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,

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mortgage watch

Cash rate drops to new low of 1.50%

With a newly formed government now in power, and extremely weak inflation levels, the Reserve Bank of Australian (RBA) has decided to reduce the official cash rate by 25 points, taking it to the new historical low of 1.50%.

Governor Glenn Stevens of the RBA had this to say in his official statement:

"Low interest rates have been supporting domestic demand and the lower exchange rate since 2013 is helping the traded sector. Financial institutions are in a position to lend for worthwhile purposes. These factors are all assisting the economy to make the necessary economic adjustments, though an appreciating exchange rate could complicate this."

"Supervisory measures have strengthened lending standards in the housing market. Separately, a number of lenders are also taking a more cautious attitude to lending in certain segments. The most recent information suggests that dwelling prices have been rising only moderately over the course of this year, with considerable supply of apartments scheduled to come on stream over the next couple of years, particularly in the eastern capital cities. Growth in lending for housing purposes has slowed a little this year. All this suggests that the likelihood of lower interest rates exacerbating risks in the housing market has diminished."

So, what does all this mean for you? As this month's decision has proved, rates can change at any time. Now is the time to consider whether your current loan is the right one for you, right now.

Why winter is a good time to buy property

Winter might seem like the time of year when everything starts to grind to a halt, but could it be just the right moment to speak to us about your finances? If you play your cards right, you may find that winter is the ideal time to enter the property market, providing of course you've got all your finances in order.

If you're confident that you'll be approved for a mortgage and secure the best home loan interest rates, these are just some of the reasons why this could be the ideal season to strike.

Home loan rates are favourable
The Reserve Bank of Australia (RBA) lowered the official cash rate earlier this month, meaning buyers can access low interest loans and potentially get themselves a good deal on their new home.

The majority of lenders passed on some form of rate cut to customers, so if you act fast, there's an opportunity to find yourself an affordable product. The RBA meets every month and there's no guarantee the rate will continue to stay down, so making your move this winter could be wise.

More new homes are emerging
Construction work doesn't stop just because it's winter - in fact, builders up and down the country are putting up homes as we speak! The Australian Bureau of Statistics revealed that during the three months to March, the value of new residential buildings increased 10.3 per cent from a year earlier - and experts believe the sector will continue to thrive. So, if you can imagine yourself living in a new-build property that you can really make your mark on from day one, winter is as good a time as any to start looking.

Property listings are rising
Speaking of homes coming onto the market, SQM Research has revealed that national property listings have improved slightly over the past year. June data shows that compared to the same month of 2015, listings increased 2.5 per cent. If you want your pick from quality properties, then what are you waiting for? Some people might think that nobody moves in winter, but this simply isn't the case. Once we help get your loan the green light then it's the ideal moment to see exactly what the market has to offer.

4 mortgage charges to be aware of

Whenever you carry out a home loan rates comparison, you'll need to take all sorts of different factors into consideration. From the interest you'll be expecting to pay, to the term of the mortgage. These are all features that can have an impact on your final decision.

There are also certain charges you will need to bear in mind. These could add a significant amount onto your mortgage repayments, which is why it pays to have all the information to hand before making a financial commitment. Here are just four of the fees you'll need to be aware of.

Lender's Mortgage Insurance
Lender's Mortgage Insurance, or LMI as it's often known, is a form of insurance that your lender will take out to cover itself in case you default on your loan. The Australian Securities and Investments Commission (ASIC) recommends that you save at least 20 per cent of your property's value as a deposit to avoid paying LMI.
The Insurance Council of Australia revealed that as many as a fifth of mortgages are insured through a LMI provider, so it's a relatively common cost for you to be aware of.

Establishment/application fees
You might also be charged an establishment or application fee by your lender, which is designed to cover the cost of setting up your home loan. Some companies will waive this charge, while others will expect you to pay it when you make your application.

Exit fees
There might come a time when you decide to move on from your current lender, and see what else is available. In this case, your current lender may charge you an exit fee if your current deal hasn't yet come to an end.
However, this is only the case if you took out your original mortgage before July 1, 2011. ASIC advises that lenders are no longer allowed to charge exit fees on new products.

Early repayment charge
If you're in the position to repay your mortgage before the term officially ends, it's possible that you will be penalised by your lender. This may be charged as a set amount or a proportion of your remaining balance.
You need to be sure of the terms and conditions of your mortgage before you sign on the dotted line, as expenses such as this could prove to be unexpected. Discuss your requirements with us before deciding which product makes the right financial sense for you.

What's the key to quick capital gains?

Buying, renovating and selling a home quickly can be a fast-track to property investment success. On the flip-side however, mismanagement of your investment or buying without knowing the lay of the land, can quickly change your dream into a nightmare. To help make sure your real estate doesn't cause you night terrors, we've whipped up a quick guide to the basics of ensuring quick capital gains.

Don't over-do the renovations

Throughout Australia the number of home renovations has trended sharply upwards in the in recent years, according to a Housing Industry Association (HIA) report. These increases may be helped along by continually increasing property prices, which encourage people to access their increasing equity to renovate.

Fantastic as this is, if you're buying and selling quickly for profit, hiring professionals to renovate may blow your budget and cause the amount of your investment loan to skyrocket. A more affordable option may be to undertake DIY renovations before sale - a practice which the HIA indicates has also been on the rise.

When doing so, it's important to focus on cosmetic renovations such as painting or repairing visible damage rather than expensive structural altercations. These small improvements could be the key to unlocking your home's full resale potential without breaking the bank.

Research the area, then research some more

It is absolutely essential that you thoroughly research the area and market that you're buying in. Don't assume that growth in the past equals further increases. Instead of looking at trends in the area to predict the future of the market.

For example, buying an apartment in Sydney may have once been the ultimate investment purchase, but the recent construction boom has increased its supply. A larger apartment supply may eventually lead to a slowing of the markets value growth rate, or even a decrease in price - not the ideal situation for investors.
For this reason, looking outside of central suburbs may be a more prudent investment, netting you a better return at a lower purchase price. One such suburb is Knoxfield, a small area less than an hours driving east of Melbourne's city central. This area has an affordable median house price of just over $550,000, and experienced capital gains of almost 25 per cent last year, according to a report by the National Australia Bank, compiled using CoreLogic RP data.

Grab a cheapy

CoreLogic also recently found that over 53 per cent of investment-owned properties are valued at under $500,000. The reason behind this statistic may be that buying and selling at a lower price will make the property accessible to a larger portion of Australian's, than say a $3 million dollar cliff-top mansion would be.

By opening the sale of your property up to a larger number of potential buyers, you may increase its demand. This could mean more interested buyers, more competition on auction day and a higher sale price. These are all factors that should make it easier to sell your property for more than you purchased it - ensuring your mortgage repayments aren't for nothing.

As you can see there's endless criteria to consider when purchasing an investment property, so securing your finances may fall by the wayside. We have extensive experience helping investors in exactly this situation. So why not use our vast experience and knowledge to help secure the most suitable loan product for you - without the hassle.

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