

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

RBA leaves cash rate on hold at 1.50%

The Reserve Bank of Australia (RBA) has kept the cash rate unchanged at a record-low 1.50%.

Governor Philip Lowe had this to say in his official statement:

“Conditions in the Sydney and Melbourne housing markets have continued to ease and nationwide measures of rent inflation remain low. Growth in credit extended to owner-occupiers remains robust, but demand by investors has slowed noticeably as the dynamics of the housing market have changed. Credit conditions are tighter than they have been for some time, although mortgage rates remain low and there is strong competition for borrowers of high credit quality.”

“The low level of interest rates is continuing to support the Australian economy.”

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.



7 tips to help you save money for a summer holiday

Saving for a summer holiday? Boost your funds by tracking your spending, cutting one unnecessary expense and staying home for dinner.

If you're still saving up funds for your next getaway, here are tips to help you along the way.

1. Check your bills to ensure you're getting the best deal

It's easy to go with the flow while paying utilities each month. But revisiting your payments could save you money.

2. Take a second look at small automatic withdrawals

Smartphone apps make it super simple to sign up for a subscription, even if you didn't mean to. Check your account statements to make sure there aren't any extra funds being taken out for an in-app subscription you are signed up to.

3. Download a tracking app

An app like Fudget makes it easy for you to track your savings goals. You can track your spending habits while viewing your progress toward your holiday savings fund. Having this information in app format allows you to track your spending from anywhere, right after you make a purchase.

4. Cook at home

Australian households spend an average of \$94 per week on restaurants, the 2017 Eating Out Survey showed. Cooking at home and saving that large sum each week can help grow your holiday savings.

5. Managing your money

Apps like pocketbook help you manage your money and stop you from blowing your budget. Pocketbook automatically pulls information from your bank accounts, credit cards and other financial institutions to give you a single view of your spending. You can also incorporate other data, which are key to your spending – such as invoices, bills and locations.

6. Cut out one monthly spending habit

Do you try to see one movie a month? Splurge on a fancy cocktail night? Allow yourself one shopping trip? While saving for a holiday, cut out one of these extra expenses that you don't absolutely need. Even if you save between \$50-100 each month, that can add up to a lot of extra cash for your holiday.

7. Plan a short-term budget

Lastly, use these tips to plan a detailed budget. Use an Excel spreadsheet or online tool like QuickBooks and outline the maximum amount you can spend in each category over the next few months and stick to it. This will help you stay on track.

How we can help you

Whether you're cutting costs to save for a holiday, pay off debt or buy your first home, these tips show you how easy it is to put a little extra in the bank. If you would like to know more about our services, contact us today to learn more.



Your quick guide to interest rates

Just starting out in the property market? Interest rate terminology on your home loan can be hard to sift through.

To understand what you're agreeing to, it's important to understand the basics about interest rates.

What is an interest rate?

When you are approved for a home loan, that loan balance accrues interest. The higher the interest rate, the higher the debt accrued over time.

Think of it like you're renting money. Just as you'd pay rent on an apartment, you're paying interest, so you don't have to pay the full amount up-front.

How do interest rates work?

As the overall balance of your loan decreases, the amount of interest you pay will decrease if the interest rate stays the same. This is because the interest rate is a percentage of the loan's balance. In other words, the interest rate applies to the amount of the loan that is still outstanding.

What are the types of interest rates?

Variable

A variable interest rate can change at the lender's discretion. If the Reserve Bank of Australia alters the official cash rate due to a fluctuating economy, your lender could change your loan rate accordingly. The official cash rate is the rate at which banks borrow money.

These loans are popular in Australia, according to Mozo, because they are more flexible. Borrowers can switch providers without incurring a break cost fee that often apply to fixed rate loans. And, you could reduce the amount of interest you pay.

For example, the 100 per cent offset account is a feature of variable interest rate loans. This allows you to link a separate savings account to your home loan account, which offsets the home loan balance. You are then charged interest on the difference between the two accounts, says Canstar.

Fixed

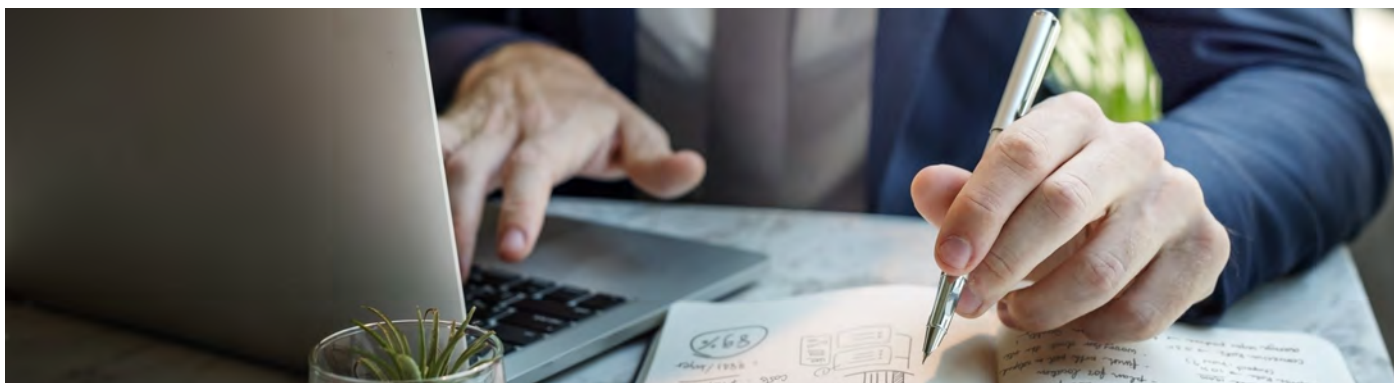
A fixed interest rate will remain the same throughout an agreed upon period of the time, usually one to seven years. However, fees may apply if you want to refinance your loan during the term.

Split

Split interest rates have some fixed and some variable portions. This means you can lock in part of your home loan to have a fixed interest rate, while another portion of it has a variable interest rate.

How we can help you

There are pros and cons to any type of interest rate you choose. To learn more about which type of home loan is suitable for you, contact our team today and we'll guide you through the entire loan process.



How major bank rate changes could affect you

Westpac, Suncorp Bank, and Adelaide Bank have all announced interest rate hikes on home loans. So, what do these raises mean for your repayments?

If you have a home loan, recent interest rate changes could affect your repayments.

After Westpac increased rates 0.14 percentage points to 5.38 per cent on variable mortgage rate for owner-occupier properties, Suncorp Bank and Adelaide Bank then followed suit, as Canstar reported.

So, why are interest rates being raised, and what does it mean for you? Here's a brief overview of what you need to know.

Background on the rate hikes

The biggest factor in the raises is increased wholesale funding costs. Australia's banks depend on a pool of funds that is now becoming more expensive, ABC News says.

By increasing home loan interest rates, banks like Westpac can better manage their rising funding costs. But the move risks a bank's reputation in order to better balance stakeholders' interests, Bloomberg said.

Suncorp Bank announced it will increase rates by 0.17 percentage points on owner-occupier and investor loans. For small businesses, rates will go up 0.10 percentage points.

Adelaide Bank is going a bit further. They announced a raise of 0.40 percentage points across all existing variable rate loans. Investors that are on interest-only repayments will also see the 0.40 increase, and interest-only owner occupiers will see a 0.35 raise.

How will you be affected?

These rates could impact your day-to-day, Canstar says. For example, Suncorp Bank's hike of 0.17 percentage points could raise a person's monthly repayments by \$40 per month if they had a \$400,000 home loan. In an already struggling housing market, that's not great news.

Additionally, ABC reported that Aussies aren't putting as much into savings as they have in the past. Plus, people aren't likely to put more into savings if they're paying more in interest. This may lead to a 'negative feedback loop', as ABC refers to the cycle.

How we can help you

If you would like more information on home loan rates or would like to speak to our team about refinancing, contact us today.



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