

FOR ANYONE
WHO HAS EVER
NEEDED A LOAN

SHIRE *first* MORTGAGES

MORTGAGE NEWS

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Special points of interest:

- Interest rates are on the move!
- Citibank has just released a new commercial lending product. Call Neil for more information
- Have you seen our new office in Gympie?
- Happy Mothers' Day to all mums.

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Line of Credit Mortgage—a nice fit for the yo-yo income

If a graph of your annual income looks like the teeth of Jaws, you're obviously in need of flexibility....a line of credit mortgage may just be the option for you.

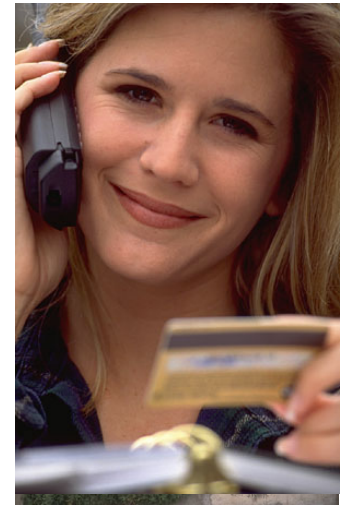
Line of credit mortgages are generally interest-only loans with no set term for the loan to be repaid. This gives the borrower the freedom to decide when they will make payments on the principal, a useful tool for those with incomes that ebb and flow or for property investors looking to take advantage of investment opportunities.

One of the main concerns for a line of credit mortgage is that the speed in which the loan is repaid is dependent on the borrower. Borrowers will therefore need to exercise a level of discipline, and there is a very good reason why.

A line of credit allows you to make the bulk of your day-to-

day purchases or payments with a credit card. By using the credit card—and the interest free period it entails—you can then channel the majority of your wage into your loan until your credit card payment is due. This effectively reduces the balance of your loan for part of the month, therefore reducing the interest payable. This is known as offset savings. If you are disciplined, you pay the credit card off each month by using funds from the line of credit. If you are not, you can find yourself in a bind.

Line of credit mortgages typically have a higher interest rate than a standard loan so it's important to weigh up the benefits of offset savings compared to a more traditional principal and interest mortgage. While offset savings will contribute to helping you own your own home faster, only additional repayments will



Lines of Credit can be convenient but you need to be disciplined. Talk to us about how this loan option might work for you.

really help you drive your mortgage down at a quicker rate.

Thanks for the vote of confidence.....



A new poll commissioned by Australian Broker magazine found that nearly 70% of the public trust mortgage brokers and are happy to deal with them.

The survey of over 200 people from across the country found that 66% of participants—both with and without mortgages—were confident that brokers

would be honest with them and be able to find them a good deal.

Now that's a vote of confidence!

(Reprinted in part with permission from Australian Broker magazine)



“The longer you take to pay off a loan the more interest payments you will accrue”

Repaying your loan early can save you thousands

When considering flexible repayment loan products, a major factor should be how easily they assist you in paying your loan off quickly. The reason you want to pay a loan off sooner rather than later is that by paying it off sooner you will save money in interest payments. The longer you take to pay off a loan, the more interest payments you will accrue. The basic concept for putting more into your loan to pay it off quickly is simple. If interest rates didn't change, neither would your repayment amounts, due to the way they are calculated. Each repayment is made up of two portions, namely a principal portion and an interest portion. When you begin repaying a loan a very small portion of each repayment is paying down the principal of the loan, while the vast majority of each individual repayment is servicing the interest. The interest portion is calculated on the loan

balance and the loan balance reduces with each repayments. The more you can reduce your loan balance, the lower the amount of interest there will be, which in turn allows the portion of your repayment paying off the principal to be larger. Translation: you will be paying more off the principal with each repayment.

Another strategy you can use to pay your loan off more quickly is to make fortnightly repayments. There are 12 months in a year, so if your principal and interest repayments were, say, \$1000 a month you have paid \$12000 in loan repayments by the end of the year. As there are two fortnights in each month, you halve your monthly repayment amount to give you a fortnightly payment of \$500. As there are 26 fortnights in a year you will have paid off \$13,000 (26 x \$500) at the end of the year if you pay fortnightly which is equiva-

lent to one extra monthly payment of \$1000 over that 12 months. This extra payment, dollar for dollar, reduces the principal of your loan.

Lenders will offer you a number of flexible products that will allow you to put extra funds into your loan, or into an account which will offset your loan balance. These include redraw facilities, offset accounts and all-in-one accounts. The most important thing to remember is to be disciplined in your spending and saving. There's no point in having flexible products if you have no money left to put in them.

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Entertainment on a budget

DVDs versus the cinema –With video shops offering DVD rentals for as low as \$2.95 for a new release, going to the cinema at around \$30 per couple is now almost unnecessary. Given the rate at which movies on the big screen make it into the video stores, holding back a month or two and having a quiet night in can add a few more dollars into your budget each month.

Libraries - When was the last time you paid a visit to your local library? As well as providing you with free access to the latest great reads did you know that

you can also borrow magazines, music (CD's & Cassettes) and even Videos. Local libraries also offer entertainment for pre-schoolers and school children during holidays often at no charge.

Photo exhibitions– Many exhibitions are either free, or next to free, and well worth the effort attending. Some exhibitions are also attached to a charity so any fee paid will typically go to a worthwhile cause. Visit www.photoreview.com.au for exhibition listings.

Community Theatre– The fun, unpretentious raw energy of community theatre is a must if you haven't been there before. The website www.bcl.com.au has an extensive list of community theatres with an up to date guide of what's on offer



Alternative Investments: dynamic or high-risk?

Netting good investment returns is not limited to real estate alone. But beware, while non-traditional investments can be fun to get involved in, they still of course involve risk.

There are pros and cons to all investments. When diversifying your portfolio keep in mind that 'attachment', 'feelings' or 'emotions' can be very dangerous things. If you want to invest with a better chance to generate a return, you need to be cold and practical. Here are four alternative investments that are constantly growing in popularity, some of which yield better returns than others.

Sports memorabilia

The rule 'Caveat Emptor' is very relevant when investing in sporting memorabilia, particularly if merchandise is from overseas. Verifying the authenticity of an autograph, for example, is basically impossible unless you're there to witness it yourself. Therefore buy from a reputable source and do your personal favourites unless they're universally popular or you may struggle to find a buyer when it's time to sell!

Carparks

They may not be very glamorous but there's not too many commercial investments that cost less than \$50,000 and don't require ongoing maintenance costs. The Australian reports that in 2005 Sydneysiders paid up to \$50,000 apiece for 220 car spaces in the Crescent Apartments building in Kings Cross, yielding around 4.5 per cent net per year in rental! But before you take the plunge make sure you can access funding as some lenders tend to keep clear of these investments.

Art and antiques

Most experts agree that you should buy art and antiques primarily because you like them and only secondarily because they may return a profit. On a positive note, however, art and antiques add to the character of your home and can be enjoyed while they appreciate in value.

There are price guides available covering most antiques and certain artworks which will provide the basis for your research before you buy. If you're considering parting with serious cash ensure that

you're buying from a reputable source.

And remember, antiques and art are not always a liquid investment—it may take a long time to get your money back.

Classic Cars

An unpredictable beast at best, picking a winner in the classic car market can make the ASX seem like child's play. A good example of the fickleness of the classic car market is the Austin-Healey 3000; you can now pick up a good example of this timeless gem for about \$50,000; five years ago they cost \$80,000-\$90,000!

According to expert car buffs, classic cars should be regarded as an investment that's for enjoyment; the fact that it might offer a good return further down the track is a bonus. But if you want to charge in with an eye to the future the classic cars of tomorrow include the Audi TT, Benz AMG and the BMW M3.



“At its meeting on 2 May 2006 the Reserve Bank Board decided to increase the cash rate target by 25 basis points to 5.75%.”

Interest rates on the rise—How will you cope?

At its meeting on 2 May 2006 the Reserve Bank Board decided to increase the cash rate target by 25 basis points to 5.75%.

Without exception almost all of the major banks and other lenders have followed suit and increased rates on their home and business loans by the same amount. The increase will add approximately \$40.00 per month to the 'average' loan repayment. Many economists are predicting a further rate increase before the end of the year.

So, apart from tightening your belt, what else can

you do to ensure you are able to manage higher interest rates? Firstly you might like to look at your credit card situation. Any interest rate increases will affect the rate you pay on your credit card as well. If you have long term or core debt on your credit card you might like to consider refinancing this into your existing home loan. This will give you the benefit of a lower interest rate on this debt and should lower your monthly repayment commitments. The same goes for any store cards or personal loans you have. Call Neil to see if you can

lower your commitment by consolidating debt.

Another option is to look at fixing some or part of your loan. Although many of the lenders have already increased their fixed rates in anticipation of the latest increase there are still some good deals available for 3—5 year fixed rates through lenders such as ING Bank.

We have all of the latest rate information at our fingertips so why not call us to see what the best deals are!



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Mortgage News —For anyone who has ever needed a loan



Welcome to our new look newsletter- Mortgage News This newsletter has been launched in conjunction with our new office in GyMEA. Please feel free to pop in sometime and meet our new staff member Deanne Landers. Deanne will be looking after loan processing and after sales service together with Sue.

The first few months of this year have been very busy with many new and exciting changes to mortgage products. If it has been more than 12 months since your last loan review please give us a call so we can make sure that your loan is still performing at top speed for you.

We would appreciate your feedback on the new newsletter so feel free to get in touch. We Hope you enjoy!

Quote of the quarter:

“The heart of a mother is a deep abyss at the bottom of which you will always find forgiveness” Honore’ de Balzac

It’s Mothers’ Day this month. Please remember yours.

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