

FOR ANYONE  
WHO HAS EVER  
NEEDED A LOAN

# SHIRE *first* MORTGAGES

## MORTGAGE NEWS

Issue 2

August 2006

### Special points of interest:

- Interest rates are on the move again!
- It's not too late to lock into some good fixed rate deals
- Confused about all the deals out there? Let us help you sort through the mortgage maze. We have access to over 1000 loans and can help you decide which one is right for you.

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### Saving our clients \$\$\$\$ with smarter products

Hal & Sigrid had long enjoyed the freedom of a Line of Credit Product, however were unhappy with their interest rate. They had lost contact with their existing mortgage manager and were referred to us.

Being self employed they were keen to refinance without the added complications of providing tax returns for their many associated family trusts and companies.

*"Setting up a meeting with Neil, from Shire First Mortgages was one of the best business decisions I have made in a long time," commented Hal, "He was knowledgeable and able to provide us with a range of options in a professional and low pressure man-*

*ner. Our new products have better features than what we had before and we are paying almost 1% per annum less than we were previously!"*

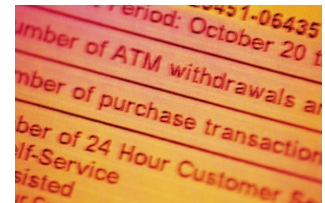
Although there are a number of funders who offer to doc loans with offset, redraw and credit cards, most charge a high monthly fee.



The HomeSide Home Plus loan was ideal for this situation as it offers the customers maximum flexibility for a low \$10 per month fee. The 100% offset account

with cheque access allows them to take advantage of any investment opportunities quickly and without any fuss. The loan offers interest only for 5 years making it ideal for investors. In addition borrowers are able to access a fee free credit card as part of this package.

HomeSide offers no basic application fee for all loans over \$300,000 and rate discounts are available for larger loan amounts.



### 50 year mortgages ? - A US example

The 50 year mortgage has been introduced in the USA due to skyrocketing house prices and rising interest rates. The 50 year loan originated in southern California when several banks delivered the product earlier this year, according to [Mortgagenews-daily.com](http://Mortgagenews-daily.com)

Lenders expect to see the loan become particularly popular with home owners who have been making only minimum payments on their mortgages and are concerned about looming interest rate

adjustments.

The 40-year home loan gained market acceptance in early 2005 and now accounts for 5% of new mortgages in the US.

50 Year mortgages are not yet available in Australia, however as reported in the Sun Herald on July 30 2006, the Commonwealth Bank and Westpac confirmed they would consider introducing this product.

There are only a few lenders in the current Australian

Marketplace who offer 40 year loans the main one being GE Money.

The main benefit of a longer mortgage is that it helps reduce the repayment burden in the early years when cash flow is likely to be tight.

However this benefit needs to be weighed up carefully against the cost of the extra interest payable if the loan runs its full term.

(reprinted in part from Australian Broker Magazine)





### What our customers say !

*“Congratulations on the expansion of your business, people will always like your laid back friendly approach, no one likes high pressure salesmen. It’s scary enough when dealing with mortgages to be faced with that pressure”*



## Reverse Mortgages - Easing financial uncertainty in Retirement

With more time to do the things you’ve always wanted to do, retirement should provide some of the most enjoyable years of your life. Indeed, many people are happier in retirement than ever before.

However, an increasing number of retirees living on a fixed income or a government pension are finding it difficult to achieve the retirement lifestyle they have dreamt of. An increased cost of living coupled with household bills and home repairs often mean that retirement nest eggs don’t stretch as far as imagined.

Many seniors faced with this situation are now turning to Equity Release Loans or Reverse Mortgages to access the equity that has built up in their homes.

Reverse Mortgages are only available to people who are over 60 years old or if part of a couple, both partners must be at least 60 years old.

A Reverse Mortgage basically allows seniors to borrow against the value of their home without the worry of making regular repayments.

Most Reverse Mortgages are designed to ensure that

- You are not required to make any repayments until you either sell or transfer the

home or until the title passes to your estate

- The title to the home always remains in the homeowners name and neither you, nor the estate, can owe more than the value of your home;
- You can choose to protect a portion of the value of the home to pass to heirs or to set aside for future health care expenses.

It is important to note that the household owner initially releases a portion of the value of the home. The title is retained by the owner and, so as long as the terms and conditions continue to be met (i.e. insurance on the home maintained), there is no possibility of losing the title to the home nor the right of occupancy.

The money from a Reverse Mortgage can be used for any worthwhile purpose like travel overseas to visit relatives, critical medical expenses or renovating the home. Many clients use Reverse Mortgages to fund payment of accommodation bonds when they move into retirement homes.

Shire First Mortgages has many clients who have accessed this loan and have found it to be the answer they

were looking for.

Jim was one of the first people to take up this type of loan, accessing part of the equity in his home to buy a much-wanted new car. Jim discussed his situation with his family before proceeding with the loan.

*“The family was very happy for me and were all for it”* he said.

Jim was visited at his home and had the product and options available explained to him in detail.

*“It was spelt out clearly. I understood everything. All aspects were then run past my financial advisor and my solicitor,”* said Jim. *“The service was excellent. The process happened exactly as promised.”*

Within 3 weeks of Jim’s initial enquiry, he was the proud owner of a beautiful new car.

*“People have been asking about my new car. I tell them how I got it and recommend they too enquire about a Reverse Mortgage.”*

For more information or a free information kit call Susanne on 9531 7503 today!



## No recovery in Sydney market until 2008/09

Market researcher BIS Shrapnel has predicted that the average property prices in Sydney—Australia’s most expensive property market—will continue to shrink until at least 2008/09, when it is expected to start to recover.

Robert Mellor, director of building and construction at BIS Shrapnel, said Sydney would “significantly lag the national recovery, placing buyers in a very strong position to bargain”.

At the other end of the spectrum, BIS Shrapnel said Brisbane would record 4% per annum growth in house values between 2006/07 and 2008/09, due to a shortage in housing supply.



Sydney house prices declined in 2004/05 following a

57% rise between June 2001 and March 2004, making them the most unaffordable in the country.

With interest rates now on an upward trend, affordability is still a major concern and Mellor expects prices to weaken further.

According to Residex, the current median price of a home in Sydney is \$543,000, while a unit goes for \$378,500.

(reprinted from Australian Broker Magazine)

## Pre-approval—buy with confidence

Getting your home loan pre-approved lets you put your money where your mouth is

Purchasing a home or investment property, while a huge milestone, can leave even the most seasoned buyer feeling frazzled. Obtaining pre-approved finance takes the guesswork out of what you can afford—allowing you to bid with confidence and within your means.

Obtaining a pre-approval makes a lot of sense. It is better to discover that you can't afford to finance that dream beachfront property before you put down the deposit!

The pre-approval process is essentially the same as arranging full finance. You need to complete an application form and provide relevant documentation, such as proof of savings, tax returns and pay slips. A pre-approval

can take from a few hours to a few days depending on the lender.

If your application is successful the lender will issue a "pre-approval letter" with a shelf life of between three and six months. This will give you a clear picture of what you can borrow as well as your monthly repayments.

And when you find the right property, you can make an offer or bid at auction with confidence—safe in the knowledge that you have the finance covered. However, even with a pre-approval, your property still needs to meet with a satisfactory valuation, building and pest inspections before the finance will be finalized.

### Advantages at a glance

**Bidding Power**—if buying at

an auction you will need to pay a deposit and sign the contract on the spot; it is important you know your budget and that finance is approved.

**Bargaining Power**—if you are armed with pre-approval you will be treated as a serious buyer by real estate agents and sellers which gives you the edge over buyers who are unsure of their finances.

**Peace of mind**—a real understanding of your borrowing capabilities minimizes the risk of buying beyond your means.

**No cost**— at Shire First Mortgages we can provide you with a pre-approval at no cost.



**“At its meeting on 1 August 2006 the Reserve Bank Board decided to increase the cash rate target by 25 basis points to 6.00%.”**

## Finance Terminology & Acronyms

Ever been confused with some of the jargon associated with mortgages?

This quick guide might help.

### **Amortisation Period**

The time it will take to repay a home loan. Usual amortisation period is 25 to 30 years.

### **Brokerage**

Broker fee charged for successfully arranging a loan. Usually charged as a percentage of the loan amount.

### **Default**

The failure to meet payment of the agreed loan installments by the mortgagor.

### **Mortgagee**

Those that lend money.

### **Mortgagor**

Those borrowing money.

### **Drawdown**

The payment of loan funds from the lender.

### **Debt Service Ratio (DSR)**

The ratio of debts compared to gross income.

### **Equity**

The amount of true ownership you have in a property i.e. the difference between the value of the property and what you owe on the property.

### **Interest**

The amount charged by a lender for the service of lending funds. This is charged as a

percentage of the funds borrowed.

### **Lenders Mortgage Insurance (LMI)**

An insurance that covers the lender should there be a shortfall in the payout figure if a property is sold to recover debts outstanding. This is usually required by lenders for loan amounts over 80% LVR.

### **Loan to value ratio (LVR)**

The ratio of the amount of the loan against the value of the property, shown as a percentage.

Keep your knowledge up to date with more terminology in our next edition.



FOR ANYONE WHO HAS  
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smarter mortgage.

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## Mortgage News —For anyone who has ever needed a loan

Welcome to the second edition of our newsletter.

Despite all of the gloom and doom in the newspapers we have had a very busy 3 months with lots of clients reviewing their home and investment loan options. The rise in interest rates has seen many opting to fix all or part of their loans to give them protection against further rises which now seem inevitable.

If you are feeling the pinch please call us and we can sit down with you to look at ways of reducing the load by reviewing your situation and arranging for consolidation of debts or other changes to your loans.

Your feedback on our newsletter is important; if you have any comments or suggestions—or would just like to discuss any of these articles— please feel free to get in touch.



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

If you know of anyone who needs a loan or who is unhappy with their current mortgage situation we would be honoured if you would tell them about Shire First Mortgages. Feel free to pass on this newsletter or give us a call and we will mail one out to them.

### What our customers say

*"I would like to thank you for the excellent home loan you arranged for me on my Woollooware property. The interest rate was more than competitive; however it is the online mortgage facility that really impresses me. This is the third home loan you have provided for me and each time the features get better and better...The next time I need to arrange finance you can rest assured that Shire first Mortgages will be handling the job" Mr M Niemeyer—Woollooware*

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