inspired living
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Commercial & asset finance ▪ Loan pre-approvals ▪ Your borrowing capacity ▪ Purchasing investment property ▪ Property market

HOW TO PAY OFF YOUR HOME LOAN SOONER

Are you looking for ways to save on your mortgage? Try some of these tips.

Increase your repayment amounts

The simplest way to pay off your home loan sooner is to increase the amount you repay. By repaying more than the minimum you can cut the overall term of the loan and save thousands of dollars in interest. The more you pay off earlier on in your mortgage, the more you'll save over time.

Some products may charge you an early payment fee for paying your loan in advance. These costs can be large, so it's best to always check beforehand.

Consider how mortgage features can help

Think about how using an offset account or a credit card linked to your home loan might help you keep your loan balance low. If you're looking for ways to keep your interest down, it's worth investigating what other features your home loan comes with.

Take advantage if there are variable rate cuts

A lower interest rate will reduce your repayments, but if your lender reduces the interest rate, consider repaying more than the minimum loan repayment amount. This can help you save on future interest payments.

Don't pay the interest-only

An interest-only loan might mean you're able to make lower repayments for the first few years, but this means your repayments will be larger when it comes time to pay off the principal.

Consider re-financing

If you've had your mortgage for 12 months or more, re-financing might be able to get you a better deal on your home loan. There may be costs associated with re-financing and it's important to take this into account.

Consider split loans

A split loan allows borrowers to divide their mortgage into both variable and fixed components. You can lock in a low fixed rate on part of your loan, if you only want to limit exposure to the variable rate.

Explore your options

Before you sign on the dotted line, make sure you've explored all of your options. It's worth looking into whether you can get a discounted loan rate with a financial package that includes special rates on other products and services.

With just a few easy steps, borrowers can significantly reduce the length of their mortgage and save thousands of dollars in the process.

If you're interested in paying off your home loan sooner, contact your mortgage broker.

PAYING YOUR LOAN FORTNIGHTLY (INSTEAD OF MONTHLY) CAN HELP REDUCE THE LOAN TERM AND INTEREST CHARGES

Welcome

Tasmania's property markets is still moving along, especially the main population centers. With Hobart for example having a steady price growth of 5% pa. Time on the market for quality product is still quite short with a number of my clients finding a house has been sold when they go to see it.

To help you better understand taking out a loan, I've put together some tips on the pre-approval process.

If for what ever reason the saving of a deposit is difficult, a purchaser can use rental history (still need enough funds for deposit and costs from somewhere) as confirmation of savings history to purchase a home or parents can use part of their home as security.

As it stands the $20,000 first home builders grant will finish on the 30th of June, 2017. Make sure your build contracts are completed by then.

In this edition, we discuss potential ways you could pay off your home loan sooner and start your property investment portfolio. Did you know if you were able to pay double payments each month and did not redraw any of it, you could have your home loan paid off in about 8 years?

Whatever youre after, I am here to help.

Regards

We can help you

- Get a home loan
- Reassess your current loan
- Re-finance you existing loan
- Find a commercial or business loan
- Consolidate debt and free up equity

HFC
HOME FINANCE CENTRES OF AUSTRALIA

How brokers can help: commercial and asset finance

If you're looking to finance your business, a broker can help you find and secure commercial and asset finance options.

Your broker will also be able to leverage their network of lending institutions to find you the right funding from the start. Many brokers have a deep understanding of the commercial sector and the wide range of products available.

Using a mortgage broker means you have a variety of lending options at your fingertips.

Managing cash flow

Managing your cash flow is an important part of running a business. You might be invoice discounting. This is where you access a proportion of your debtors' unpaid invoices through the lender. Or maybe you're invoice factoring, where the lender takes responsibility for chasing your business's debts. Either way, your mortgage broker can help you find a solution that works for you.

Finding the right deal

If your business is involved in manufacturing, you'll need the right equipment and the best financial arrangement in order to remain competitive. This is something your broker can help facilitate.

Taking advantage of flexible options

If you have a variety of financial needs, it can be hard to choose the right lender for each part of your business. But the solution may be to use different lenders for different assets. For example, a business may need a special type of mortgage for its plant and equipment (known as a chattel mortgage), but a finance lease for other assets.

Your broker has the ability to compare different commercial and asset finance products with multiple lending facilities to help find what's right for you.

Investing in your business's opportunities

A broker's understanding of the commercial sector and the wide range of products available means they can help you identify and secure commercial and asset funding in order to grow your business.

Your broker can be a one-stop-shop for your financing needs.

A BROKER CAN HELP YOU FIND THE BEST FINANCE ARRANGEMENT FOR YOUR EQUIPMENT NEEDS

AVOID CONFUSION ABOUT HOME LOAN PRE-APPROVALS

Confused about home loan pre-approvals? Here's everything you need to know before you start house hunting.

What information do you need?

First, your broker will want to build a comprehensive picture of your finances. To do this, you'll need to provide evidence of everything including:

- pay slips and tax returns for your income
- title deeds for tangible assets (i.e. physical items such as buildings, machinery and inventory), and portfolio statements for intangible assets (non-physical items such as copyrights and patents)
- loan statements for existing loans.
- credit card statements showing your credit limit
- other financial obligations.

What happens at your first appointment?

At this initial appointment, your broker will confirm your identity and use your information to calculate an approximate borrowing figure. During this appointment, you'll need to fill in a pre-approval application form.

How do you get approval?

Once you've chosen the mortgage, your broker will perform a credit check. The result of the credit check helps the lender determine whether you're a suitable borrower and how much they should lend you.

When do you get approval?

Once the lender approves your application, you'll receive a conditional approval certificate from the lender that is usually valid for 90 days. It's important to remember that this is not approval for the actual loan.

Use this figure to work out how much you can spend on a property, taking into account the size of your deposit and other expenses such as conveyancing fees, Stamp Duty and so on.

Securing pre-approval will allow you to house-hunt with confidence.

What happens next?

When you've found the perfect property and you're ready to make an offer, remember to tick 'subject to finance approval' on your offer before contacting your lender or mortgage broker to finalise the application process.

UNDERSTANDING YOUR BORROWING CAPACITY

Being approved for a home loan is an exciting moment. But it's important to understand your borrowing capacity before you commit to a mortgage. Just because you can borrow a certain amount, doesn't mean you should.

Here's how to assess your financial situation to understand how much you can borrow.

Consider your existing financial commitments

In principle, your borrowing capacity depends on a number of factors, including:

- your income
- your monthly expenses
- your existing debts
- how much deposit you have saved
- current interest rate
- type of loan
- whether it's a principal, or principal and interest loan
- the term of the loan
- estimated repayments.

As a general rule, it's not a good idea to allocate more than 30% of your monthly household income to re-paying your home loan.

Put together a budget

The best way to know what your borrowing limit might be is to create a budget – and stick to it. Once you know what's coming in and going out of your bank account, you'll know how much you can afford to repay – and therefore how much you should borrow.

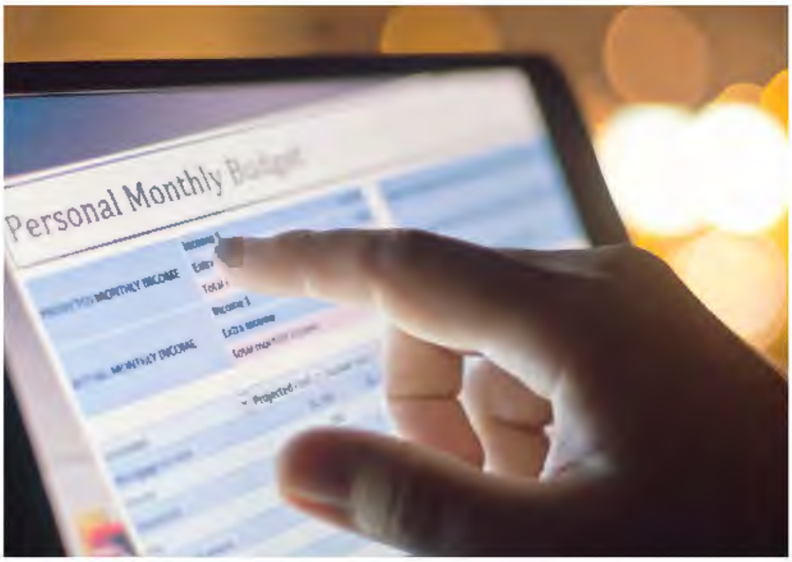
There are a number of different phone applications or websites that can help you put together a budget. When setting your budget, make sure you consider factors such as:

- council rates
- body corporate fees (if applicable)
- insurance costs
- maintenance costs
- utility bills
- estimated groceries
- medical bills and health fund payments
- school fees
- phone and internet costs
- petrol and transport payments
- entertainment, travel and clothing
- other loans or credit card debts.

Think about the future

When putting together your budget, make sure you leave a bit of wiggle room in case things change. It's important to understand how a change in circumstances will impact your finances. Anything from a hike in interest rates to an addition to your family will affect your ability to honour your financial commitment.

Talking to a mortgage broker can help you understand what you can and should commit to financially, but the final decision is yours to make.



RESEARCH THE LOCATIONS THAT OFFER VALUE FOR MONEY AND ARE POPULAR WITH TENANTS

How to purchase an investment property

If you're interested in becoming a property investor, it can be hard to know where to start. Here are seven tips to help get the ball rolling:

1. Make a plan and stick to it

The property itself isn't the end goal – you're likely looking to make a profit.

Once you know your end goal, create a plan for a realistic time-frame. Remember to review this plan regularly as your situation and the property market changes.

2. Research the market

Do your research to see what types of properties are easily attracting tenants and what properties are staying on the market for longer periods of time. This will help you choose the right property to purchase.

3. Pick your location carefully

Location is critical to performance. Consider the proximity of the property to the CBD, schools and local shops.

It's also a good idea to find out what the public transport options are.

4. Know your budget

Always check your financials before deciding to purchase a property. Get pre-approval and make sure you have all extra costs available, including conveyancing, inspections and any taxes.

5. Think about how you purchase the property

When setting up the sale contract for your purchase, consider whose name to put the house under. Whether it's in your own name, through your super or a family trust, it's important to understand how this investment affects any existing assets.

6. Think about what tenants are looking for

Look for properties that offer that little something extra, like a second bathroom or a lock-up garage – anything that might appeal to potential tenants looking for a home of their own.

7. Ask for expert advice

Your broker can put you in touch with accountants, real estate agents, lawyers and valuers – experts that can help guide you in your decision making.

THE PROPERTY MARKET: LOOKING BACK ON 2016

Thinking about buying a house this year? Before you start exploring property listings, brush up on your knowledge of the property market in your area. To help you get started, here's a snapshot of the property markets around Australia.

Looking back on Australia's property market in 2016

The year ended on a high note, as property prices regained momentum in 2016 following additional interest rate cuts by the Reserve Bank of Australia (RBA)[1].

While most capital cities saw an increase in property values, CoreLogic reports that Perth and Darwin were the only capital cities where property values decreased[2], which may be reflective of an ongoing shift in the mining industry.

CoreLogic reports that gross rental yields (i.e. total income from rental properties before deductions) reached a historic low of 3.2% late last year[2]. This is due to the increase in property value.

UNIT VALUES IN CAPITAL CITIES[4]

Year on Year

- ▲ Sydney
- ▲ Darwin
- ▲ Hobart
- ▲ Canberra
- ▲ Adelaide
- ▲ Melbourne
- ▼ Brisbane
- ▼ Perth

So if you're looking to start or grow your investment property portfolio, you might want to talk to your broker about the best investment solutions for you.

What we can expect in 2017

Depending on what you're after, 2017 might be your year. NAB Economics forecasts a further cut to the official interest rate in November 2017, and where this is the case the trend of property prices may continue to increase.

An oversupply of units and apartments in capital cities has impacted the growth rate for Sydney, Melbourne and Brisbane, according to CoreLogic[3]. This oversupply is expected to slow the growth of property demand in these cities.

As at 31 January 2017, CoreLogic reports that the value of houses and units continues to rise for most capital cities[4].

Perth and Darwin are again the only capital cities to see an overall decline in value year on year. Darwin saw a decrease of 2.94% in the value of its houses, while its apartments increased in value by 8.49%. Both Brisbane and Perth saw apartment values decrease by 2.72% and 3.82% respectively.

As expected, Sydney and Melbourne have seen the most growth since January 2016. However, Hobart saw the highest month-on-month price increase, despite seeing a drop in apartment values.

Your mortgage broker will be able to help you navigate the changing property market, so if you're thinking about moving house or are looking to invest, talk to your broker about opportunities that might be right for you.

Sources:

1 www.rba.gov.au/statistics/cash-rate/

2 www.corelogic.com.au/news/corelogic-quarterly-review

3 http://blog.corelogic.com.au/2016/10/differences-unit-supply-sydney-compared-melbourne-brisbane/

4 www.corelogic.com.au/research/monthly-indices.html as at 31 January 2017