoors, so it should come as no surprise that the backyard often represents a focal point for many potential home buyers.

Whether you are fortunate enough to enjoy a modest backyard or prefer the simplicity of a smaller courtyard, there are plenty of ways to maximise the space available.

**Inside and outside design** – Choosing materials, textures and colours that complement or match your interior design is a sure fire way to connect the backyard to your home.

This does not mean you have to pull up the entire yard; rather, you need to effectively manage what you already have.

If you are new to the renovation game, sticking to natural lighting is your safest bet. Use dim colours wherever your garden is light and light colours wherever your backyard is dim.

**Using the space** – Add some flare to your backyard with striking features such as fountains, pebbles or landscaping stones.

A water feature will add a splash of class to any backyard, while pebbles and stone landscaping will add some extra colour and texture to your outdoor living space.

Keep in mind the layout and design of the backyard when selecting a feature item and always choose objects that make the most of the space you have.

**Jazz up the garden** – Spruce up the yard with some vibrant plants and bushes.

The types you select should, again, be determined by the layout and design of your backyard.

However, if you find that space is a concern, a raised garden bed will let you fit more plants into a smaller area. Potted plants require little to no space and are a worthy addition to all yards.

When choosing plants, keep in mind how much sunlight your backyard receives during the day as nothing looks worse than a neglected garden.

**Outdoor living** – After you've spent many hours improving the garden and lighting up the yard, it makes sense to create an area where you can sit back and enjoy your hard work.

Unfortunately, outdoor living areas don't come cheap, but there are ways to avoid the financial strain.

Large umbrellas can provide shade and shelter at one quarter of the cost of a gazebo. Moreover, stylish outdoor furniture can be found at most local hardware/gardening stores so be sure to shop around and grab yourself a bargain.

If you're looking to spruce up the backyard with some solid landscaping, keep in mind you may be able to draw on some of the equity built up in your home to finance the improvements, rather than using cold hard cash, credit cards or personal loans. Give us a call to discuss financing your backyard renovations and some of the options available.

# Making the switch

Cash rate stability, increased product choice and flexible mortgage interest rates have created the prime environment for consumers planning to renew their home loan.

Competition in the mortgage market is certainly heating up.

Major lenders are slashing rates and releasing some enticing mortgage products in a bid to win over your business.

As the banks continue to battle over market share, an increasing number of borrowers are realising the potential savings on offer should they decide to make the switch to a new lender.

The mortgage you have now may no longer be the most appropriate or most affordable option available.

If you are unable to remember the last time you had a credit check, now may be the time to do so.

Whether you are looking to drive down your mortgage balance or reduce your repayments, refinancing may be the ideal strategy.

Refinancing refers to the process of switching from one home loan to another. This is a fast and flexible way to keep you abreast of your current financial circumstances and to ensure you are not paying any more than you should on your mortgage.

While the federal government abolished exit fees for new loans earlier this year, there are some additional costs that you will need to consider before changing lender.

Switching home loans can carry additional costs such as new application fees, legal fees and mortgage insurance.

However, establishing which home loan best fits your needs can be quick and relatively stress free.

Mortgage brokers can help ensure the transition from one home loan to another is as safe and hassle free as possible.

Moreover, we can work with you to identify the most appropriate product to meet your needs as well as help you through the application process. If refinancing is the way to go for you.

Give us a call so we can work with you on highlighting associated costs and determining the best course of action.

## Improve your financial position by refinancing

Here are a number of ways refinancing can really boost your current financial situation:

- **Find a better interest rate:** Bank competition, coupled with interest rate stability, has created some real opportunities for borrowers. Refinancing your mortgage to a fixed rate product will give you certainty around loan repayments. However, you should also consider break costs which may apply if you break your term early.
- **Unlock the equity in your home:** Investors can use refinancing as an effective way to unlock the equity in their home, giving them more funds to act sooner. It is also a terrific way to gain some extra cash when renovating your home.
- **Debt consolidation:** Finding it difficult to keep track of all your debts? Refinancing can place all your debts, including store and credit cards, into one loan. This will help you manage your debt more effectively and potentially save you thousands in interest rate repayments.

Which option is best for you, even staying with your current loan, will depend on your circumstances.



# Economic wrap



The Reserve Bank of Australia (RBA) now seems quite content to sit tight on rates for the remainder of 2011.

At its September rate meeting, the RBA Board said it could not find enough evidence to support a rate reduction.

While the conditions in global financial markets have been very unsettled over recent weeks, the Australian economy remains resilient – with new data showing sound GDP growth.

The economy grew by 1.2 per cent in the quarter, exceeding the market's expectation of a 1 per cent expansion, showing there was strength in sectors outside of the powerful mining boom.

In addition, the 1.2 per cent contraction in the first quarter caused by the Queensland flood crisis in January, which slowed major coal production, was revised to a better 0.9 per cent slowdown.

There was also a surprising 1 per cent bounce in consumption, which occurred despite the recent wave of consumer caution. It was the fastest quarterly growth in consumer spending in more than a year.

Speaking about the current Australian economy, Royal Bank of Scotland chief economist Kieran Davies says while there has been a lot of talk about our two-speed economy, and the potential of a "recession double dip", the future looks surprisingly positive.

"With all the talk of a two-speed economy in Australia, you would be forgiven for thinking that the economy outside of mining was in recession," Mr Davies says.

"That certainly isn't the case, as there was strong growth outside the resources sector."

Mr Davies says he expects to see resurgence in consumer spending over the coming months, which would be good news for industry sectors the nation over who have struggled under challenging conditions for the past 12 months.

In terms of home loans, while consumer caution has plagued the mortgage market for some time, recent data suggests buyers are starting to return to the property market.

According to Veda's quarterly Consumer Credit Demand Index (CDI), mortgage enquiries grew 6.3 per cent over the June quarter as borrowers took advantage of a highly competitive lending environment.

This data was supported by the Australian Bureau of Statistics (ABS), which recorded a 1.7 per cent increase in the number of finance commitments in July.

In trend terms, increases were recorded in all states and territories. Queensland recorded the largest increase, up 2 per cent, Real Estate Institute of Australia (REIA) acting president Pamela Bennett says.

"Increases were evident for the construction of new dwellings (up 1.3 per cent), the purchase of established dwellings (up 1.7 per cent) and the purchase of new dwellings (up 2.3 per cent).

"The upturn in lending commitments reflects stability in interest rates and the housing market as well as increased competition among lenders," she says.

## NEWSFLASH Changes to the NSW First Home Owners Grant.....

As of January 1, 2012, first home buyers in NSW – (purchasing an existing property) - will no longer be able to claim stamp duty exemptions on homes valued up to \$600,000. It potentially means that first timers will need to find tens of thousands of additional dollars to buy into the established home market – traditionally the domain of first home buyers.

So, the short answer is. If you are a first home buyer in NSW, you should contact us immediately to see if we can help you to get your first home before the end of 2011. If you know any potential first home buyers, then get them to contact us so that we can explain the changes or try to get them into the market before the end of 2011 as well.

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