Mortgage news

January 2007

Value your home

Don't underestimate the importance of knowing the value of your home.

As the major asset of any household, a property valuation should be part of a regular review of your financial health. And there are some very important reasons for doing so.

Explore investment opportunities - The equity you've built up in your home can be used to generate wealth elsewhere, such as investing in residential property or, if you are looking for increased liquidity, shares. A house valuation will reveal how much equity you have in your home, and may be the first step in building an investment portfolio.

Ensure you're properly covered - A home is a valuable asset, and you'll want to be sure yours is fully protected. If you're underinsured, you could be in for a major loss should your home or property be damaged. Avoid this predicament through keeping track of home improvements and purchases and regularly calculating what they add to its value.

For estate planning - A home is one of the most significant assets you'll pass on to your dependents. As such, major changes in the value of your property can affect how you choose to divide your estate. A home valuation is therefore an essential part of proper estate planning and will ensure that your property is distributed in an orderly and efficient manner.

When it's time to sell - With realistic expectations of the current market price of your property you can time the sale of your property so to take full advantage of its selling potential.

Keeping on top of the changes in your home's value is an important tool for understanding the overall state of your financial well-being. Location, condition, size, current market conditions and potential for appreciation are all important factors when determining a property's value. There are numerous websites available that offer free property value assessments, or for a more extensive valuation contact a professional property valuer. Your mortgage broker will be able to recommend one in your local area.

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Welcome back from your break. We hope you head into the New Year properly refreshed.

After the latest interest rate increase, we explore the future of interest rates, and their likely fall over the next year. What does this mean for homeowners? The opportunity to drive mortgages down by adding the saved interest back into the mortgage, or even using the extra funds to invest.

With mortgages still in mind, we find you can save thousands by having a mortgage that is suitable to your needs, and we give you a few pointers on how to find it. More on budget matters we discuss how to celebrate the Christmas season without breaking the credit card limit, and a few new year financial resolutions you can set for yourself.

We hope you enjoy,

Gus Martonhelyi

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Sure-fire steps for finding a mortgage suited to you

Matching a suitable mortgage to your needs may save you thousands in interest payments over the life of your loan.

With so many loan products available you can be sure there's at least one that matches your situation. In your hunt to track down a suitable mortgage, here are a few points to keep in mind.

How much should I borrow?
Banks will determine how much they are willing to lend you based on a number of criteria; however, that doesn't mean you should take the maximum amount they offer. Closely examine your finances to determine what you can afford to spend. Be honest and work out a realistic budget, factoring in all regular commitments, such as school fees, car payments, and food, as well as all those entertainment expenses. What's left can be channeled into any mortgage repayments.

What type of buyer are you?
Your personal situation will determine what mortgage suits your needs, as well as what type of products are actually available to you. Are you a first time buyer, for instance, or are you refinancing an existing debt? Perhaps you're looking for solid capital growth in an investment property or the home you'll spend the rest of your life in? It's important to consider why you're buying and finding a mortgage that complements that.

Do your homework
Speak with your mortgage broker – they're in a great position to help you compare different loans and lenders to see how they suit your circumstances. Decide what loan features you require to meet your objectives – for example are you looking for flexibility to pay off your mortgage quickly? – and then go in search for a suitable deal. Some of the most common loans that may meet your requirements include:

- **Fixed rate** - can help soften impact of any future rate rise
- **Split rate** - offers the security of fixed rate with the flexibility of a variable rate
- **Line of credit** - good for financing renovations or additional property investments
- **Lo-doc (or no-doc)** - for the self employed, usually require less documentation, such as establishing proof of income
- **No deposit** - can't save for a 20% deposit? This loan will let you finance 100% of the purchasing price, although usually with a higher interest rate
- **Interest-only** - popular for investors who don't want to pay the principle component of a mortgage. Usually lower repayments amounts, leaving room to pursue other investments
- **Construction** - for additions or building your own home

There are a range of tools now available, such as the internet, to help research, compare and contract loans. For many borrowers, however, lending advice from a broker is the easiest and usually most effective option for avoiding confusion and finding an appropriate loan for your needs.

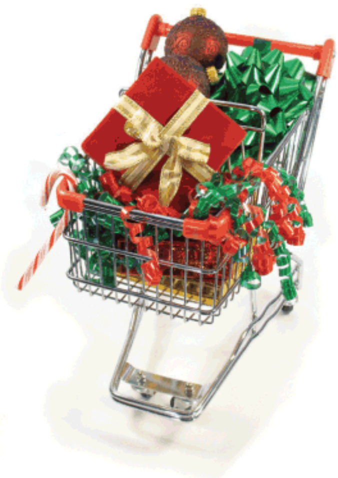
Water smart gardening techniques

With most of the country on some level of water restriction, it seems that water conservation will be a staying issue in Australia. But if you choose your plants wisely and water properly you can still maintain a beautiful garden.

- Choose native drought resistant plant species - you'll save on water while contributing to maintaining Australia's unique plant systems.
- Water your plants at their root system - not their leaves - and do so less frequently but for a longer period. This will encourage healthy plants with deep roots.
- Install a rainwater tank; with a tank you can water your garden or wash your car at any time.
- Give your garden a makeover. For example, reduce the amount of grassed area with some hardscaping - paving, decking, gravel and stone beds - that don't need watering.
- A water-efficient nozzle for your hose that ranges from a high-pressure jet down to a mist spray will let you control the output of water. When you've finished watering turn the hose off at the tap to avoid leaks.

Sources: www.bhg.com.au
www.sgaonline.org.au
www.watercorporation.com.au

‘Tis the season to be prudent



Christmas is fast approaching. And, sure as there’s snow in Lapland and sun in Sydney, your credit card will be called into action over the next few weeks.

Traditionally, credit card debt soars over the festive period, as Australians borrow to cushion the burden of present-buying, party-going and holidaymaking. There’s also the post Christmas sales, when the advertisers roll out their Christmas campaigns, the shops unveil those enticing displays, and it can be hard to avoid getting swept up by it all.

However, there are ways of keeping your Christmas spending under control, without resorting to Scrooge-esque stinginess.

How? In a word: budget. Be realistic about your incomings and outgoings. Cover the basics first by allocating money for the household bills. Then, as the present requests roll in, be ready to make tough distinctions between essential and non-essential items. If the kids want a fancy new plasma TV, avoid putting it on credit. And if you really can’t afford it – ask yourself if there is another alternative without getting them too upset.

By taking a step back and assessing what is genuinely affordable, rather than simply desirable – because, hey, it’s Christmas – you will be better placed to make informed decisions on expenses.

There is nothing wrong with putting smaller purchases on the card, so long as you have earmarked which part of next month’s wage packet will cover the debt. As always, the golden rule of credit card spending applies: pay it off as soon as possible.

Christmas parties, whether you are the host or guest, should also be approached with prudence. Also beware the hidden overheads, such as the extra trip to the supermarket, the additional bottles of wine or crate of beer. These things have a nasty habit, in the rush of preparation, of creeping into your next credit card bill.

If you’re going away over Christmas, consider including the expenditure on your holiday in your overall spending budget, rather than filing it away as a special case under “other outgoings”.

And perhaps most importantly of all, when the post-Christmas sales start up, don’t undo all your good work of the previous month. Take a look at your finances. If there’s room left for one or two more bargains, then by all means go for it – but leave the credit card at home unless you’re absolutely sure you can pay it off.

Financial resolutions for the New Year

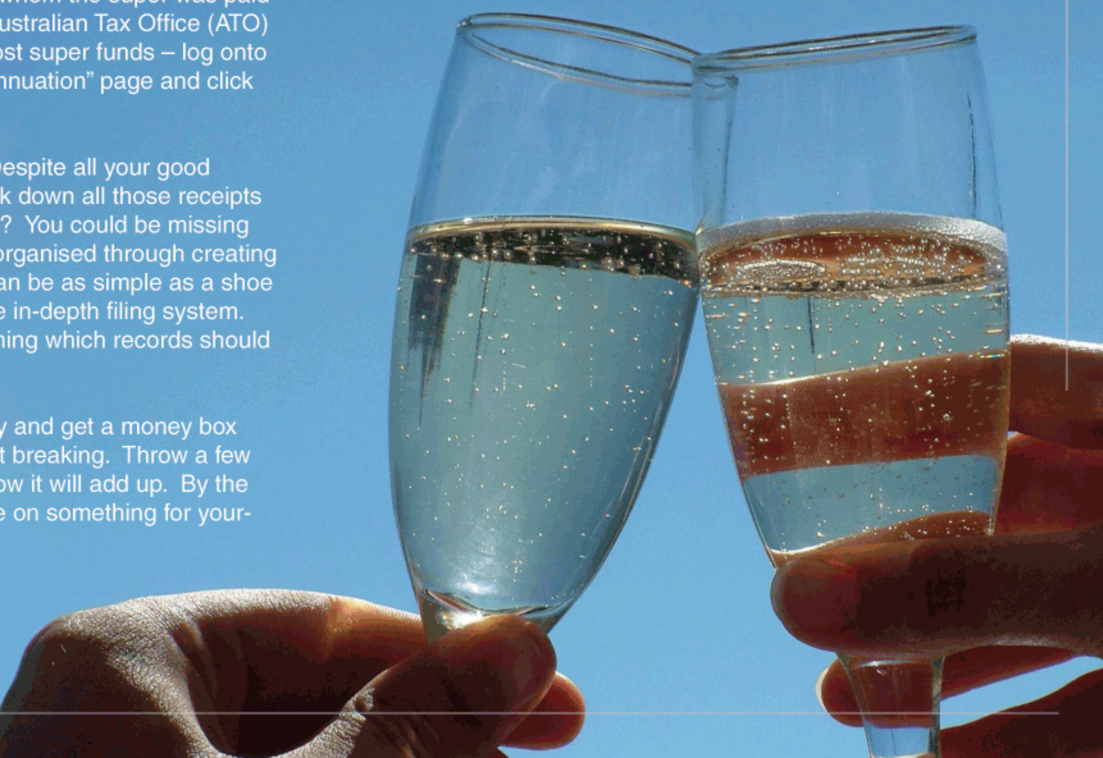
The new year is a time for reflection on the year gone by while making resolutions for the one to come. So why not take the opportunity to use this time to improve your finances? Here are four finance improving resolutions for the new year.

I will find my lost super. If you’ve changed jobs, name or address in the past ten years you could be one the thousands of Australians with missing super. To relocate your lost super contact previous employers to find out whom the super was paid to, then contact that fund direct. The Australian Tax Office (ATO) also has a service available to locate lost super funds – log onto www.ato.gov.au, go to the “For Superannuation” page and click on “Find your lost super”.

I will organise myself for tax time. Despite all your good intentions, did you find it difficult to track down all those receipts when it came time to file you tax return? You could be missing out on some serious deductions. Get organised through creating a simple tax organisation system – it can be as simple as a shoe box where you place receipts to a more in-depth filing system. The ATO website also has advice outlining which records should be kept and filed as a deduction.

I will save. Do it the old fashioned way and get a money box – preferably one you can’t open without breaking. Throw a few coins in everyday you’ll be surprised how it will add up. By the end of the year you’ll be able to splurge on something for yourself!

I will have a mortgage health-check. Over time your circumstances can change and your old mortgage may no longer suit your needs. Speak with your broker to find out whether there’s a better loan product available.



Economic round-up

The Reserve Bank of Australia (RBA) raised interest rates three times in seven months to a six year high of 6.25 per cent during 2006. So, are further rate rises on the horizon for home-owners in 2007?

Fears of another widely-predicted rate increase in the New Year appear to be subsiding on the back of the latest economic outlook from the Organisation for Economic Cooperation and Development (OECD).

The report indicates that interest rates are close to a level that should ensure inflation falls to the Reserve Bank of Australia's (RBA) targeted level of two-three per cent, suggesting that "modest interest rate cuts" could be a possibility from mid 2007.

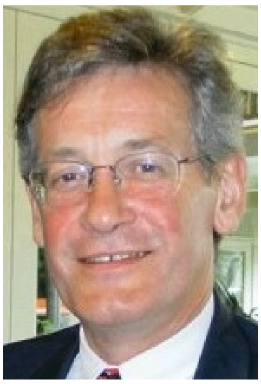
The RBA increased rates by a quarter of a per cent in November 2006 as consumer spending continued to sit above the targeted band of two-three per cent, with rising fuel and fresh fruit costs being labeled as the cause. Concern was also raised with a 30-year low in unemployment threatening the onset of a collective demand in wage-increases. This however has not significantly impacted on inflation.

Despite these concerns, the economy's future is starting to look brighter as petrol prices continue to decrease steadily and fruit crops destroyed by Cyclone Larry recover.

Tony Richards, the RBA's head of economic analysis, has indicated that inflationary pressures may recede with the Consumer Price Index (CPI) likely to fall over the next year. Richards believes inflation could drop below two per cent as early as mid 2007 if current trends continue with world oil prices and if the cost of fruit begins to descend.

These projections bode well for home-owners, as further pressure on mortgage repayments now look less likely. Mimicking the property market, movements in interest rates tend to be cyclical, and the old adage of 'what goes up must come down' typically holds true when it comes to mortgages.

It is hard to predict with accuracy when rates will start to fall as economic conditions are subject to a variety of influences, which can affect a change over night. With eight consecutive rate increases since May 2002, however, a change in the cycle might not be too far away...



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