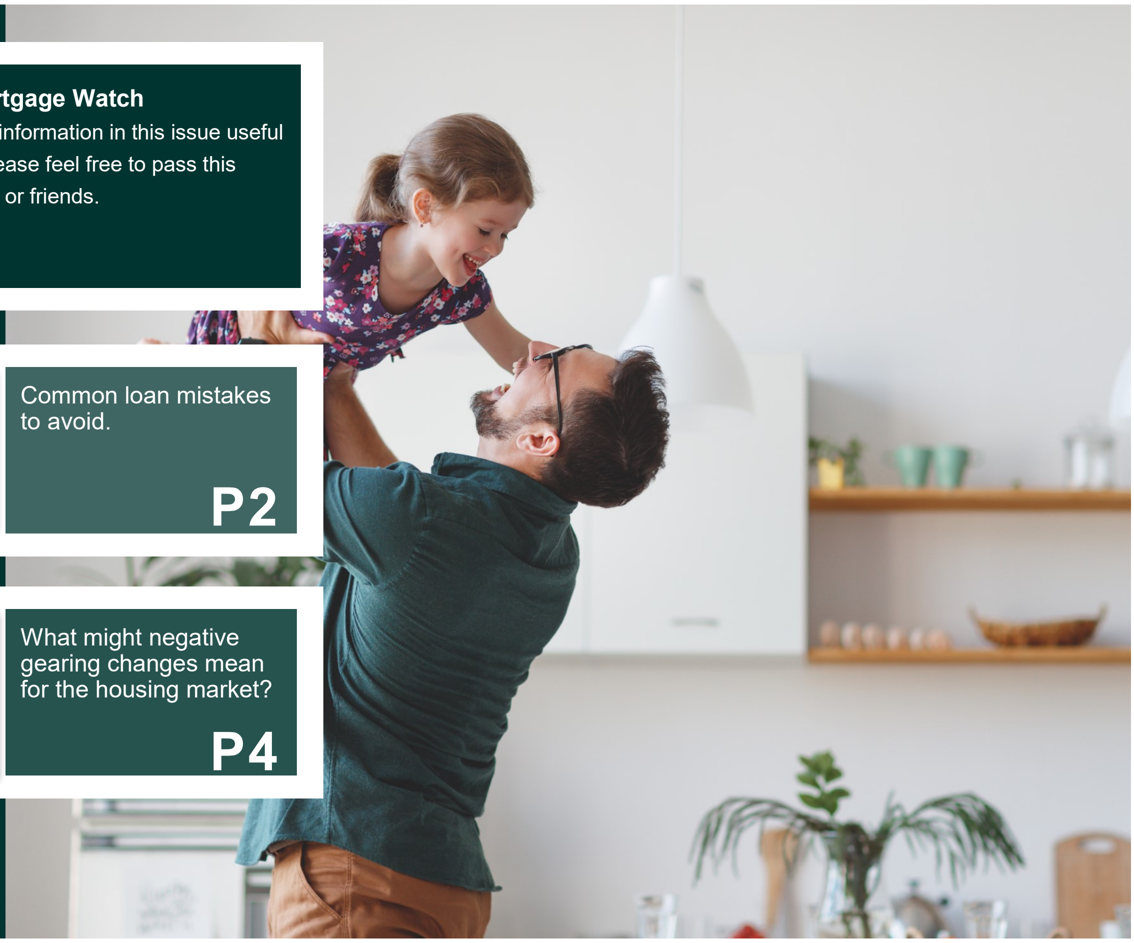


Welcome to Mortgage Watch

I hope you find the information in this issue useful and informative. Please feel free to pass this newsletter to family or friends.

Regards,

Matthew Kren

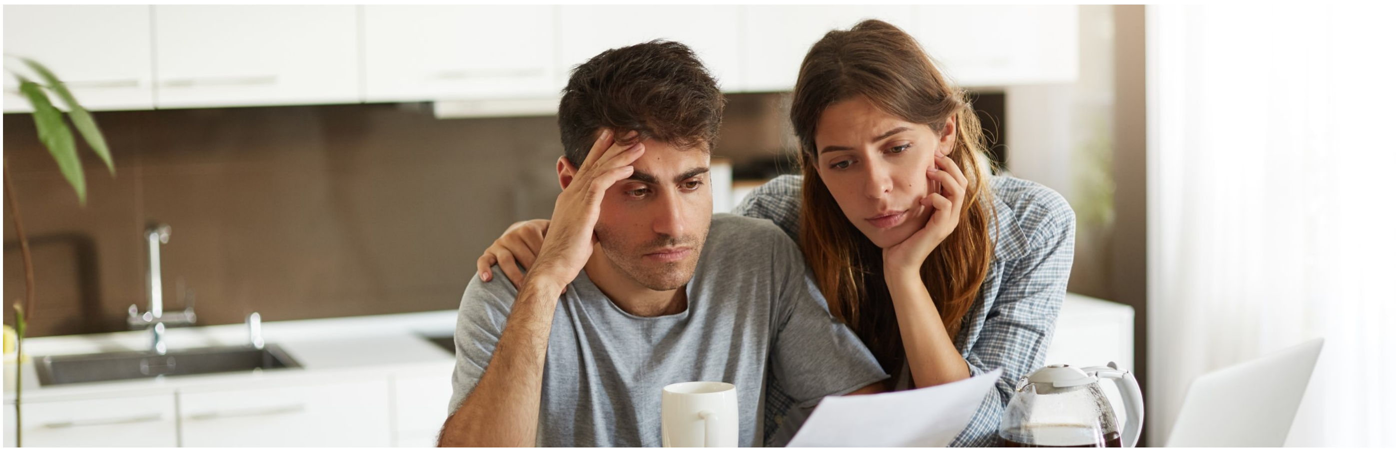
mortgage watch

RBA announces its final interest rate for 2018.

It comes as no surprise that the cash rate was left at its current record low of 1.5%, despite some positive economic indicators. Governor Philip Lowe had this to say in his official statement:

“Conditions in the Sydney and Melbourne housing markets have continued to ease and nationwide measures of rent inflation remain low. Credit conditions for some borrowers are tighter than they have been for some time, with some lenders having a reduced appetite to lend. The demand for credit by investors in the housing market has slowed noticeably as the dynamics of the housing market have changed. Growth in credit extended to owner-occupiers has eased to an annualised pace of 5–6 per cent. Mortgage rates remain low, with competition strongest for borrowers of high credit quality.”

So, will this decision affect you? Despite the cash rate remaining on hold, it’s important to remain vigilant as there have been a number of lenders including four of Australian’s biggest lenders who’ve changed their interest rates at their own discretion. Make sure to keep an eye on any rate movement from your lender, and consider whether your current loan is still right for you.



Common loan mistakes to avoid

Getting a loan can be quite a tricky task. Seemingly small mistakes may get you trapped in debt, make a permanent record on your credit file and/or lead to rejections on new mortgages.

Here are a few common mistakes that new borrowers often make, along with ways to avoid them for a smooth, seamless loan application process.

Not knowing your credit history

Your credit score can make or break your loan approval. While a default or two may not result in rejection, it can still affect the rates, fees and conditions that the lender will offer. Before applying for finance, it's a good idea to check your credit report and 'clean' up all outstanding bills to get the most ideal offer.

Not calculating what you need

Your lender may be willing to provide a considerable amount, but this doesn't mean you should borrow more than you need. Getting a bigger loan than you can afford may compromise your ability to pay it back and put a strain on your budget. However, don't aim too low either – if you underestimate the amount you require, you may need to return to make another application and/or refinance. Plan your loan in detail, including your strata fees, inspection fees and consider your repayment capacity over the period.

Not reading the fine print

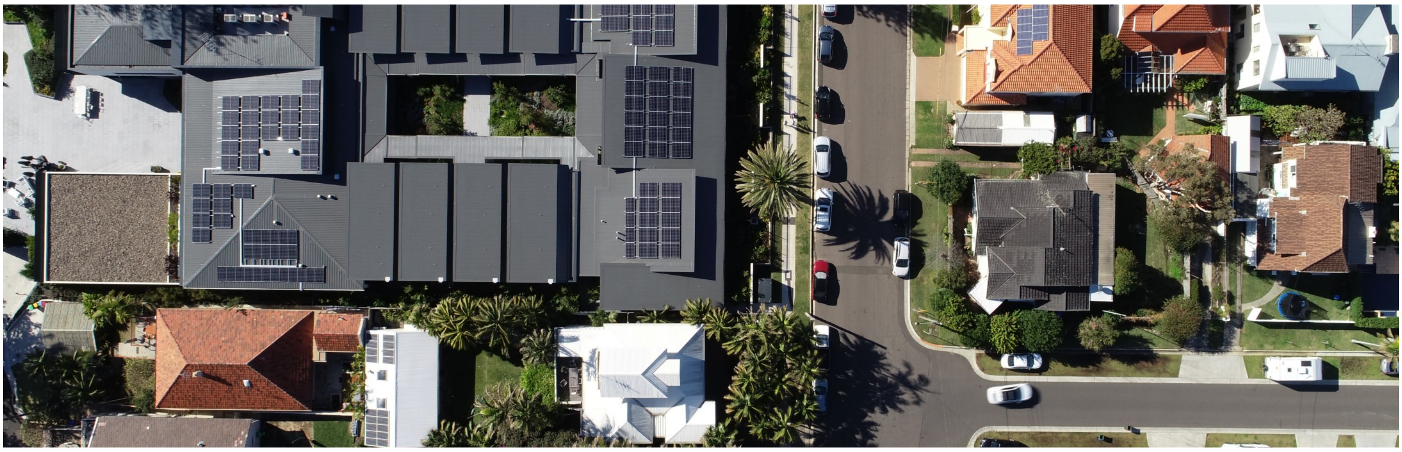
When choosing a loan, it can be tempting to go for the largest amount or the smallest interest rate you can get – but these features may not always be the best fit for your situation. Low-interest loans may even turn out to be more expensive than the alternatives if you factor in the extra charges, fees and the Lenders Mortgage Insurance (LMI). Think about your financial goals and pinpoint the loan features and structures that will help you achieve them. With a trusted mortgage broker by your side, we can help you narrow down your options when shopping around for a loan.

Making too many applications

More isn't always better. When you apply for a loan, the request gets recorded on your credit file – and the more requests there are, the more likely you are to be marked as a high-risk borrower. Lenders may in turn take precautions by giving you higher interest rates or refusing to grant your application. Our team can offer their industry knowledge and guide you through the application process.

Contact us

New to borrowing? Avoid making mistakes and contact our team today.



What we think of the new best Australian streets list

In a sweeping look at which streets are the best across the country, Realestate.com.au revealed the 10 most popular streets based on where users do the most searching. Six of the winners are in Victoria, making a case for the southern part of the nation.

Here's a look at their list, with our take on what makes these locations popular with potential home buyers.

The most popular streets to live on across Australia are:

Wolseley Road, Point Piper, NSW — Right next to the Sydney harbour, it's hard to argue that this wouldn't be a great place to live.

Highett Street, Richmond, VIC — This location is apparently most popular among young people.

Watts Parade, Mount Eliza, VIC — Also near water, this street is a great location for large family homes.

Wiltshire Drive, Kew, VIC — Enjoy easy access to and views of Melbourne on this popular Kew street.

Francis Street, Yarraville, VIC — Close enough to the city for commuters, this quiet street is also near popular shopping strips.

Sandy Bay Road, Sandy Bay, TAS — This Hobart street is right near the water's edge and provides excellent River Derwent views.

Beach Road, Black Rock, VIC — This street is all about beach life for Melbourne dwellers.

Kunyung Road, Mount Eliza, VIC — The second Mount Eliza location in the top ten, this street is another one basically touching the beach.

Point Nepean Road, Portsea, VIC — This street is a popular location for holiday homes to take time away from Melbourne city life.

Palm Beach Drive, Patterson Lakes, VIC — Think water proximity is a trend among the most popular locations? You're right. This is another street that has ideal sea access.

What we can learn from the data

First, it's clear that when searching for their dream home, Australians like to think about living right next to the water's edge. This is not really a surprise, considering 85 per cent of Australians live within 50 km of the coast, and the country has more coastline than any other country in the world, with over 10,000 beaches, according to Travellers Contact Point.

Though Sydney does come in at number 1, it is a little surprising that it's home to the only top-ten street in NSW, considering Sydney is the largest city nationwide.

If you want to find the ideal loan for you, speak to our team today.

What might negative gearing changes mean for the housing market?

A proposal from the Australian Labor Party (ALP) aims to reform negative gearing, and News.com.au says that Aussies are conflicted on the issue.

But what is negative gearing, and why are the proposed changes so controversial?

What would change?

To first cover the basics, negative gearing is when a homeowner takes out a loan for a property, and the gross income received from the property, after expenses, is less than the cost of owning and maintaining the property. These costs include interest on the loan.

This creates leverage because investors will likely have to pay less taxes at the end of the year, since the losses are offset against other income. Additional benefits may arise when investors make more long-term profits on the investment property when value increases.

Under the proposed government policies, negative gearing would be limited to only those properties that have been newly built. In addition, the ALP wants to halve the 50 per cent capital gains tax discount.

Why is it controversial?

Critics are saying that reforms to limit negative gearing to newly built homes will give some investors an unfair advantage in the market over first-time home buyers. The changes may only end up benefiting high earners across the country.

Prime Minister Scott Morrison defends the current policies, saying that if negative gearing was completely abolished, that it would essentially be inviting a housing market crash. He says that the policies will help the prices fall in a more controlled way, bringing it into a "soft landing."

But first home buyers especially have been benefiting from housing price decreases, especially in Sydney and Melbourne, where prices have fallen 3.5 per cent on average in the past year. News.com.au reports that the downturn was a welcome change for those Aussies who felt they were being priced out of the market, with prices on the rise in prior years.

Clearly, a new negative gearing environment will affect different people based on their individual circumstances.

If you have questions about negative gearing or borrowing regulations, contact our team today.

FINSURE
FINANCE AND INSURANCE

Matthew Kren
Consolidated Accountants & Finance Brokers

Phone: 07 3378 3949
Email: matthew@consolidatedafb.com.au