

FOR ANYONE  
WHO HAS EVER  
NEEDED A LOAN

# SHIRE *first* MORTGAGES

## MORTGAGE NEWS

Issue 6

September 2007

### Briefly:

- Interest rates have just risen and are tipped to rise again.
- Did you know we can assist you with Leasing Finance for new and used motor vehicles? If you are looking to buy a new car why not call Neil and let us give you a quote and help make the transaction as smooth as possible.
- Don't forget to visit our stand at the Gynea Street Fair on Sunday 28 October to say g'day and for a chance to win great prizes.

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## Product Profile - Low Start Loans

Are you looking for a loan which will start low and allow you to enjoy the benefits of a lower interest rate and lower repayments in the first year or the first 6 months? Then a low start or honeymoon rate loan might be for you.

With low start loans a reduced interest rate will usually apply for 6 or 12 months, after which time interest will be charged at a standard variable rate. The interest rate for the first 6 or 12 months can be variable or fixed depending on the product and lender chosen.

This type of loan usually suits customers looking to minimise payments while they get established in their new home. It is also ideal for people who know their income will grow in the near future.

Sandra and Ian wanted to refinance their mortgage from their existing lender but Sandra was currently on unpaid maternity leave and not planning to return to work for another 10 months. Although Ian's wage would

cover the mortgage repayments Sandra mentioned that they were incurring lots of unexpected baby expenses. She didn't want their budget to feel stretched or feel obliged to return to work early.

After considering all the circumstances, Ian and Sandra chose a St George Introductory Fixed Rate Loan. This loan gave them the benefit of a lower fixed rate for the first 12 months. Sandra was now confident that those unexpected bills could be met comfortably due to the lower repayments associated with the introductory fixed rate. After 12 months the loan will revert to St George's Standard Variable Rate. However, Ian and Sandra have opted to pay a switching fee of \$350 and convert the loan to a St George Basic product which offers a lower variable interest rate. Obviously for Sandra and Ian the interest saved in the first 12 months with the low start fixed rate was more than enough to offset the cost of the switch fee. To make sure the

transition is seamless we have arranged to contact Sandra and Ian 1 month before the expiry of their low start rate to complete all of the paperwork necessary for the conversion.

Low start rates are not suitable for everyone. The most important consideration is the cost of conversion at the end of the low start rate and the variable rate which will apply. When comparing low start loans to other loans it is important to look at the "comparison" rate rather than just the interest rate. If, like Ian and Sandra, you will be switching to a lower priced product than the standard variable rate you will also need to consider the "comparison" rate for that product. At Shire First Mortgages we can help you compare different types of loans and provide you with information such as switching options which can help you make a decision regarding the suitability of this type of property. Why not give us a call today!

## Free Residex Comparative Market Analysis Reports

From 1 September we are very pleased to offer our loyal customers a new value added service totally free of charge.

If you are looking to buy a new property or refinance a loan for an existing property we can arrange for Residex Comparative Market Analysis Report to be prepared for that property as our gift to you for choosing Shire First Mortgages as your mortgage professional.

These comprehensive reports provide you with details such as:

- Title Details of the property.
- Property Description/ Attributes.
- Sale History of Property
- Investment Return Information including rental return and historical growth information.
- Information on property value range in the street.
- A comprehensive listing of recent local property sales.

The Residex report will provide you with a great source of information on your property.

Naturally any decision you make should not be made solely on the basis of information contained in the report



## How much can you borrow?

Have you ever wondered what would be the most you could borrow based on your current income? How about working out the impact of paying extra on your loan or figuring out how much interest you could save if you deposited your annual tax return onto your loan?

Naturally all of this information is available by calling our office but to make things easier for you we have recently updated our website with a complete range of loan calculators to help you manage your mortgage when and where you choose.

The calculators are fun, interactive, informative and best of all they are completely user friendly. At the moment you can print out the results. Our designers are currently working on an update to enable you to email results to yourself.

Calculators available are:

**Basic Loan Repayments-** Work out what your minimum weekly, fortnightly monthly loan repayments would be for different loan amounts.

**Extra Repayments-** How much time and interest can you save by paying more than your

minimum repayment?

**How Long to Repay?-** Find out how long it will take you to repay your loan and how interest rate changes and the amount you pay can affect your loan term.

**Complete Loan Comparison-** Use this calculator to compare different loans and interest rates.

**How Much Can I borrow?-** Find out how much you can expect to borrow for a home based on your current income and existing financial commitments.

**Lump Sum Payments-** Find out how much interest you will save and how much more quickly you can pay off your loan by making one off lump sum payments for example your tax refund.

**P & I/Interest Only-** Worried about affordability? Work out the difference in repayment amounts for Interest only and Principal and Interest repayments.

**Reverse Mortgage-** This calculator helps you work out the effect of a reverse mortgage on your home equity and shows the effect of interest capitalization.

**Split Loan-** Want to see the effects of splitting your loan so that one part attracts a vari-

able rate of interest and one part is fixed? This calculator shows you the differences in repayments and their effect on loan terms.

**Stamp Duty-** Find out how much stamp duty and other government charges add to the cost of buying a property in your state or territory. Please note this calculator assumes non first home buyers but links are provided to government websites to assist first home buyers work out savings.

**Income Tax-** Use this calculator to work out tax payable and net income figures.

**Car Lease-** Find out how much repayments would be for a new or used car. Don't forget we can help you with leasing finance.

If you need any help with the calculators please give our office a call and we would be happy to assist you.



**Have you had your free loan health check this year?**



## SEQUAL Accredited Broker

We are excited to announce that Susanne has recently been approved by SEQUAL (Senior's Equity Release Association of Lenders) as a preferred consultant. This means she is now one of only a handful of brokers accredited by this group as having met training and requirements necessary to understand the complexities of Reverse Mortgage products.

Reverse Mortgages or Equity Release Mortgages as they are also known, allow seniors to borrow against the value of their home without the worry of making regular payments.

If you know of anyone who is over 60 years of age and would like to know more about how a Reverse Mortgage might help them improve their cash flow or life style, why not call Susanne today to

arrange a confidential appointment.



## Proposed changes to Mortgage Duty

A number of Australian states have recently proposed changes to their mortgage duty as follows:

**NEW SOUTH WALES**  
Currently mortgage duty is charged at the rate of \$4.00 per \$1000 borrowed. The abolition of mortgage duty will occur in 3 stages.

**Stage 1—1/9/2007**  
Duty is not chargeable on advances made on or after this date in connection with owner occupied housing.

**Stage 2—1/7/2008**  
Duty is not chargeable on advances made on or after this date for investment housing. The above exemptions will only be available if the borrower under the mortgage or, if there is more than 1 borrower, each of the borrowers, is a natural person.

**Stage 3—1/7/2009**  
Mortgage duty is abolished. NSW mortgage duty will not be chargeable on any advances made on or after this date.

**QUEENSLAND**  
Currently mortgage duty is charged at the rate of 40c per \$100 or part thereof borrowed.

From 1/1/2008 mortgage duty will be reduced by 50%  
From 1/1/2009 mortgage duty will be abolished.

**SOUTH AUSTRALIA**  
Mortgage duty is not payable on owner occupied mortgages or refinances. Current rate of mortgage duty is \$0.30 per \$100 (or part thereof) borrowed. From 1/7/2008 the rate will further reduce to \$0.15 per \$100 (or part thereof), with mortgage duty being abolished from 1 July 2009.

**TASMANIA**  
Mortgage duty was abolished from 1/7/2007

**WESTERN AUSTRALIA**  
Current mortgage duty is 0.125% of the loan amount for owner occupied properties and 0.2% of the loan amount for investors. Duty will be abolished altogether from 1 July 2008.

**VICTORIA, ACT, N/T**  
Mortgage duty is not applicable in this state and these territories.

## Are you a fixer?



Cannex, the financial services research group, has released some interesting findings on the trend towards fixed mortgages among Australian Borrowers.

The findings show the effect the four rate rises which have occurred in the last 18 months have had on homeowners: 25% of all residential home loans in Australia are now fixed— this is an increase of 8% since January 2006.

If you would like to enquire about fixed rates call Neil today!



**Access your loan online through our website!**

Simply log onto [www.shirefirstmortgages.com.au](http://www.shirefirstmortgages.com.au) and click on "Client Access" where you will find links to your lender's internet banking site.

## The Ongoing burden of debt

Australian households have set a new record—spending almost 12% of their total disposable family income on interest payments, the highest in 30 years according to *The Australian Financial Review*.

Young Australian's in particular are struggling to manage their debt. The latest figures from credit agency Dun & Bradstreet, reports the Sydney Morning Herald, showed half of defaulting home loan borrowers to be under the age of 32. Recent successive interest rate increases have put enormous pressure on family budgets. Increased home loan repayments coupled with high levels of consumer debt has seen many young families unable to meet higher monthly commitments.

Figures released by the Australian Prudential Regulation Authority showed claims for mortgage defaults have soared by 329% in the year to December 2006 with Home Lenders lodging insurance claims for \$210 million of bad loans compared to only \$49 million in 2005.

The best thing anyone can do if they are feeling overwhelmed by their monthly commitments is to see their broker straight away and lay all their cards on the table. Often it is the expiry of a "repayment free period" on a store purchase which tips the scales and makes the family budget unworkable. Instead of struggling to meet credit card, home loan, personal loan and other commitments it is often

better to talk to your broker about consolidating all of your debts into your home loan. Debt consolidation can lead to significant savings in the long term especially when you consider that most consumer debt attracts interest rates of around 15% - 20% pa. At Shire First Mortgages we have a range of specialist lenders who can even arrange to consolidate debts which are in arrears or default.

With homeowners now being urged to brace for even higher mortgage costs now is the time to seriously look at your monthly commitments and take action by talking to Neil or Susanne and seeing how we can help improve your monthly cash flow.



FOR ANYONE WHO HAS  
EVER NEEDED A LOAN



Your first choice for a  
smarter mortgage.

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

Welcome to our third Mortgage News Newsletter for 2007.

What a ride we have had lately. Recent happenings in the American sub prime mortgage market have certainly made everybody nervous with the media speculating more home loan rate increases are on the cards as a direct result of the fallout from the US fiasco. It seems that every time we open a newspaper or turn on the TV there is a story on mortgages or interest rates. Ultimately this information overload can be very confusing. If you are at all worried about your existing loan or would just like some information please give us a call and we will do our best to assist you. To reassure you, it is business as usual for us. Whilst some of our funders may end up feeling some effect from the US credit squeeze we have been assured by them that none have any intention of increasing interest rates on their loans above Reserve Bank recommendations. For new loans some customers feel more secure opting for loans with major banks. From our point of view it is important that you feel comfortable with your choice of lender and we will do whatever we can to help you choose the best lender and loan product available. Don't forget we have a panel of over 30 institutions to choose from.

On a similar note there has also been a lot of media coverage about shonky mortgage brokers and calls for complete regulation of brokers. Rest assured that when you deal with Shire First Mortgages you are dealing with professionals. All of our salespeople are Accredited Mortgage Consultants with the Mortgage & Finance Association of Australasia and undergo extensive ongoing training. We are also bound by strict codes of conduct through our membership of the Professional Lenders Association Network and the Credit Ombudsman Scheme. If you have any concerns or queries please talk to us.

Coming up in the next quarter we have a Federal Election which will affect the market in as much as many borrowers and investors are waiting to see the outcome before they commit themselves. This means the market may be a little slow in the lead-up to the election but whatever the outcome I am sure it will pick up and lead to a frantic period just before Christmas. If you do want to make changes to your loans or purchase a new property before the end of the year why not start talking to us now to avoid that last minute rush. Don't forget we can now offer you a free Residex Comparative Market Analysis Report which may help you in your decision making process.

You will see from the article in this newsletter that we have added a complete range of loan calculators to our website for your convenience. Why not jump online and have a go.

Finally we are again participating in the Gynea Street Fair on Sunday 28th October 2007.

If you are in the area we would love you to pop in and say g'day.

There will be free showbags filled with goodies as well as balloons and some great prizes. We look forward to seeing you there.



Neil



Susanne



Deanne



Vantreigh

### 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 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, log onto our website to subscribe, or give us a call and we will mail one out to them.**

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