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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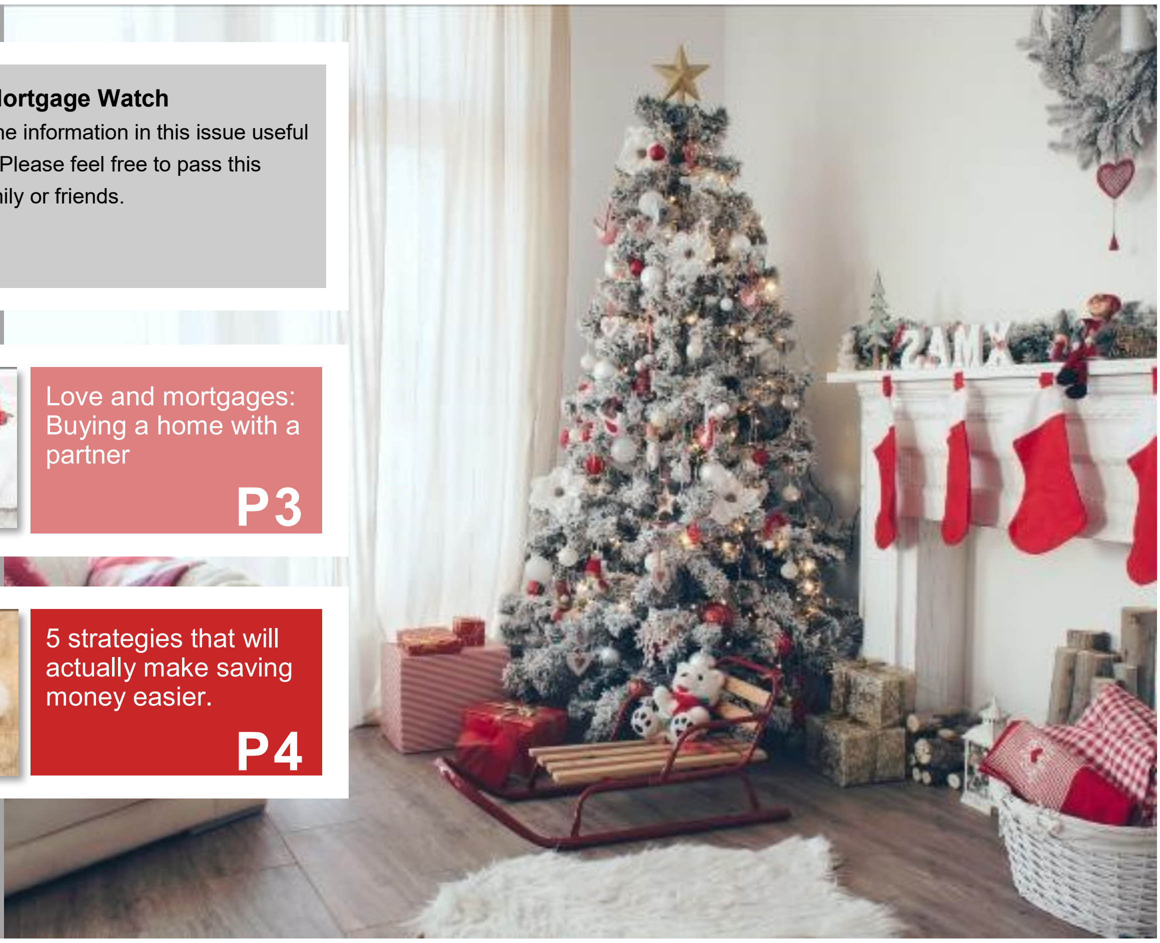

mortgage watch

Cash rate remains on hold for Christmas.

As was widely predicted, the Reserve Bank of Australia (RBA) has announced at its final meeting for 2016 that it will be leaving the cash rate unchanged at 1.5%. Whilst this comes as no surprise, many believe that this historically low rate won't last in 2017, as lenders are already starting to increase their interest rates. Governor Philip Lowe had this to say:

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

"Conditions in the housing market have strengthened overall, although they vary considerably around the country. In some markets, prices are rising briskly, while in others they are declining. Housing credit has picked up a little, although turnover of established dwellings is lower than it was a year ago. Supervisory measures have strengthened lending standards and some lenders are taking a more cautious attitude to lending in certain segments. Considerable supply of apartments is scheduled to come on stream over the next couple of years, particularly in the eastern capital cities. Growth in rents is the slowest for some decades."

So, what does all this mean for you? In recent weeks, a number of lenders have moved out of sync with the RBA cash rate, meaning that change can come at any time. Keep a close eye on any rate movement, and consider whether your current loan is the right one for you, right now.

3 tips on buying a fixer upper

Making a profit on the sale of your home is a beautiful thing indeed. CoreLogic RP Data shows it's a rather common occurrence in Australia, revealing that the average profit made on property sales is around $100,000 a pop.

Buying and renovating a home as a 'fixer-upper' could be the way to make sure you're amongst the lucky group who made a profit. Whether you're planning to live in your new home, or flick it on as an investment, there's a few things you need to know before you start.

Buy an ugly house in a pretty area

When buying a fixer-upper, the point is to buy a property cheaply in an area that usually costs a bomb. You might be able to pick up a bargain on a home in such an area if it needs considerable work, or appears undesirable for some reason. Buyers agent and renovation guru Patrick Bright offered some advice on doing so successfully in a comment to Domain:

"The inner ring of capital cities is a good place to start, as it's the most bulletproof part of the market," he says. "Look for areas with decent infrastructure, but make sure you're not on top of it. A new rail line is great, but not if you can hear it."

Don't overextend your budget

During your purchase and the subsequent renovations, your budget needs to be strict to help you avoid overspending. When working on an old home in need of several alterations and improvements, it's easy to lose track of the amount you've spent and overcapitalise.

To avoid doing so, make sure you understand exactly what needs to be done before you purchase the home, and perhaps even get quotes from tradespeople. That way you'll be safe in the knowledge that you can afford your home and the required renovations.

Before buying a home (particularly one in need of work) it's essential that you do your due diligence to check that everything is in order. A pest report is essential as insects, like termites, can cause expensive damage to a property's structure. The Australian Pest Control Association estimates that this will set you back roughly $250 to $350, depending on the home.

A building report is also essential - this will cost approximately the same and let you know if the property has any expensive results before buying.

If you're buying a fixer upper, and need help financing your project get in touch with us today. With the right guidance, and suitable finance products, fixing up your new home will be much easier.

Love and mortgages: Buying a home with a partner

Forget raising a puppy, travelling or keeping your favourite pot plant alive - buying property is the ultimate step forward in your relationship. It's a massive stride towards a brighter and more secure financial future together, but it isn't a guaranteed success.

If you don't know what you're doing, and you don't agree on the essentials before you purchase, disagreements and relationship problems could result in some awkwardness when it comes to mortgage repayments. We've whipped up a quick list of important considerations when buying property and taking out a home loan together, to make sure your mortgage doesn't come between you.

Structuring your ownership

There are two options to consider when it comes to structuring ownership of your new property: tenants in common, or joint tenants.

Tenants in common means that you both separately own an agreed upon percentage of the property. Under this agreement you'll split mortgage repayments, expenses and any income from the property according to the amount you each own (usually 50/50 but it doesn't have to be).

Being joint tenants, on the other hand, means that you own the home as one entity. You're both equally responsible for the property's income and expenses and if one partner passes, the other automatically receives full ownership. On the other hand, if one skips out on their mortgage repayments the lender will almost certainly hold the other one fully accountable to pay their half.

Put it on paper

When you've decided how your ownership is going to look, it's time to make it official and put it on paper. A conveyancer can help you draw up this document, which will be legally binding and help to set clear boundaries going forward. It should include the following at least:

- Details of how the property will be owned.
- An agreement about who is responsible for which costs.
- A plan for the event that one partner is unable to make payments.
- A separate plan for what happens if one party wants to sell the property.

Limit your liability

It may seem overly legalistic to cover yourself in the event that your partner can't keep up their side of the bargain. But it's always better to be safe than sorry.

Talk to a conveyancer about how you can limit your liability. You may be able to take out separate mortgages as tenants in common, so that if your partner can't make their repayments, the bank can't come after you.

When you and your special someone are ready to take the plunge and buy together, get in touch us. We can help make sure that your home loan is perfectly suited, just like you and your partner!

5 strategies that will actually make saving money easier.

According to MoneySmart, 43 per cent of Australians don't save at all. This is a position that most of us have been in - one that's all about short term gratification at the expense of long term goals and achievements.

Why don't these Australians save their pennies? Perhaps it's because they're being unrealistic with their goals, or maybe it's because spending all your money can be a whole lot of fun. Either way it's not ideal, so we've whipped up a list of five tips that will actually make saving money easier.

Put these to use and you could be riding around in a brand new car, or servicing your first home loan earlier than you might have expected.

Review your spending

Take the time to look closely at your spending. Split all expenditures into categories (such as entertainment, groceries, rent, utilities) and work out how much you spend on each. You'll probably identify a category that you're spending far too much on, and with this information you can take steps to remedy that.

For example, MoneySmart data says that on average Australians spend $32 on dining in restaurants every week. If you identified this expenditure and were saving for a holiday or a home deposit, it would be easy to quickly fix the problem and get your saving back on track.

Consolidate your debts

The Australian Securities and Investment Commissions' credit card clock shows that Australians hold over $32 billion worth of credit card debt. That's over $4,000 per person! Info Choice put the average credit card interest rate at about 17 per cent - that means the average Aussie could be paying almost $700 in interest on their credit card debt interest per year.

Consolidating debts like these into a lower interest loan such as your home loan will make paying them off far easier. If you've got a mortgage, talk to us for help making this happen.

Set micro-goals

One lofty savings goal, such as a deposit for a home, might seem too far off to motivate you to save.

Instead of aiming at something in the distance, Westpac's saving guide recommends setting smaller, more imminent, goals.

This could be as simple as aiming to put aside a certain amount every pay day, and working out how long it will take you to reach your goal at that rate.

Don't be unrealistic

What does putting away 75 per cent of your pay, subsisting on $1 instant noodles and never going out with friends have in common? They're all unrealistic saving goals that will almost certainly result in you giving up on your savings plan and forgetting your goal.

Make sure your goals are realistic and make small changes to your lifestyle over time rather than drastic ones. That way you won’t risk burnout - instead you'll be able to slowly transform the way you spend money until you're a bona fide money-saving-machine.

Work towards something

The light at the end of your savings tunnel needs to be a bright one. If you don't really want to achieve your goal, then buying something that you want now (a cold beer, new shoes, a nice dinner), will always come before eventually buying what you want in the future (a holiday, a home, a car).

If you need a little help consolidating your debt to get your savings on track, reach out to us to for some assistance. On the other hand, if your savings are going well, then let’s work together and start making your dreams of home ownership come true.

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