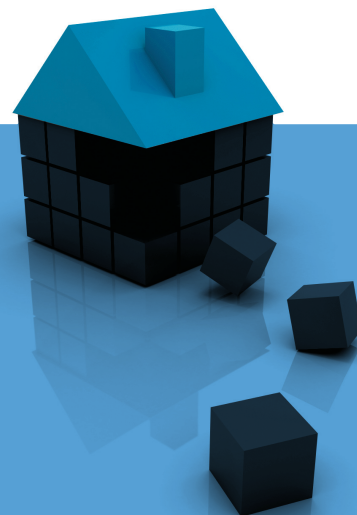


# THE MORTGAGE BULLETIN



Call 1300 664 459

or 0421 336 584

brett@ihomeloans.com.au

ABN 98 750 194 504

P.O. Box 2033

Clovelly NSW 2031



## NEWS FROM BRETT LUCAS

We live in interesting times!

The recent federal election, interest rates fluctuations, a house price drop and renewed confidence in the Australian property sector.

It appears that despite the changing landscape on many fronts, one thing that remains consistent is the contribution and value of the property market as a sound investment strategy.

Find out how you can make the most of current conditions and talk to our team today.

## REAL ESTATE REALITIES

A survey by realestate.com has found that Australians are willing to pay more for residential property despite future interest rates rises.

The survey of more than 4,000 property buyers found that 1 in 6 buyers were willing to spend 10% or more above the asking price when looking to buy a home.

Fifty per cent of survey respondents were also confident the property market will remain strong with major growth attributed to a supply shortage, the resurgent national economy and rising household disposable incomes.

The results came despite the majority of consumers (66%) expecting another interest rate hike in the next three months.

## EXIT FEE CRACK DOWN



THE BATTLE GROUND in Australia's mortgage market looks set to become even more competitive in the latest shake-up of bank lending practices.

From July 1 this year, the Australian Securities and Investments Commission (ASIC) has been granted power to go after major banks and lenders who charge exit fees considered unfair or unconscionable.

The primary goal is to take action against banks who are trying to substantially profit from exit or establishment fees rather than recover a fair cost associated with loan processing and administration.

### Loan flexibility

The crackdown is destined to significantly benefit homeowners, opening up competition in the mortgage market and making it easier for borrowers to switch lenders and loan types.

The most noticeable difference will be in flexibility to shop around and access cheaper rates with a genuine option to change loans without incurring considerable cost.

Some exit fees have been so high that customers have been discouraged from switching home loans, even if there is a substantially lower interest rate offered by another lender.

The spectrum of exit fees charged by Australian lenders varies considerably with some charging as little as \$350 and others totaling in excess of \$5,000 under the guise of 'deferred establishment fees'.

### What does this all mean?

ASIC will closely scrutinise banking structures to ensure all lending institutions are only recovering the real costs of exiting a loan rather than trying to maximize profits through the loan process.

If a situation or lending environment is brought to light and deemed unfair by court, ASIC will be able to seek a refund for the customer. In addition, consumers will be able to challenge fees they believe are not reasonable or fair.

Previously, lenders have commonly deferred mortgage establishment costs to make it more affordable for consumers. Consequently consumers who have changed loan conditions or switched lenders in the first few years of their loan agreement have been penalised and have been subject to higher exit fees. This new ruling will prevent these fees from being excessive.

However, it should be noted that all mortgagees should be aware the new ruling only applies to customers taking out a loan after 1 July 2010. All existing loans arrangements and exit fees entered into before this date still apply.

Most lenders have reviewed their loan agreements to be reflective of the new scrutiny applied with major consequences for those that fail to do so.

**Now might be a good time to revisit your loan conditions, contact our team today.**



## HOUSE PRICE DROP

IN WHAT MANY anticipate will be soon be a buyer's market, latest indicators show signs of the national property market slowing.

According to RP Data-Rismark June figures, house prices across Australia have fallen for the first time in 17 months.

Dwelling values in Australia have witnessed the largest monthly fall since April 2008, falling by 0.7 per cent during the month of June and 0.2 per cent for the quarter.

The results follow a trend of declining growth since February this year and are supported by the Australian Bureau of Statistics (ABS) June quarter results confirming growth is slowing at 3.1 per cent compared to 4.2 in the previous quarter (March 2010).

### Forecasted fall

Although many indicators are pointing towards a slowing of growth in the property sector there are no immediate warning bells for the industry.

Rismark's Managing Director Christopher Joye said the industry has been forecasting a deceleration in housing conditions since late 2009.

"We do not expect to see the market rise much more over the remaining year subject to labour market conditions and the course of monetary policy," said Mr Joye.

"It's sobering to remember here that we have had 17 consecutive monthly increases in Australian capital city home values."

"If the sharemarket rose for 17 months straight and then tapered, people would not think twice. It might be wise to apply the same logic to our housing market," he concluded.

### Interest rate watch

On the interest rate front, the Reserve Bank of Australia (RBA) decided to keep the official interest rate unchanged for the third consecutive month as a further signal of slowing growth and conditions.

This stalling of rates is on the back of six monthly rate rises and may possibly be a reflection that the RBA may have been too hasty with successive rises at the end of 2010.

## ... although a slowing of growth there are no immediate warning bells ...

RBA Governor Glen Stevens says the current policy setting sees home mortgage rates around the average levels for the past decade with the official cash rate currently at 4.5 per cent and most lenders offering around 7 per cent.

With this in mind, the leveling of interest rates and the slowing of national house prices might just be enough to fuel further investor growth in the market.

With an average fall of approximately \$3,000 on house prices already it is little wonder investors are licking their lips with expectations of things to come.

For more advice on realising your investor potential in today's market contact our team today.

## BIGGER AND BETTER

It seems in Australia we like to do things bigger and better than the rest of the world with the size of our homes now the largest around the globe.

The standard Australian home (according to the Australian Bureau of Statistics) is now an average of 215 square metres eclipsing the US (202 sq mtrs) in the last year – a result of 10 per cent growth in the last decade.

Our homes far outstrip our nearest rivals the US who have actually witnessed a shrinking of home space

since the global financial crisis and other parts of the world. Denmark leads Europe at 137 sq mtrs with Britain the smallest at 97sq mtrs.

Sydney houses are by far the nation's biggest with new free-standing houses typically spanning 263 square metres – providing more than 100 square metres of indoor space per person.

The typical Australian house has evolved considerably from three bedrooms, one bathroom and separate living areas into more open living, fourth bedrooms and ensuite facilities. Only one in six homes 20 years ago had four or more bedrooms.

The need for greater living space, children staying home longer, shared

accommodation arrangements and the popularity of extras such as home theatres, studies and walk-in wardrobes/pantries all contribute to the expansion of the modern home.

