

FOR ANYONE
WHO HAS EVER
NEEDED A LOAN

SHIRE *first*
MORTGAGES

MORTGAGE NEWS

Issue 9

Winter 2008

Briefly:

- The Reserve Bank left official interest rates on hold at its meeting In May 2008 however inflationary pressures may result in further rate rises this year and most funders have been increasing their rates independently of the Reserve Bank since January this year.
- New Personal Loans now available up to \$50,000.

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Welcome to Winter 2008 Mortgage News

It seems that every time we blink another season is over. With only a few weeks left until the end of the financial year, interest in Superannuation has again peaked. Changes to Superannuation laws allowing Self Managed Superannuation Funds to borrow funds in order to acquire property open up many new investment opportunities. See our article below and give us a call if you would like some more information.

The Federal Budget announced last month didn't really contain any great incentives for investors or home buyers. The much talked about "home savings account" looks like it will finally become reality. Read the article on page 3 to find out a little more about how the Federal Government will support those saving for their first home. Interest rates are still top of mind for most Australians. Relief is most likely still

some way off. If you are feeling the pinch it is important to remember you are not alone and to contact us as soon as you are having difficulty meeting repayments so we can negotiate with your lender to work out a solution to your situation.

The last quarter has seen some changes to our staffing. We have said goodbye to Vantreigh who has left us to work in the hospitality industry. We wish her all the best in her new career. We would like to welcome Rachel Skanavis to our team. Rachel will be working together with Deanne. If you have any questions at all about your existing loan or the progress of your new loan Deanne and Rachel are available to help you.

As always we welcome any feedback or suggestions you have about this newsletter or any aspect of your service from the team at Shire First Mortgages.



Susanne & Neil Massingham

Super Leveraged Property Investment

Did you know that as an investor you can have just as much choice and control over your investment properties whilst using your superannuation funds?

Many Australians have significant money invested in superannuation and more and more are establishing their own Self Managed Superannuation Fund Trusts (SMSF). SMSFs are now the second largest category of superannuation behind retail super and have grown by over 20% each year for the past 2 years. Whilst SMSFs are set up for many reasons, research has shown that the ability to control investments is one of the major drivers behind the trend to SMSFs. As part of this control, most people would like to be able to include real estate in their superannuation investment portfolio.

Until recently this has not been possible because of restrictions on superannuation funds borrowing and charging their assets. However, recent changes to the relevant legislation mean that SMSFs can now borrow and charge their assets providing that the borrowed funds are used to purchase an asset (i.e. real estate). By borrowing up to 85% of the property's purchase price, an SMSF may introduce direct property into its investment strategy without having to commit a large portion of the SMSF's funds into a single asset.

Any type of property including residential, commercial, retail and holiday units can be purchased. The legal owner of the real estate will be the Property Trustee whilst the beneficial owner will be the SMSF. Importantly the lender will have no recourse to the other

assets of the SMSF, providing the SMSF with *absolute protection*, for its other assets.

There are a number of issues that must be clarified when trustees are looking to borrow within a SMSF. As such, whilst we can assist and advise you with a loan for property acquisition, we recommend that you speak with a specialist who is equipped to provide advice on the establishment of the SMSF itself, along with a corporate trustee if/where applicable. We can provide a referral to an accountancy firm who can provide quality services for all aspects of your SMSF, from establishment, to paying pensions and advice.

SMSF lending can be arranged on either a full doc or low doc basis. For more information contact our office and speak to Neil.

The greatest compliment you can pay us is to refer us to your family, friends and colleagues.

What is a mortgage in possession?

In today's economic climate more homes are being sold by mortgagee sale. What does that mean?

The majority of Australians today borrow money from either a bank or a non bank lender to assist with the purchase of a home or investment property.

The lender will normally take a mortgage over the property to secure the loan.

If you fail to pay the loan repayments in accordance with the mortgage and are in default of the mortgage, the lender may exercise their right to take possession of your property.

What must the lender do before they repossess your property?

If you fail to maintain the mortgage repayments in accordance with the mortgage contract, the mortgagee will normally issue a Notice advising that you are in default of the loan and give you a specified date to rectify the situation.

If the loan default continues to exist after the expiration of the specified date, the Notice may include an acceleration

clause that subsequently makes the whole loan due and payable. The mortgagee can then apply to the Court seeking Orders for you to vacate the property so that it can take possession of the property and arrange for its sale. If you fail to vacate the property in accordance with Orders of the Court, the local Sherriff's office may assist with removing occupants from and securing the property.

The mortgagee in possession will arrange for the sale of the property by either auction or private treaty. The proceeds of the sale will be applied against any legal costs it incurred, expenses in maintaining the property and the balance applied against the outstanding loan amount.

There is a statutory requirement that the mortgagee in possession must act in good

faith with respect to the sale. That is to say, reasonable care must be exercised to ensure that they achieve the best possible price given the prevailing economic climate.

What can I do to avoid the Mortgagee taking possession of my property?

If you are having difficulty maintaining your mortgage repayments you should contact the lender immediately to discuss any changes in your circumstances. This may allow you to negotiate either a temporary or permanent variation or a hardship application.

Lenders are more likely to respond more favourably to a variation if the borrower initiates the contact preferably as soon as their circumstances change and prior to any default activity.

If the lender is not receptive to your requests for assistance, you may consider a refinance with an alternative lender who may be more sympathetic to life events that occur without notice. These events include involuntary unemployment, severe illnesses, marital separation or even family bereavements.



Did you know?

According to ANZ Access Economic Data, Australia will experience a housing shortage of about 200,000 properties by 2010. What impact do you think this will have on house prices and rents?



Seven facts you really should know about!

Have you thought about what would happen to your home and family if you could not meet your mortgage repayments? Here are some sobering statistics:

1. For every home lost through fire, there are:
 - 4 homes lost through death
 - 48 homes lost through disablement
2. One in three Australians will be off work for more than three months during their working life.
3. Half of all serious accidents occur away from work, so aren't covered by workers compensation.
4. One in two Australians will suffer a traumatic event during their working life due to illness or injury.
5. Australian's are three times more likely to suffer trauma than death before the age of 65.
6. One in six Australians under 40 will not see the end of their mortgage.
7. Before the age of 70, 49% of all men and 39% of all women will be diagnosed with cancer, have a heart attack or suffer from other critical illness.

Most of us would agree that our standard of living, health and family are critical to us. However, events such as those outlined can put your home security, investment plans and

lifestyle at risk. In extreme cases they can cause financial ruin.

Unfortunately none of us can predict what will happen in the future. But we can at least protect ourselves and our family by adequately insuring ourselves.

If you have a mortgage it is important for you to consider the implications of being uninsured.

At Shire First Mortgages we can provide you with a referral to an insurance specialist who will be able to assess your needs during a free, no obligation consultation.

If you would like to rest easy tonight knowing your family's future is covered speak to our office today.



Product Profile—Line of Credit Loans

If a graph of your annual income looks like the teeth of a saw, you're obviously in need of flexibility...a line of credit mortgage may just be the option for you.

Line of credit mortgages are generally interest-only loans with no set term for the loan to be repaid. This gives the borrower the freedom to decide when they will make payments on the principal, a useful tool for those with incomes that ebb and flow.

The main concern for a line of credit mortgage is that the speed in which the loan is repaid is dependent on the borrower. Borrowers will therefore need to exercise a level of discipline, and there is a very good reason why.

A line of credit allows you to make the bulk of your day-to-day purchases or payments with a credit card. By using the credit card—and the interest free period it entails—you can then channel the majority of your wage into your loan until your credit card payment is due. This effectively reduces the balance of your loan for part of the

month, therefore reducing the interest payable. If you are disciplined, you pay the credit card off each month by using funds from the line of credit. If you are not, you can find yourself in a bind.



Lines of credit are typically popular with property investors. Take the example of Jeff one of our clients with a St George Line of Credit loan. Jeff is in the process of building a property portfolio and always on the lookout for a bargain in a growth area. With banks sometimes taking up to 8 days to even look at a loan proposal, Jeff needs the flexibility of having his finance approved and ready to go so he doesn't miss out

on good opportunities to buy when they arise.

Investors who are after a capital gain can use the line of credit to purchase the property then use it to make the repayments. Renovators only have to pay interest when money is drawn down to pay for each stage of the project. Also, interest paid on a line of credit used to purchase or improve income-producing property can be tax deductible. Discuss this with your accountant first.

Line of credit mortgages typically have a higher interest rate than a standard loan so it's important to weigh up the benefits of offset savings compared to a more traditional principal and interest mortgage. While offset savings will contribute to helping you own your own home faster, only additional repayments will really help you drive your mortgage down at a quicker rate. Longer term investors can change a line of credit loan to a principal and interest or variable rate loan when it suits them to take advantage of cheaper rates.



Access your loan online through our website!

Simply log onto www.shirefirstmortgages.com.au and click on "Client Access" where you will find links to your lender's internet banking site.

First Home Saver Accounts

Saving for your first home?

Here's some news which just might make it a little easier.

The Federal Government has confirmed it will introduce legislation effective 1/10/08, allowing the establishment of concessionally taxed First Home Saver Accounts (FHSA's). Some key features are:

- You must be between 18 & 65 years of age and have never previously bought or built a home in which to live.
- You must make personal after-tax contri-

- butions of at least \$1,000 in each of four separate financial years. However, you will be able to open a FHSA with a deposit of less than \$1000.
- For each \$1000 of personal contributions, the Government will contribute a flat rate of 17% (or \$170) up to a maximum amount of \$850 per year.
- Contributions can no longer be made once the account balance reaches \$75,000.
- Withdrawals will be tax free when used to

- purchase or build a first home in which to live but may have to be transferred to superannuation in other circumstances.
- FHSA will be available through most banks and other financial institutions.

If you would like more information give Susanne a call.



FOR ANYONE WHO HAS
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smarter mortgage.

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Mortgage News —For anyone who has ever needed a loan

Cracking the market: Tips for first home buyers

Even in today's tight market first time buyers can still beat the rental trap—you've just got to be smart about it!

With the price of the average home soaring, interest rates on the rise and spiraling rentals cutting into after tax dollars most would-be home buyers feel like the odds are stacked against them when it comes to purchasing a home.

But despite some obstacles, buying your first home is still possible. All it takes is a little time, mortgage know-how and the commitment to managing your finances.

Tip #1: Budget

First up, get to grips with your monthly incomings and out-goings—if you can develop and stick to a budget you'll be best placed for factoring a home loan into your life. Consider if, and where you need to cut back to cater for mortgage repayments, and consider what impact this may have on your lifestyle.

Tip #2: Save

Aside from a deposit, home buyers are faced with a string of costs including legal fees, stamp duty (if the property you are buying is worth more than \$500,000) and moving bills— just to name a few. Start a dedicated slush fund early so when it comes to settlement you won't be caught short.

Tip #3: Get educated

Knowledge is power, so the more you know about the type of loan you need, the better equipped you'll be to find the product for your situation. Consider how quickly you want to repay your mortgage, and whether you'd like to fix your interest rate or would like some flexibility. While information is easily available on the internet, the team at Shire First Mortgages can answer any questions you may have.



Tip #4: Obtain a pre-approval

Having a pre-approved home loan enables you to realistically look for a property in your price range. It also gives you power to bid for a house or put in an offer as soon as you see it—rather than risk missing out on it should you delay.

Tip #5: Get a good team

Having a mortgage broker on hand is essential for finding the most appropriate mortgage for you. At Shire First Mortgages we can access most of the leading loans and can really track down the products that suit your circumstances—especially if affordability is an issue.

It's also important to seek legal advice and have an understanding of the government grants and incentives as well as a feel for where interest rates are heading. With the help of the team at Shire First Mortgages backed by other relevant professionals you'll be much better placed to make your first home buying experience a positive one.

Satisfaction with brokers at an all time high

A recent customer satisfaction survey conducted by the MFAA and BankWest shows that brokers had a customer satisfaction rating of 7.5 out of 10 compared to 6.9 for banks. According to MFAA CEO Phil Naylor the survey is conducted every 6 months with brokers consistently getting scores of over 7.5 whereas

banks have never scored above 7. The results of the survey correspond with research carried out by Fujitsu Consulting which found that 80% of people who use a broker are happy to refer them to someone else, compared to just 20% who are happy to refer on a lender. Customers believe they get better objective advice from brokers

than from going straight to the lenders.

So thanks for your vote of confidence and remember we always welcome any feedback you have for us. It is our constant challenge to strive to improve our service to you our valued clients.



Deanne



Rachel

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