



THE MORTGAGE BULLETIN



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NEWS FROM BRETT LUCAS

The Australian property sector continues to make headlines as the banks exert their influence and shake up the interest rate wars.

It makes for an interesting year with even more scrutiny on interest rates. Australians in the past have been conservative in switching lenders but the recent action by banks may just be enough to prompt people in greater droves.

Are you ready to vote with your feet? Come and see us today for an interest rate comparison.

MAKING THE SWITCH

New research has revealed that the majority of Australians would switch mortgage lenders for more competitive rates or if their lender raised rates independently of the RBA.

CUA, Australia's largest customer-owned financial institution, commissioned the study to provide insight into Australian mortgage lender expectations and intentions.

The survey revealed that 77% of lenders would switch or consider switching if their lender increased rates independently of the RBA and that 81% of mortgage holders would switch or consider switching if they found a lender with more competitive rates.

So lies the challenge. Speak to one of our brokers today to find out if there is a better home loan option waiting for you.



SUPER PROPERTY THE HOW AND WHY

SELF MANAGE SUPER FUNDS (SMSFs) are becoming a popular choice for savvy Australian investors looking to capitalize on the property market.

The rise is a result of changes to SMSF regulations in late 2007 to ease borrowing restrictions and allow direct investment for SMSFs in property with considerable tax and wealth creation benefits.

What is a SMSF?

SMSF's allow you the flexibility and control over a range of investment options – including property.

Essentially, a SMSF places you as a trustee overseeing the investment decisions of which you can borrow or invest in an asset. You can borrow from 60–75% of the property value depending on the type of property and lender.

Via SMSF any investment decisions must be made for the benefit of the fund members. Hence, you cannot live or reside in a property purchased under this scheme.

On a side note, tight regulatory controls monitor the use of SMSF's in Australia and are subject to rigorous reporting and compliance including accounting records, annual audit, accounts and statements. Therefore, it is essential that you seek professional advice to manage and benefit from your SMSF efficiently and in accordance with reporting requirements.

Major benefits

The key benefit of investing via SMSF is the substantial tax benefits. The SMSF structure allows you to build retirement wealth faster through more after-tax savings to pay the loan off faster.

For example, property earnings are taxed at only 15% compared to the marginal tax rate (average 30 cents in the dollar) and all interest related and other property expenses are tax deductible. Repayments can also be made in pre-tax dollars and claimed as a deduction.

In addition, capital gains is a maximum of 10% if property is sold after 12 months (compared to marginal tax rate for individuals) and zero capital gains when you retire and access fund proceeds. Furthermore, banks and lenders do also not have access to your other SMSF assets via this investment strategy.

Get involved with an SMSF

To invest in property with SMSF you will need to establish a trust outside of your fund. When choosing to invest through a SMSF it is recommended you seek professional advice. Superannuation law compliance and reporting are critical and you need to make sure individual circumstances are appropriate for this option.

Chat to one of our brokers today about the benefits and advantages of using SMSF to secure your next property investment.

BANK POWER PLAY

AUSTRALIAN HOMEOWNERS have been hit where it hurts most with the major banks rising interest rates in the last quarter despite interest rates being kept on hold by the Reserve Bank.

The Reserve Bank announcement to keep interest rates on hold at its last two meetings (February and March 2012) to 'keep things real' for most Australian families was overpowered by the big four as they independently acted to lift interest rates.

ANZ led the charge in February announcing a 6 basis point rise in their interest rate to 7.36 per cent that was soon followed suit in varying rate changes by the other major lenders including Westpac (10 basis point rise to 7.46), Commonwealth Bank (10 basis points to 7.41) and National Bank (9 basis points to 7.31).

Rising funding costs

The banks moved in response to claims of rising funding costs and their impact on profit margins to set their own interest rate policy.

The interest rate rise impacts on more than two million variable rate home loan customers who are with the big four banks. The big four stated that they were forced to pass on new costs to borrowers through independent interest rate rises.

The move has fuelled further public anger towards Australia's major lenders and the Australian Government has urged Australians to take decisive action with their feet if they are not happy with their bank and its actions.

This commendation comes off the back of the removal of lending exit fees designed to make it easier for consumers to change banks and lenders if not satisfied with current lending practices and conditions. At best, it may just pay to investigate how much you may save by switching lenders.

Publicly there is debate raging about the foundations of the decision by the banks. Experts claim the cost of funding has actually decreased from previous levels in every source of funding that they use – domestic deposits, short-term funding



Australians are looking closer than ever at their home loans...

onshore, long-term funding onshore – has in fact gone down. Alternatively, the banks have found an ally in the reserve Bank of Australia who has supported their claims and move to up rates.

RBA support

Whilst not an ideal scenario RBA Governor Glen Stevens acknowledged that the cost of funding hasn't decreased as much as the cash rate over the last year.

"Relative to the rate we set, the funding costs have gone up a little bit because they haven't fallen as much as the cash rate and the banks have responded to that in a way that you would expect they would." Regardless of opinion, Australians are looking closer than ever at their home loans and evaluating alternatives.

How have the latest interest rate rises impacted on your lending requirements? Are you benefiting from the best loan conditions possible? Speak with our team today to explore loan options that may deliver greater benefit for your individual circumstances.

IT'S A LAWN THING!

It is official. Our affinity and love of the outdoors increases the value of Australian homes according to the latest survey of Australian real estate agents.

In fact, our love of everything backyard – play area, gardening and room for a good old Aussie cricket wicket – is worth approximately an extra \$75,000 for a lawn patch and extra ground according to the recent national survey results.

Turf Australia polled the views of 114 real estate agents to find out what buyers are really looking for when purchasing a home. The results confirmed some long held factors but shed some enlightenment into others.

The results confirmed the benefits of an additional bathroom as a top priority but also revealed that having some lawn to stretch out onto is a significant selling point.

Nationally, it is believed a decent sized lawn area could add as much as 18% to the value of your home (based on median price of \$420,000).

Demographically, lawn added the most value in Victoria (19%) followed by New South Wales (16%), Queensland and South Australia (12%) and WA (9%).

So if you are looking to sell, get your lawn seed and some clippers out as a well-manicured lawn can add substantial value if you are looking to sell your home.

Other priorities considered valuable included additional bathrooms (42%), located on a quiet street (41%) followed by a decent sized backyard (34%) and close to a bus route or shops (20%).

