

FOR ANYONE  
WHO HAS EVER  
NEEDED A LOAN

# SHIRE *first* MORTGAGES

## MORTGAGE NEWS

Issue 3

November 2006

### Special points of interest:

- Interest rates are on the move again!
- But fixed rates are still stable for the moment and are very attractive, in some cases lower than the variable rates.
- Call us now if you want to find out what the fixed rates are and how we can help you take advantage of some of the specials available!

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### Time to Split?

Do you want to change some but not all of your loan to a fixed rate or perhaps change a portion to interest only? Perhaps you need to separate parts of your loan for tax purposes. The answer could lie in splitting your loan!

Gary and Amanda are typical of many young borrowers. They were in the process of buying their first home and were worried about rate rises and wanted to fix their loan. But Gary was also being offered some regular overtime which would help them reduce their home loan debt. The solution? They decided to split their loan by fixing 75% and leaving 25% at the variable interest rate. This way they would be protected from any further rate rises whilst still being able to make additional repayments into the variable rate portion and reducing their overall debt more quickly.

Many borrowers set up their loans with multiple splits. When Sandra and her sister purchased an investment property together we arranged for the loan to be divided into 2 equal split portions. This way each borrower received a separate statement and made individual repayments. Sandra was able to

pay off some of her loan more quickly thereby reducing her interest without affecting her sister's portion. When it came to tax time it was simple. Each borrower took their individual loan statements to their accountant. No fuss!

Jason is an astute investor. When he came to see us to enquire about refinancing his existing mortgage he wanted to be able to easily allocate



each portion of his debt to a particular investment. His existing lender was only providing him with one statement for the whole loan. We were able to refinance Jason into a more suitable mortgage product. His loan now has 4 splits with some on an interest only basis. He can now easily and accurately apportion interest costs against the return from individual investments.

Nowadays most finance pro-

viders offer flexible loan accounts allowing you to choose a number of split options. But what about if you have an existing loan? The good news is that many lenders can make changes to your loan allowing you to split a portion into a fixed rate or into an interest only option. Although some lenders offer this service for free, the bad news is that many lenders also charge a fee to do this. Fees vary from lender to lender but average at around \$250. So you need to look at the benefits of splitting (cost saving, simplicity) before you proceed.

At Shire First Mortgages we can help you structure your loans to best suit your needs. We will make sure we keep in touch with you so that when your circumstances change we can assist you to rearrange your loans and make sure they are still suitable for you.



### Mortgage Brokers Doing Great Job

Brokers are doing a great job at attracting repeat business from their customers, with nearly three quarters of borrowers using them again to source their next loan. According to The Genworth

Financial Mortgage Trends Report for 2006, 74% of the 2,000 respondents said they would source their next loan through a broker.

In addition the report shows

that approximately 35% of new loans are written through mortgage brokers because brokers are convenient for customers and offer a wide variety of product and pricing options from many lenders.



## What exactly does a mortgage broker do?



**At its meeting on 7th November the Reserve Bank decided again to increase the cash rate by 0.25% pa. Most lenders have factored this rate rise into their variable rate loans. But there are still some great fixed rate deals available with some lenders!**

Does this scenario sound familiar?

“Your daughter is really pressuring you for a car, you need to update the truck you use for business and it is time to look at some type of cash flow finance because things are getting tight at the moment..... You are reluctant to call the bank as they dishonoured one of your cheques last week and besides you would need to talk to too many different people and can't really afford the time to go and see them..”

If this sounds familiar the easy solution is only a phone call away to Shire First Mortgages. Nowadays mortgage brokers can organize everything from personal loans to commercial hire purchase.

It is important to note that not every broker can help with the full range of financial solutions. But the better ones are really like the bank manager of old (without the power to bounce your cheques!).

At Shire First Mortgages we are members of the Professional Lenders Association Network. All of our consultants must meet minimum nationally recognized educa-

tion standards for membership so you know you are dealing with someone who knows about finance.

Did you know that with one phone call to our office you can arrange:

- A personal loan to buy a car, take a holiday or just to consolidate debts
- Commercial Hire Purchase to finance motor vehicles and / or machinery used for business purposes
- Cash Flow and Debtor Finance to ensure your business operates at maximum efficiency in the short or long term
- Mortgage protection Insurance to give you peace of mind should the worst happen
- Deposit Bonds to assist with the purchase of residential, commercial and off the plan properties
- Assistance with 1st Home Buyers Grants. We can take care of all the paperwork for

you in conjunction with your loan application and make sure the funds are available at settlement

- Commercial finance to help you buy that shop, factory or office suite for investment or owner occupation
- Loan refinancing and debt consolidation to reduce the strain on your family budget
- Fixed rate loans either for new purchases, refinances or even just negotiating with your current lender to ensure you have the best possible deal (even if we didn't help set up the loan!)

As a mortgage & finance broker it is our aim to help you find a great lending solution to suit your needs - whatever they are!

Good mortgage brokers offer a lot more than just home loans.

Give us a call and experience the difference!

## Housing debt increases blamed on 40 and 50 year olds.

People aged in their 40s and 50s are the single biggest contributing factor in household debt in Australia, Reserve Bank governor Ian Macfarlane has said.

MacFarlane was quoted in *The Australian*: “In earlier generations they would run down their debt to zero. Now they are not. They are going back and having a second and third helping to get a better house or additional properties.”

But he said it was hard to take a “really moralistic view of people in the older age group

who wanted to upgrade their homes”.

Equally Macfarlane said “it was hard to complain about young

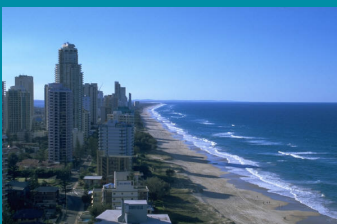
people taking on a lot of debt if they feel it is the only way they can get home ownership”

(reprinted from Australian Broker Magazine)



### DID YOU KNOW?

According to the Sunday Telegraph's 2006 Spring Property Guide (15 October 2006) Gympie is the top performing suburb in the Sutherland Shire!



## Demystifying Mortgage Insurance

If you have not been able to provide the full 20% deposit that banks and other lenders require for a standard home loan, or you've taken out a non-standard loan such as a low doc loan, the chances are that you paid lenders mortgage insurance (LMI).

### What is LMI?

When a person borrows more than 80% of a property's value (60% on low doc loans), LMI insures the lender against risk if the borrower defaults on their mortgage and the lender takes possession of the property and sells it. The insurance covers the potential shortfall between the loan amount and the net proceeds from selling the property.

The LMI insurance contract is arranged by the lender. Lenders typically pass this cost onto the borrower—LMI may either be paid as a one off fee, or added to the loan amount (often referred to as "capitalizing LMI").

### What does it cost?

The cost of LMI is calculated based on a percentage of the loan amount. The greater the

proportion of the property's value that you borrow, and the higher the loan amount the higher the percentage cost of mortgage insurance. Generally, the cost of LMI can range from 1% to 2.5% of the loan amount.

### Is LMI tax deductible for investors?

The cost of LMI is classified as a borrowing cost. As the cost of LMI is always over \$100 property investors are entitled to claim the cost of LMI equally over five years (or over the loan term where the term is less than five years) as a cost of investment. If you repay or refinance the loan within five years then you may claim the balance of the remaining cost as a deduction. For example, if mortgage insurance costs \$5,000, then you can claim a deduction of \$1,000 per year for five years.

As always, you will need to obtain independent taxation advice to ensure the deductibility of LMI applies to your situation.

### If I refinance what happens to the LMI?

If you refinance your loan within one or two years of taking it out, you may be entitled to reimbursement of part of your initial LMI payment.

Each lender/funder will have a different LMI provider, and their policy/terms will differ. LMI cover is provided to the lender for the life of the loan. As each provider's refund policy differs it is best to talk to us to see if you may be entitled to a refund.

### If LMI doesn't cover my loan repayments, what does?

A home loan is likely to be the biggest single financial commitment you make, so it is advisable to consider personal insurance to assist you to make repayments in the event of illness, accident or injury.

There is no single insurance product to protect your home if you don't make your mortgage repayments, but you may consider life insurance, mortgage or income protection insurance, trauma or crisis insurance and total and permanent disability insurance.

(MIAA media release)



### What our customers say!

"Many thanks for your professional and friendly service in arranging our 2 loans and following through to their completion...we will certainly recommend you to anyone who asks"

## Finance Terminology & Acronyms

Following some great feedback from last issue's article we have included some more information to help you better understand the mortgage process.

### Assets

What you as an individual or company own. Assets can be in the form of money, or bills owed to you or can be fixed, such as property, jewelry or motor vehicles, or they can be intangible (your good reputation).

### Base Rate

Financial institutions often publish their base rate, which is a guide for their lending rates. Loans are generally written at a margin above this depending on the product &

client.

### Body Corporate

An incorporated company. Usually used for the administration of maintaining a group of strata title properties. Looks after things such as maintenance, insurance.

### Certificate of Title

The document of Title to the property held. It sets out the legal description of the land, the registered proprietors, easements, covenants and encumbrances.

### Easement

An entitlement someone has to use land belonging to someone else e.g. Power box, fire hydrant, right of carriage-way.

### Encumbrance

A charge noted on the certificate of title showing liability e.g. mortgages.

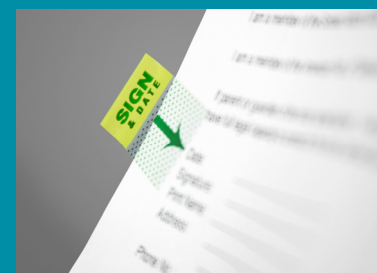
### Fixed Rate

The interest rate is fixed for the specified time on the loan e.g. 3 years. Rate will not increase or decrease during this period. Repayments also remain fixed for this period of time.

### Strata Title

A type of title used for units & multiple residences giving you ownership of a defined part of the property and membership of the body corporate.

Keep your knowledge up to date with more terminology in future editions!.



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smarter mortgage.

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

Thanks to all of you who dropped in to say hello at our recent promotion during the Gynea Street Fair. It was a glorious day with an estimated 50,000 people attending. We handed out over 600 show bags and received lots of positive feedback.



Congratulations to the major prize winners of our competition held on the day:

Linda Hitchcock—Two tickets to see U2 at Telstra Stadium (donated by Homeside Lending)

Belinda Roberts, Roberta Andrew, Denise Kahlefeldt, Maureen Chalmers & James Mackay who each won a \$100.00 petrol voucher

The Duncan family—Waratah's Suporter's Pack consisting of a signed Waratah's jersey, scarf, hat and "Cromwell" the HSBC bear (donated by HSBC Bank)



Neil presenting Linda with her U2 tickets

For those of you who are feeling the pinch thanks to another interest rate rise please give us a call. We would be happy to review your current loan situation. There are always options available and we can help you to split your loans, fix interest rates or even consolidate debt.



Olivia Duncan with the signed jersey and "Cromwell".



This is our last newsletter before Christmas.



Our office will be closed from 22nd December 2006 until 11th January 2007. If you have any urgent queries please call the office number and leave a message. We will get back to you within 24 hours.

We wish you all a safe and peaceful Christmas



Neil



Susanne



Deanne

**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 needs a review of 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.

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