

Welcome to Mortgage Watch

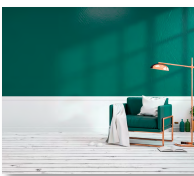
I hope you find the information in this issue useful and informative. Please feel free to pass this newsletter to family or friends.

Regards,
Jeremy Zabat



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mortgage watch

Cash rate remains at historic low.

The Reserve Bank of Australia (RBA) has kept the cash rate unchanged at a record-low 1.50% for the 20th consecutive meeting. Governor Philip Lowe had this to say in his official statement:

“The housing markets in Sydney and Melbourne have slowed. Nationwide measures of housing prices are little changed over the past six months, with prices having recorded falls in some areas. Housing credit growth has slowed over the past year, especially to investors. APRA’s supervisory measures and tighter credit standards have been helpful in containing the build-up of risk in household balance sheets, although the level of household debt remains high. While there may be some further tightening of lending standards, the average mortgage interest rate on outstanding loans is continuing to decline.”

What does this mean for you? As the cash rate stands still at 1.50%, there have been a number of lenders including four of Australia’s biggest lenders who’ve changed their interest rates at their own discretion. Over the next few months make sure you keep an eye on any rate movement, and consider whether your current loan is still right for you.



How to purchase your next car with a car loan

Australians have a few options when it comes to financing a car, and you should make sure you know what each finance option entails before committing to one or the other. Different types of financing can cost more or less depending on the details.

Here's the pros and cons of the two most prevalent options - car loans and dealership finance.

Car loans

With a car loan, you'll receive the full purchase amount in a lump sum, so that you can outright pay a dealership for your new vehicle. Typically, car loans last from one to seven years, and because the car you buy will be secured to the loan, interest rates will be lower than for an unsecured loan.

The benefits to a car loan is that you can shop around for the best deal and choose your own lender. Your car will also be paid off completely by the time you finish your payments. Furthermore, you'll have the option to buy from private sellers.

The drawback to car loans is that the interest might be a little higher than what is on offer from a dealership. Because the loan is secured to your vehicle, if you default on payments, the lender is entitled to claim your vehicle to recoup what you owe. There may also be additional fees involved with the loan.

Dealership finance

Many car dealerships have financing options which can seem very attractive due to lower (or in some cases, zero) interest on the loan, and subsequently lower monthly repayments. The important thing to note here is that dealership finance often involves a balloon payment at the end of your term.

So, while your regular monthly payments are lower, you'll still be required to drop a hefty lump of cash to clear the final payment. Of course, you might opt to refinance the balloon payment, but you'll need to be absolutely clear of your obligations to settle the balloon payment when running the numbers.

The benefits to dealership finance is that there is far less paperwork involved, and you also get some leverage in terms of negotiating the sale price. The drawbacks are that this financing option is available only for new dealership cars, and that you have to have a strong credit score to be eligible.

To find out how to get the ideal deal on your new car, speak to our experienced team of mortgage brokers today.



What is negative gearing for property investment?

Negative gearing - it may seem like investor mumbo jumbo, but it's really quite a simple concept to get your head around. More than that, it's an important option in an investor's toolkit when looking for a property to invest in. Gear yourself up for a lesson in the basics of this investment system!

What is negative gearing?

In the investment world, 'gearing' is just another way of saying borrowing money to buy an asset - in the case of property investment, taking out a loan from a financial institution. Negative gearing is the case in which the interest you repay on your loan is higher than the income you generate from the property.

Here's an example:

- You purchase an apartment for \$500,000.
- The bank loans you \$400,000 with a 5 per cent interest rate.
- This means you have to repay \$20,000 per annum.
- If you rent this apartment for \$400 per week, this gives you a yearly income of \$19,200.
- Which means you'll be \$800 short every year - and this doesn't factor in other expenses such as maintenance and repair costs, insurance and council rates.

What are the positives of negative gearing?

If this grinds your gears, don't worry! There are several positives for investors:

More choice, more properties

With negative gearing, it becomes easier for anyone to invest in property. The market for neutral or positively geared properties is very small, so by implementing this system more people have a chance of owning property and seeing a long-term investment from capital growth.

The capital growth pay-off

What's this? Simply, it's the growth in value of your property over time. Most properties get more valuable over time, so the profit you make from selling the property after a few years should offset the money you lost year-on-year with your negatively geared loan.

Reducing taxable income

In order to help property investors, tax can be deducted from ongoing expenses, like interest on your loan and maintenance costs. These costs can be claimed against your annual income, meaning less will be taxed overall.

Want to know more?

Negative gearing allows more people than ever before to invest in the property market - but any decision to purchase property and take up a mortgage should be done with the help of a professional. For more information about negative gearing or finding the ideal home loan, speak to our experienced team of mortgage brokers today.



Common home loans: why and how to repay them quicker

Finding the ideal home loan and the best way to pay it off can seem insurmountable alone. But with the help of an experienced broker, it's much easier finding terms that will suit you. Read on for our guide on why and how to repay your home loan quickly.

The most common home loans

It's easy to see why it can be intimidating picking the home loan that suits your situation when there's so much choice! To help, here's a rundown of the most common home loans:

Principal and interest loans

These are often standard, with borrowers making regular payments against the amount loaned, with interest charges, over a 25-30-year period.

Interest only loans

These require payments to cover the interest of the loan only. The actual amount you borrow will only reduce with extra payments.

Within these loan products, there can be a variety of different interest rates, including:

- **Variable interest** - the rate can go up or down in line with cash value or lender terms.
- **Fixed interest** - interest will remain unchanged over a fixed time (usually 2-5 years).
- **Split loan** - this is a combination where part of your rate is variable, and part is fixed.

Why repay it quickly?

Once you have secured your home loan and purchased your dream property, it can be tempting to rest on your laurels and worry about repaying your debt later. The Australian Investments and Securities Commission shows this is a common mistake - repaying your loan as quickly as possible will often save you money in the long run.

The larger your loan, the more interest you'll pay on the principal debt, and if you ignore or fail to keep up with your payment schedule, you'll start to struggle.

How to repay your home loan quickly

- **Find a cheaper interest rate** - shop around to find an interest rate on a home loan that seems within your means to pay off as soon as possible.
- **Make larger or more regular repayments** - this reduces the length of your debt. Be sure to check if any extra payments incur a transaction fee.
- **Plan for speed** - the key to good financial health is planning. If you don't think you can afford the repayments, you should speak to a financial expert who can offer advice on the next steps.

For more information on loan repayments or home loans, speak to our experienced team of mortgage brokers today.



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