MORTGAGE FOCUS

MENTOR LENDING SOLUTIONS

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Welcome to our August Newsletter

Winter is usually the quiet period for property market news, but with the recent tightening of controls on investment lending by the Australian Prudential Regulatory Authority (APRA), there has been a lot happening, particularly with interest rates.

Even though the Reserve Bank of Australia (RBA) decided to keep the official cash rate on hold at 2.0 per cent during its August meeting, interest rates have been on the move. Due to APRA's increased supervision on investment lending, the big 4 banks have all raised their interest rates on investment loans. We expect that many other lenders will also be raising rates on investment lending in the coming weeks, with rises varying between 25 and 50 basis points, depending on the lender.

Whilst property investment interest rates have been going up, many lenders have also moved to shave a few basis points from interest rates on owner-occupier loans, so interest rates on many of these loan products are coming down! And that means we're still looking at some of the lowest interest rates in history overall.

This news does not seem to have had much effect on our property markets. Activity is still quite high for this time of year. For the week ending August 2, there were 787 auctions recorded in Victoria with a clearance rate of 78%. In NSW there were 825 auctions with a clearance rate of 76%. Queensland held 144 auctions with a clearance rate of 58%, and South Australia 75 auctions with a clearance rate of 68%.

Other states showed less activity, with Western Australia holding 23 auctions with a clearance rate of 40%, Northern Territory 13 auctions with a clearance rate of just 17%, Canberra 41 auctions with a clearance rate of 72% and Tasmania only 8 auctions with a 43% clearance rate.

Home values showed increases for most of our capital cities. Sydney home values were up by 3.30 % over last month and up by 18.35 % over this time last year. Melbourne is also doing very well, with home values rising by 4.91 % over the last month and 11.48 % over this time last year. Brisbane/Gold Coast also showed increases, with home values rising by 0.43% over last month and 4.36% over this time last year. Canberra showed an increase of 0.29 % month on month and 1.21% over this time last year and Hobart was also up by 1.06% this month and 2.51% over this time last year.

In other states home value movement was not as strong. Adelaide's home values decreased by 1.13% this month, but they are still up by 3.40% over this time last year. Perth's home values didn't show much movement - they rose by 0.09% this month but are down by 0.27% over this time last year. Darwin showed an increase of 0.39% this month but are down by 5.25% over this time last year.

With lenders moving to adjust interest rates on both investment and owner-occupier loans, you may want to talk to us to find out how these changes may affect you. If you already have a home loan or property investment portfolio, we can work together to give your loans a health-check to see if they are still the best financial products available for you. We're here to help you organise the most beneficial financing arrangements for your property purchasing needs according to your personal financial situation and goals. So please don't hesitate to give us a call – we're always happy to help.

The information provided in this newsletter is general in nature and does not constitute personal financial advice. The information has been prepared without taking into account your personal objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of the information with regard to your objectives, financial situation and needs. Information sources: Auction results: www.realestate.com.au. Home values: www.corelogic.com.au

Sincerely , **Mentor Lending**

Do you need to refinance your home loan?

If you've only taken out your home loan in the last few years, refinancing is probably the last thing on your mind. But having a set-and-forget attitude to your home loan is not ideal! Leaving your home loan unchanged for its entire term could mean you miss out on substantial savings, or opportunities to make your money work harder for you to build wealth for your future. In this article, we look at the top 5 reasons why you might want to consider refinancing your home loan.

1. To pay less on your mortgage repayments
Refinancing can often reduce the amount of your mortgage repayments – and this is probably the number one reason why people consider refinancing. Everyone would like to save money on their home loan repayments – since they usually account for around 30% of our income every month.

If you've had your home loan for a while and interest rates have fallen, you could access a better rate and this will reduce the amount you have to pay for each mortgage repayment. Even if interest rates have not fallen since you first took out your loan, you can sometimes access a better rate if your personal financial situation has improved in that time.

Accessing a better rate can not only reduce your home loan repayments, just a slight drop in interest rates could potentially save you thousands of dollars over the life of your loan.

Refinancing could also help you to reduce your mortgage repayments if you extend the life of your home loan. For example: Say you have been paying off your home loan for ten or fifteen years. You could potentially refinance the outstanding amount over a 30 year term, thereby substantially reducing your monthly repayment amount.

2. To extend or remodel your home
If your family is growing and you need a few more bedrooms or a bit of extra space, buying a bigger house is not always the ideal solution. Many people refinance their home loan to access funds to extend and remodel their existing home, rather than go through all the upheaval of moving.

Renovating, remodeling and extending is a great way to get the home you want. What's more, it can potentially increase your home's value at the same time. So even though you may be taking out some of the equity you have in your home to do the extensions, the resulting increase in value of the home could potentially increase your equity again and help you to recoup some of the costs.

3. To consolidate debts

We often talk about the difference between types of debt. A home loan is a 'good' type of debt because it carries a relatively low interest rate and can be used to build wealth. Other types of debt can be 'bad' because very high interest rates can trap you into continually paying interest instead of paying off your debt. These debts are usually things like credit cards – which can often carry an interest rate of 20% pa or more, car loans, store credit and so on.

Refinancing could allow you to access funds to pay off these expensive debts once and for all. By rolling all your debts into your home loan, you will be paying them off at a lower interest rate. You could also save yourself money every month on interest payments, simplify your situation by only having one payment to make, and beat the interest trap of credit cards and other expensive forms of credit.

4. To access the equity for other purposes

The equity you build up in your property is a valuable asset. We mentioned earlier that a mortgage is a 'good' form of debt because it can be used to help build wealth for your future. That's because your equity increases as you pay down your mortgage and property values go up - and this can potentially give you access to funds you would not have had if you did not have a mortgage.

That means your mortgage really can be used to facilitate your lifestyle and build wealth for your future. By refinancing, you could access your equity and use the funds for a deposit on a property investment, to invest in stocks and shares, education costs, to support your children in purchasing their own home or for a wide variety of other reasons.

5. To fix your interest rate or switch to a different mortgage product

Switching to a fixed interest rate loan, (or a different type of loan that offers additional benefits) is another popular reason for refinancing a mortgage. As time goes by, your needs change and it could be that another mortgage product like a fixed interest rate loan would be more beneficial for you.

The number one benefit of a fixed interest rate mortgage is that your mortgage repayments will remain the same for the length of the fixed term – usually 1, 3 or 5 years. This gives you more peace of mind because it makes it much easier to plan your budget.

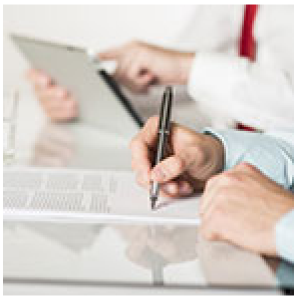
Many people think that switching to a fixed interest rate mortgage will save them from future interest rate rises. And whilst this is true to a certain extent, fixed interest rate mortgages are often a bit more expensive to start with than your standard variable rate home loan, so interest rates would probably need to rise considerably before you came out in front.

There are also many other mortgage products on the market that may have more beneficial features than the home loan you have now. For example, redraw facilities or a mortgage offset account. If your current home loan simply doesn't offer you the flexibility you need, then by all means talk to us about some alternatives.

Talk to us now about your annual home-loan-health-check
About this time every year, we like to encourage you to talk to us about a home-loan-health check.

A frequent home-loan-health-check is necessary to ensure that your current home loan is still the best home loan product available for you. We recommend that you have a chat with us at least once a year to see if the lending environment has changed or refinancing may be beneficial for you in some other way.

If you'd like to organise your home-loan-health-check, just give us a call. We're here to help you assess your home loan's performance and ensure that it is still the right mortgage product for your personal financial circumstances and goals now and into the future.



What is Comprehensive Credit Reporting?

In March last year, an amendment was made to the Privacy Act 1988, which allowed regulation reforms to be applied to the way credit-related personal information can be collected about you by lenders. The new system is known as 'Comprehensive Credit Reporting' and has brought Australia in line with the rest of the world regarding the way consumers are assessed by lenders when applying for credit and home loans.

The new rules have now been in effect for over a year, and most lenders are using Comprehensive Credit Reporting as part of their day to day operations when assessing you for a loan. This article looks at how Comprehensive Credit Reporting affects you and your capacity to borrow.

How have things changed?
Previously, lenders were only allowed to access negative information about your credit history. By ‘negative’ we mean that they were only able to access information that indicated if you had any major credit infringements, credit payment defaults, bankruptcy situations and declined applications for credit. This information did not give lenders a very good picture about your current financial situation and was only of limited use when making assessments on major credit applications like home loans.

Comprehensive Credit Reporting is designed to give lenders enough information about you to assess if you can afford to take on more debt and how much you can afford to repay. Lenders now have access to more data about you more often, which gives them a better picture of your current personal financial situation.

Information that credit providers can collect about you now includes account information including when an account was opened and closed, your credit limits on credit cards and loans, the type of credit accounts you hold (such as credit card or personal loan), as well as 24 months repayment history on any credit accounts you hold. They can also check on your overdue debts and payment defaults, the number of recent credit applications you have made recently and any publicly available information such as personal insolvency information, court writs, court judgements and directorship information.

What does this mean for you?
The new Comprehensive Credit Reporting system gives you more power to demonstrate your creditworthiness to mortgage lenders and other credit providers. It allows your recent good credit behavior to be taken into consideration and any adverse financial events to be overcome more quickly. It is also faster and easier for you to establish a credit history and compile a Credit Report.

On the downside, it is more important than ever before that you pay your bills on time. It is also important that you avoid making multiple credit applications before you decide on your credit provider as these will show up as minor defaults. If you’re not careful, you could accumulate a lot of minor defaults that could add up to make it appear as though you are under financial stress – and that may make it more difficult for you to get a home loan approved or make you ineligible for the lowest interest rates.

Make sure your Credit Report is accurate
Your Credit Report is compiled by a credit agency and is made available to lenders when you apply for a loan. Understanding your Credit Report and making sure it is correct can help to ensure your loan application goes smoothly.

Lenders will use your Credit Report to assess risk before they decide to give you a loan. We recommend that you obtain a copy of your Credit Report and make sure that is completely accurate. You can download a copy of your Credit Report once every 12 months for free from a variety of different credit reporting agencies – we recommend Veda or Dun & Bradstreet.

Once you have your Credit Report, you can address any negative information that should not be on there and take action to have it removed. Occasionally, your Credit Report can contain information that is very old, untrue or contain fraudulent entries that simply belong to someone else – so it pays to give it careful attention before you apply for any loans.

If you obtain your Credit Report and discover you have a low credit score, you can improve the situation over time with the right behavior:

- Take action to remove any incorrect entries.
- Always pay your bills on time or before the due date.
- Pay down your existing debts.
- Keep unused bank accounts open.
- Reduce your credit limits – cancel any credit cards you don't need.
- Don't make multiple applications when you are shopping for credit – talk to us about choosing the correct provider before you submit any loan applications.

Comprehensive Credit Reporting is good for Australian consumers as it helps lenders to be fair when assessing you for a loan. If you would like to discuss your Credit Report with us, we're happy to help. Remember, we're here to help you get the best deal available for your personal financial situation and goals for your mortgage and other financing requirements, and your Credit Report is an important part of the application process. Please give us a call today for a chat.

The extra costs of buying a home

Buying a home is a very exciting time – particularly if you're climbing on to the property ladder for the first time! When you finally get your deposit together, it's really easy to get caught up in the moment and forget to budget for the other costs associated with buying your home, so here's a quick checklist of things to include when planning your finances for your big move.

The cost of taking out your home loan
When you take out a home loan, you'll need to budget for the extra costs involved with getting it set up with the lender. These costs will vary from loan to loan and lender to lender, depending on your personal financial situation and the type of loan you take out. As your mortgage experts, we will advise you on these costs and help you to plan your budget. Generally speaking, these extra costs may include:

Home loan application fees: most lenders charge a home loan application fee to cover the costs of legal contracts, property title checks and credit checks.

Mortgage establishment fees: in addition to the application fees, most lenders also usually charge an extra fee to cover the costs of setting up the mortgage in their banking systems.

Property valuation: before they can grant you a mortgage, your lender will need to get an independent valuation of your property – both the land and the buildings and improvements. It is important to note that the lender will not accept your valuation – even if you have paid an independent valuations expert to produce it for you.

Mortgage registration fees: all mortgages must be registered with the government and a registration fee will apply. Ask us to help you calculate how much this will cost for your particular property.

Lenders Mortgage Insurance: if your deposit amounts to less than 20% of the purchase price of your property, you will be required to take out Lenders Mortgage Insurance by law. It is important to note that this insurance is for the lender in case you default on your loan – it does not cover you in the event you cannot make your repayments.

Costs involved with purchasing a property
Purchasing a property can be quite a complicated process and it is easy to forget to budget for the costs of covering all the details involved. If you've located the property of your dreams, here's what you need to cover off to make it yours:

Building inspection fees: if you decide a particular property might be the right one for you, it pays to do proper research on it by obtaining a building inspection report and a pest inspection report. These will give you an accurate picture of the condition of the property and help you assess the likely costs of maintaining it moving forward. These reports are very important to your purchasing decision, so get them organized early on in the buying process.

Government fees: before a property can become yours, you'll have some government fees to pay like Stamp Duty and Registration of Title/Land Transfer Fee. Depending on where you live, and your personal eligibility for any concessions, the amount you may have to pay will vary. Talk to us and we will help you work out your costs in this area.

Legal fees: each property purchase requires the legal transfer of ownership of the property to you and for this you will need to employ the services of a Solicitor or Conveyancer. If you don't have one lined up, let us know and we will give you a referral to a reputable legal adviser.

Home & Contents Insurance: your new home will be your most valuable asset and it's very important that you organise the appropriate insurance cover to protect you against disasters like fires, floods and theft. The building insurance section of your cover needs to be taken out when you put down your deposit to make sure you are covered while the transaction is going through.

Mortgage/Income Protection Insurance: we recommend that you also budget for an insurance product that will cover your mortgage repayments in the event you are unable to work due to sickness, injury or some other unforeseeable event that causes you to lose your income. We can help you plan for your insurance needs and obtain cost-effective cover that's right for you.

The costs of moving in

When the big day arrives and it's time to move in and start enjoying your new home, things will run much more smoothly if you plan ahead for the associated costs. Of course, these will vary widely from person to person and home to home, so planning will very much depend on the property you buy. Here's some things you'll need to budget for:

Utility costs: setting up your gas, water and electricity supply may require you to pay a deposit. Plan ahead and talk to your suppliers about the costs and getting things operational on the day you move in. Remember, you can talk to several different suppliers to get a more competitive rate.

Body corporate fees: if you are buying an apartment or a strata title property, it is likely that you will have to pay monthly body corporate fees. We recommend that you check out these fees when you are planning to buy your property as they can be quite significant, particularly if the property is in need of a lot of maintenance or repair. The first month's fees will be due as soon as you have settled on the property.

Council rates: these rates cover the costs of your garbage collection and other services provided by your local council. The cost involved will vary depending on the value of your property so you should check with the council to determine these costs and budget accordingly.

Ongoing maintenance: all homes require ongoing maintenance and you should remember to budget for any eventuality. When you rent, your landlord pays for anything that goes wrong, so if the hot water stops working they replace it. If something goes wrong in your own home, you have to fix it yourself so it's wise to set aside a little money for emergencies.

Moving costs: depending on where you live it could be quite expensive to organise a mover to get your things to your new home. We recommend that you get quotes from three reputable carriers and be sure to ask them to include insurance costs in their quotes.

Getting your home set up: this is the fun part! Remember that when you move in, you'll need furniture and a full pantry. Make an allowance in your budget for the things you'll need to get set up in your new home and really enjoy the fact that it is now yours!

Remember, as your mortgage experts, we're here to help you with organizing the finances for your new home. We're happy to help you with every aspect of buying your new home, from confirming the costs and helping you work out your budget, to planning your insurance needs and we'll even give you referrals to other reliable professionals you may need to consult. And of course, it is our job to shop around to find you exactly the right loan for your personal financial situation and goals, so please give us a call today.

Wine review

Evans & Tate Breathing Space Sauvignon Blanc 2014

If you're a lover of white wine, this marvelous Margaret River Sauvignon Blanc should be first on your shopping list. Priced very reasonably, it is labeled 12.5% alcohol so let's just say it is very easy to enjoy. This beautifully balanced wine offers aromas of fresh passionfruit, fig, spiced apple, honeydew and a hint of grass with a cleansing and refreshing touch of acidity. The perfect drop for white wine drinkers all year round, stock up in time for your next party or dinner event.

App review

DO Note

DO Note is the do-it-yourself note pad that empowers you to create your own personalised notepad with just a tap! It allows you to create calendar events, reminders and save notes about all kinds of stuff when you are on the go. DO Note makes it super easy to post messages on Facebook, Twitter and just about any other social media site you use regularly. Remind yourself to follow up with clients and keep detailed notes about them that will make you look good and make your meetings run smoothly!

RRP : FREE
Available on : On Android or iPhone.

Rating : 4 stars
RRP : $16

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