



# THE MORTGAGE BULLETIN



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## NEWS FROM BRETT LUCAS

It looks like the Australian economy has narrowly avoided a "technical" recession & more good news with the ABS advising that the total number of houses and apartments approved for construction rose 5.1 per cent in April from March. It was the third monthly rise in building approvals. This rise follows news of strong retail sales activity and evidence of a recovery. Stronger signals from China, Australia's largest trading partner, also emerged, buoying expectations about the medium-term economic performance - Let's hope it continues!

## First home owners get time up their sleeve

Looking for that elusive first home? Relax you now have more time up your sleeve!

The Federal Government announced an extension of the First Home Owners Grant (FHOG) in its May Budget bringing extra bargaining time for many capitalising on incentives to buy their first home.

The extension now applies to 30 September 2009.

Currently representing approximately one third of buyers (10 per cent higher than the same time last year), this extension is expected to strengthen demand and help stabilise the market well into the second half of the year.



## Refinancing Up Close – Is It For You?

REFINANCING IS OFTEN associated with increases in investments or change in the level of risk.

In fact, refinancing can be a handy tool to find long-term personal savings and ensure your current loan is performing adequately.

A change in economic conditions and changing interest rates are all motives for a review of your current finances.

### Why re-finance?

Current loan performance, the long-term viability of the loan and potential savings should be the focal points in reviewing your current loan terms.

Quite often, homeowners are inclined to keep the status quo in response to uncertainty of other loan providers when there may be better options available.

The biggest consideration in contemplating refinancing is the current performance of your existing loan.

Some questions to ask include:

- Are you happy with current rates and performance?
- Do you feel like you are benefiting from current conditions and low rates?
- Are you unsure of where you are positioned in relation to other lenders and loan options?

You may also consider refinancing to consolidate debt. Multiple loans for personal

reasons, cars, credit cards and mortgages all carry separate interest rates, fees and charges. Streamlining debt and managing a single repayment is both more manageable and economical.

Your local Mortgage Broker is available to help answer questions and provide a balanced assessment on refinancing.

### Refinancing up close

By now you might be considering whether your loan needs a health check?

The best people to assist in reviewing your loan options is our helpful Mortgage Broker team. We can assist with:

- Developing a strategic approach and streamlining lending.
- Identifying the best deals available — including hidden conditions, associated products and costs.
- Assessing fees and charges of changing loans and weighing up potential savings.
- Evaluation of refinancing as the right strategy for you.

A revision of your current finances and lending options is a bit like checking a lottery ticket. Whilst it may not be essential it may just reveal hidden surprises that benefit your long-term financial health.

Call our office today for assistance in whether refinancing might be the right strategy for you.

# Aussie Property Market Remains Resilient



AUSTRALIA'S PROPERTY MARKET is fast becoming a financial barometer with varied debate as to its long-term performance.

Recent indicators paint an interesting picture with falls in the median house price complemented by the lowest interest rate levels in 45 years, increased lending figures and the extension of the First Home Owners Grant (FHOG).

## Falling house prices

ABS released figures in early May showed that house prices have continued to decline in most major cities (overall House Price Index fell by 2.2 % March 09 quarter) with the exception being Hobart, Darwin and Canberra.

Speaking with *Your Investment Property* magazine, Savanth Sebastian, economist with CommSec said that while house prices have eased it's important to note that falls have been modest.

"It's 12 years since house prices across Australian capital cities have gone backwards," he stated.

"The fall over the past year was only a meagre 3.3 per cent — and a far cry from the 10 to 20 per cent fall observed across Europe and the US.

"For budding homebuyers, this will only enhance the already heady cocktail of positive influences as the cheaper prices will help boost affordability.

Combine that with the FHOG and interest rates at around 45-year lows and housing demand is likely to notice a significant improvement over 2009".

The latest Housing Finance figures released by the ABS also supports claims of strong demand with new home lending increasing

by 20 per cent in the March 2009 quarter. The FHOG has been the obvious major catalyst adding extra incentives to enter the market.

## ... cheaper house prices help boost affordability...

Looking at home lending more closely, increases were reflected by an increase in the number of loans for construction (up 13.9 per cent), for the purchase of new dwellings (up 8.8 per cent), and for established dwellings (up 3.8 per cent).

The number of FHOG loans also grew strongly in the March 2009 quarter up 47 per cent compared to the same time last year.

## So what does all this mean?

Amongst favourable purchasing conditions confidence in the property market still remains fragile according to a number of industry experts.

The volatility and relative unknown of global and national economic forecasts transfers to warranted caution surrounding market indicators when and if the FHOG expires, rates plateau (or rise!) and if house prices take a significant tumble.

There are no concrete solutions — only careful planning and a comprehensive analysis of your personal situation to see if the timing is right for you.

Contact our office to find out more about current market conditions and how they may benefit your lending strategy.

## BUYING V RENTING YOU DO THE SUMS

Wondering whether that 'rent money is in fact dead money'?

Well, it appears this catchcry has never been more relevant with RP Data reporting more than 70 suburbs across Australia where it is more affordable to buy a home than to rent.

Whilst the majority of suburbs are in regional locations there are 34 suburbs (46 per cent) within capital city metro areas that deliver more affordability to homeowners compared to renters.

Dramatic shifts in the property market including falling property values, record low interest rates and strong rental yields has led many renters to reconsider forking out fortnightly payments to landlords and bite the bullet and purchase their own home.

The expense and outlay of renting in today's market with rental yields continuing to increase across the board — RP Data recently reported a 10% change in annual weekly rents — sees many renters considering the switch and investing more strongly for their future.

So why not consider the switch and make your money more effective and contribute to your own private wealth rather than someone else's?

Whatever your location or situation, it is certainly worth doing the sums to work out whether paying off a mortgage is actually going to be cheaper than paying a landlord.

Your Mortgage Broker can help you assess your current position, your lending capability and help develop a strategy to make your money work harder for you. Call for a no obligation quote today.

