FOR ANYONE WHO HAS EVER NEEDED A LOAN

SHIRE *first* MORTGAGES

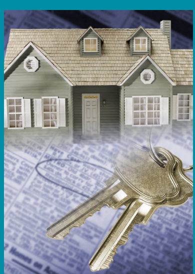
MORTGAGE NEWS

Issue 10 **Spring 2008**

Briefly:

- The interest rate cycle has broken and the Reserve Bank has announced a decrease to the official cash rate
- The Gymea Street Fair is on again on Sunday 26th October . Why note drop in and visit us for your chance to win cash and prizes.
- Recent changes to NSW Mortgage Duty mean big savings for investors. Call us to find out more.
- JP services are now available in our office.

Inside this issue:



Welcome to Spring 2008 Mortgage News

It's official. Interest rates are finally headed south after 7 long years of increases. This is very welcome news for home buyers and property investors. There are a lot of opinions as to how many interest decreases we will see and whether lenders will pass on all cuts made by the Reserve Bank. Only time will tell us but our predictions are that whilst there is certainly good news on the horizon for the immediate future, we won't see rates fall back as low as they were back in 2001, at least in the short term. There are still some skeletons which might come out of the closet as a result of the global credit crunch and Australian lenders are mindful of this.

That said, it is spring and the perfect time to look for your dream home or investment property. The best way to do that is by using the services of a quality real estate agent to help you in your search and a quality mortgage professional to help structure your debt in the most effective manner. If you are thinking about buying property this spring, make sure you give us a call early and we can arrange a pre approval for you. This way you will be in a very strong position to make a firm offer once you find that "must have" home or investment.

We hope you enjoy the Spring issue of Mortgage News. Feel free to pass your copy onto family or friends and if you would like extras please give us a call. As always we welcome any feedback you have.

Susanne & Neil Massingham

Deanne

Buying Property with Friends

With housing affordability at an all time low but rents at an all time high more and more people are joining up with friends to increase their buying power when entering the property market.

Although this is sometimes an ideal situation ,nothing has the potential to ruin a friendship faster than an argument over money so it is essential any joint property purchased be treated as a strictly business arrangement with everything properly documented.

The most common way to buy property with friends is through a tenants in common arrangement. This form of ownership allows the property to be split any way—not necessarily into equal shares. Three people can buy a third each or it can be divided in other ways.

When you draw up your Shared Property Agreement you need to consider what will happen if one owner wants to sell their share and what happens if one owner cannot meet the repayments. The Shared Property Agreement needs to cover any potential problems you can think of and it is recommended that you have a solicitor look over the agreement.

If one party wants to sell, it's common that they have to offer it first to the other owners before selling it to an outside party. But does that go far enough? In the event that the share is sold to an outsider, should the remaining owners have the right of veto over that person? After all, they probably have to live with them.

Also, what happens if one party loses their job and can't meet their share of the repayments? If you get the opportunity and want to buy out one of your partners, how is the share priced?

If none of you have owned (or partly owned) a home in Australia before, you should qualify for the first home-owner grant and stamp duty concessions, which most states give to first-time buyers. But remember collectively you will only receive $7000. If you bought individually you would each receive $7000. And you only ever get this once.

The greatest compliment you can pay us is to refer us to your family, friends and colleagues.

Home Loan Extras

You might not be aware that a number of handy features are now available with your home loan to help you manage it more effectively– the most common being mortgage offset accounts and redraw facilities.

Both features can make a significant impact as part of a mortgage reduction strategy, taking years off your mortgage and helping to save in interest repayments.

The basis for each technique is simple: by making extra repayments to your principal loan amount you will reduce the interest you are charged—thereby reducing the life of your loan.

While both offset accounts and redraw facilities can be an effective mortgage reduction tool for many borrowers, you may find that you are paying a higher rate on your loan for bells and whistles you don't really need. When discussing these options with your mortgage broker, here are some important points you'll need to consider:

Redraw Facility: Lets you make extra repayments directly into your loan, helping to drive the principal down faster. This reduces the interest you're charged each month, allowing you to channel more money into repaying the principal loan amount .You can redraw additional repayments if required—to cover school fees for example– without having to refinance your loan. While this offers a degree of flexibility, a redraw is ultimately more expensive: you can often incur fees for each withdrawal and may find that the amount or frequency for withdrawals has a cap. Additionally, you will need to exercise restraint from redrawing amounts too frequently as you may actually extend the life of your loan,

Mortgage Offset: This feature effectively allows you to save on the interest you are charged on your mortgage through offsetting its balance against your savings. For example, rather than earning a few per cent interest in a traditional savings account, through placing your savings into your mortgage offset you could interest at the same rate as you pay on your loan. You can also direct your salary into the account while servicing your bills and other debts as required. Mortgages that have an offset account attached sometimes charge a higher rate of interest or an annual fee and may require a substantial amount of cash to remain untouched in the account to reap maximum benefits. There are obviously pros and cons with both options; make sure you talk through your objectives with one of the Shire First Mortgages team before making a decision as to whether a redraw or offset facility is suitable for you.

Loan Extras At a Glance

Feature	Pros	Cons
Redraw Facility	Gives you the flexibility to add or withdraw repayments at any time.	A higher rate of interest and additional fees can add up.
Mortgage Offset	Allows your working capital to shrink the interest charged on your loan.	Borrowers may need to keep a substantial amount of cash in the offset account in order to be rewarded.

Did you know?

According to RP Data, Brisbane has now overtaken Sydney as Australia's least affordable capital city meaning many Queensland investors are now heading south to purchase property instead of the other way around!

Win Tickets to see KYLIE!

Are you feeling Lucky, Lucky, Lucky?

If so why not head down to the Gymea Street Fair on Sunday 26th October and visit our stand for a chance to go into the draw to win Gold Tickets to see KYLIE at Acer Arena on Sunday 14th December. A big thank you to NAB Broker who generously donated these tickets for our competition.

As well as our KYLIE competition we have lots of other giveaways including cash, shopping vouchers, movie tickets and other prizes. But you have to be there to win and be prepared to have a lot of fun winning. There will be prize draws every 30 minutes during the day so there are lots of opportunities to be lucky, lucky lucky.

Our thanks to our business partners who have helped us with some of the prizes. At the time of print we have prizes from Commonwealth Bank, Westpac Bank, St George Bank, NAB Broker and PLAN Australia, There will be more to come but they need to be confirmed. Look out for our Summer edition of Mortgage News for a full list of our generous sponsors.

We hope to see you there!

Reverse Mortgages: Making equity work for you

If you're retired and looking to better your lifestyle, unlocking your property's equity can set you up for life!

Many Australian retirees are increasingly finding that they have hundreds of thousands of dollars tied up in their homes and are looking for ways to make their cash go the distance for a comfortable retirement.

If you're retired, asset-rich but cash-poor, reverse mortgages may be an effective option to release the equity in your home – allowing you to tap into cash that is otherwise tie-up in your property. Here's what you need to know about reverse mortgages:

Working your equity

Reverse mortgages typically allow you to borrow money against the equity in your home.. You can choose to receive the cash in a lump sum, a regular stream of income, or a combination of both to suit your needs.

Contrary to traditional home loans, borrowers do not have to make regular repayments on reverse mortgages since the loan is repaid from the borrower's estate upon death, usually after the home has been sold.

REVERSAL OF FORTUNE

Benefits:

- No current income requirement to qualify for the loan
- You keep your property

Considerations

- Typically higher interest rates compared to conventional mortgages
- Your debt can rise quickly because the interest compounds over the term of the loan
- The loan may affect your pension eligibilities
- You may have obligations that become quite arduous as you get older such as maintaining the property to a high standard required by the lender.

Securing a reverse mortgage means you continue to own your home; the lender simply registers a mortgage over the property.

How can I get a reverse mortgage?

Unlike conventional home loans, you'll need to be aged 60 and above to qualify for a reverse mortgage. And if you're thinking of getting a reverse mortgage with your partner, then both of you will be required to be at least 60 to apply.

Is my property eligible?

A residential property will typically qualify for a reverse mortgage even if you still have a mortgage over the property; some lenders will also lend against an investment property.

Reverse mortgages can significantly improve a retiree's lifestyle through giving access to equity locked in their home—typically their biggest asset. If you're interested to learn whether you're eligible and how this option can help you, give Susanne a call today.

Access your loan online through our website!

Simply log onto *www.shirefirstmortgages.com.au* **and click on "Client Access" where you will find links to your lender's internet banking site.**

How much does a mortgage broker charge?

A consultation with a mortgage professional is probably one of the best value transactions you can have. Why? Because a consultation with a mortgage professional is FREE* to the borrower.

Mortgage professionals are borrower advocates in the loan selection process. They help home buyers, investors and other borrowers prequalify, select a loan and complete the required documents. They follow the purchase or refinance through to settlement providing a smooth and convenient transaction.

By linking borrowers with banks, other financial institutions and private lenders, mortgage brokers not only offer borrowers access to a wide range of loan choices, but also offer the lenders an alternate distribution channel through which they can gain more customers and increase their market share. In return the banks pay brokers a percentage commission of the loan upfront. Some lenders also pay an ongoing trail commission.

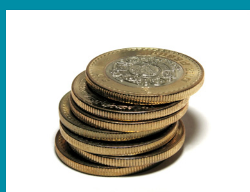
Commissions are not paid for by customers and borrowers receive the same rate regardless of whether they arrange their loan through a broker or go directly to the bank.

Dealing with a broker is a win-win situation for borrowers as they get to choose from a wide range of lenders to secure the right loan without having to do the legwork themselves and the service is free.

Commissions paid by lenders do vary slightly. At Shire First Mortgages you can be sure we are acting in your best interests when we recommend a particular loan as we always disclose all commissions to you during our initial consultation.

If you have any queries about our service or commissions please give our office a call.

** In some cases a brokerage fee may be payable especially for private or commercial lenders.*



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SHIRE first MORTGAGES

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ACCREDITED MEMBER OF PLAN AUSTRALIA

Becoming a landlord

With demand for rental properties at an all-time high, there may never be a more opportune time to purchase an investment property.

Nevertheless, while the potential for strong rental returns have rarely looked better, meeting repayments in a high interest rate environment can be a challenge for investors. Here are a number of important issues to keep in mind if you are considering purchasing an investment property:

- Make sure you can cover the shortfall between rental income and mortgage repayments. Remember, rental income is likely to fluctuate from month to month as repairs and other expenses are deducted. Moreover, increases to interest rates may add to your mortgage repayments. You will need to be able to cover any fluctuations from your own income.

- If you don't have the time or experience to manage your property it might be a good idea to use an agency. On the upside they'll find and manage tenants as well as look after the collection of rent. However their services come at a cost—usually between 5 & 10% of the rent.

- Property can decline quickly if repairs aren't carried out on a regular basis; you will also lose good tenants if maintenance isn't kept up to scratch. Make sure you have sufficient cash flow available to tackle problems as they happen, and ensure you can afford to keep your property in good shape.

- Understand tax advantages associated with property investment and how to capitalize on them. In this case its best to discuss these issues with your accountant. If you don't have an accountant the team at Shire First Mortgages will be able to provide you with a referral to a number of experienced accounting firms.

Tax breaks

One of the main benefits of an investment property is potential tax savings. While the following list is far from exhaustive, here are a number of costs you may be able to claim against your investment. Make sure you speak with your accountant when factoring any of these costs into your yearly tax return.

Interest on mortgage repayments	Land tax
Advertising for tenants	Pest control
Bank charges	Property agent fees or commissions
Body corporate fees	Repairs and maintenance
Borrowing expenses	Stationery
Council Rates/Water charges	Telephone
Decline in value of depreciating assets	Travel undertaken to inspect the property or to collect rent
Gardening and lawn mowing	Insurance

Staying healthy in the current environment

If you read the media an increasing number of Australians are suffering from "mortgage stress".

Many media articles attribute this mortgage stress to the current high interest rate environment. However, a recent study by Genworth Financial, one of Australia's largest mortgage insurers showed that only 2% of borrowers who defaulted on their loans cited rising interest rates and high housing costs as the main cause for mortgage stress.

The study revealed that 38% of default cases are the result of illness or injury and job loss or pay cut accounted for another 30%.

Ensuring your family is adequately protected through insurance can play a key role in reducing mortgage stress. When things get tough insurance is often the first thing to be cut in an attempt to save money. If you lose your income and it is not protected then your current and future savings along with your home loan repayments are in jeopardy.

If you are not adequately insured or if you don't know if your current insurance is sufficient it is important for you to take action to safeguard your future income.

Ask us for an obligation free referral to an insurance specialist who will be able to advise you on the types of cover available to suit your budget.

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