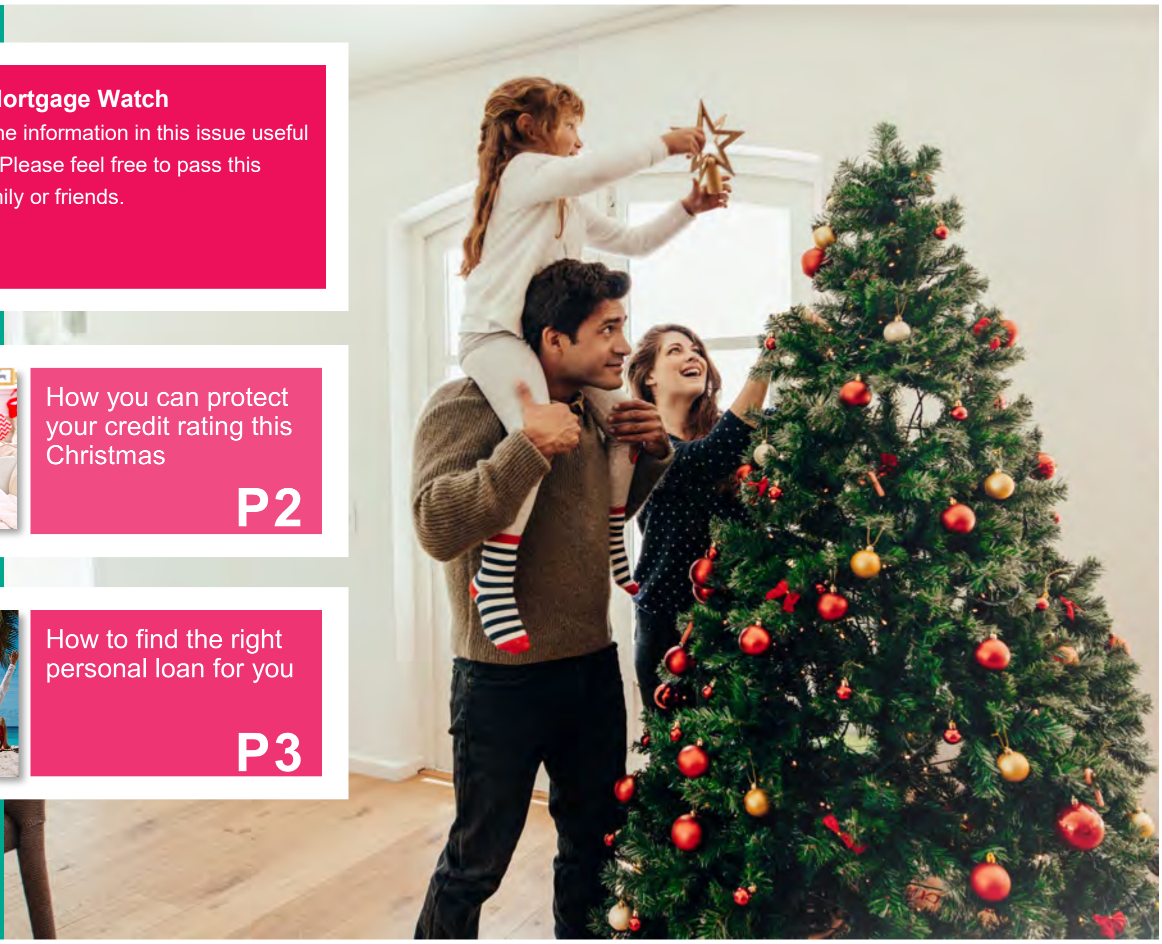


Welcome to Mortgage Watch

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

mortgage watch

Cash rate remains on hold for Christmas

The Reserve Bank of Australia (RBA), which has kept its benchmark cash rate unchanged at a record-low 1.50% for the past year has announced that it will leave the rate on hold for yet another month. Governor Philip Lowe had this to say in his official statement:

“Growth in housing debt has been outpacing the slow growth in household income for some time. To address the medium-term risks associated with high and rising household indebtedness, APRA has introduced a number of supervisory measures. Credit standards have been tightened in a way that has reduced the risk profile of borrowers. Nationwide measures of housing prices are little changed over the past six months, with conditions having eased in Sydney. In the eastern capital cities, a considerable additional supply of apartments is scheduled to come on stream over the next couple of years. Rent increases remain low in most cities.”

“The low level of interest rates is continuing to support the Australian economy. Taking account of the available information, the Board judged that holding the stance of monetary policy unchanged at this meeting would be consistent with sustainable growth in the economy and achieving the inflation target over time.”

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

How you can protect your credit rating this Christmas

The average Aussie spends nearly $600 on gifts for friends and family alone, according to Commonwealth Bank figures, with the cost of entertaining and feeding our loved ones bringing total expenditure up to almost $1,000 each.

This generosity could have an impact on your credit rating, particularly as 40 per cent of people in a 2016 finder.com.au study admitted they would use a credit card or loan to fund their Christmas spending.

Here are some ways to avoid blowing your budget this Christmas and keep your home ownership dreams on track.

1. Set a budget (and stick to it)

Impulse purchases can be devastating for your bank balance, which is why you should always plan how much you can afford to spend before you hit the shops.

Make a list of everyone you intend to buy gifts and shop around online for the lowest prices. The earlier in the year you start planning for Christmas, the better. That way, you can begin putting money aside each month to fund the festive season.

2. Avoid 'hard' credit enquiries

Every time you apply for credit, the provider will make an enquiry into your credit history. This is known as a 'hard' credit enquiry, and they can negatively affect your rating, especially if you make several applications within a short space of time.

You should therefore avoid applying for credit cards or loans to fund Christmas spending, as home loan lenders may see this as a warning sign that you're struggling for cash.

3. Don't be afraid to use credit responsibly

While it may sound counterproductive, using your credit card responsibly can improve your credit rating. Lenders are often wary of approving loans and other forms of borrowing to people with zero credit history.

The trick is to remain active without building up substantial debt and interest charges. In other words, you can use your credit card to fund some of your Christmas spending, but make sure you're able to pay off the balance at the earliest opportunity and never miss your repayments.

Would you like to learn more about how to get a loan in Australia? Contact our team of loan specialists to discuss your needs.

How to find the right personal loan for you

Australians take out personal loans for various reasons. Buying a new car is the most popular choice, with finder.com.au estimating that more than 1.32 million people use personal loans for this purpose.

Debt consolidation (399,000), holidays (381,000) and funding education (381,000) also rank highly for Australians. But getting the right personal loan can be tricky, particularly with so many different products, features, rates and lenders on the market.

One of the first decisions you'll have to make is choosing between secured and unsecured loans - what are the differences?

Secured versus unsecured loans

A secured loan requires you to provide an asset to the lender as a guarantee, which the organisation can repossess and sell to cover any losses if you are unable to make repayments.

Sometimes, the asset you are purchasing through the loan will be the one you offer as security - such as a car or home - but this isn't always the case. For example, people may choose to use personal assets, including property or land, as security for a commercial loan.

Unsecured loans don't require you to put up an asset as collateral. On the surface, this may seem better for the borrower, but each type of loan has advantages and disadvantages.

Secured loan benefits

- **Larger loans:** The risk of debt defaults tends to be lower with a secured loan, so financial institutions are more likely to approve larger sums of money.
- **Lower interest rates:** Less risk also means you should have access to reduced interest rate payments compared with unsecured loans.

Unsecured loan benefits

- **Less risk for borrowers:** Providing major assets as security can be daunting. Unsecured loans have higher interest payments, but the risk to you is lower.
- **Flexibility:** Unsecured loans don't usually have any restrictions regarding how you use the money, whereas some lenders may only approve secured loans for specific purposes.

Should you opt for fixed or variable loans

Secured and unsecured loans may be advertised as fixed rate or variable rate products.

A fixed rate loan means the interest is locked in for a specified period of time, meaning your payments remain the same, regardless of market activity. However, the payments on a variable rate loan are subject to change and may increase or decrease as national interest rates fluctuate.

Fixed rates have the advantage of allowing you to budget better, but they typically start higher than variable options. On the other hand, a lower variable rate can seem attractive at first, only to become more expensive due to economic shocks in the future.

Would you like help choosing the right personal loan for your circumstances? Get in touch with our team to discuss your financial needs.

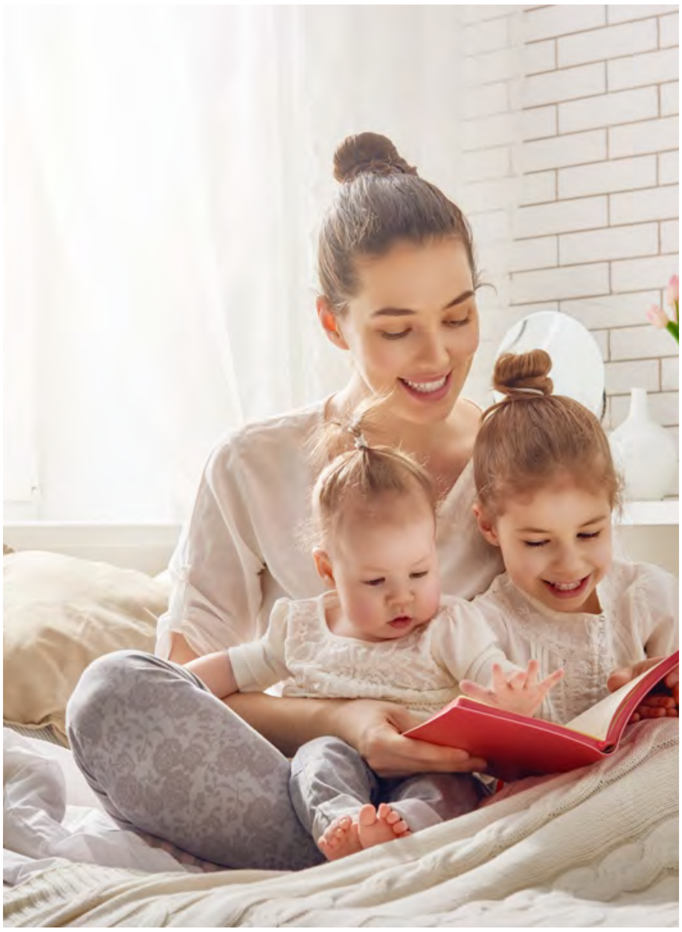
4 great ways to save for an investment property in the new year.

Do you have investment property dreams for 2018? Whether you're nearly there or just taking your first steps, our team can help.

Here are a few tips to keep you on track if you're determined to stick to your guns in 2018.

1. Don't take a holiday

This may sound like a huge sacrifice, but Australians appear to be less enthusiastic about vacations overall. Roy Morgan Research revealed in January that the number of people who planned to take a holiday had slipped to its lowest level (69 per cent) in three years.



2. Switch jobs

Finding a new job is a popular New Year's resolution for many Australians, and this could be a great way to kill two birds with one stone. Switching roles often brings a pay rise, meaning you can save more money towards your investment property.

Around 50 per cent of people think about looking for a different job as the new year approaches, figures from Indeed show. Of these, 61 per cent do so because they want a salary increase.

3. Use apps to optimise your saving

Having a clear savings plan is important, yet MoneySmart claims that 35 per cent of people either don't have a strategy or they have one but don't always stick to it.

Thankfully, technology can always lend a hand, so try downloading a budgeting and saving app. Popular options include:

TrackMySPEND: ASIC's expense-tracking tool for simple budgets;

Acorn: The digital equivalent of a change jar; and

Pocketbook: A comprehensive savings app that links to bank accounts, credit cards and loans.

4. Use a mortgage broker

One of the best ways to achieve your savings goals quicker is to reduce the target you need to reach.

Our home loan brokers have access to a multitude of lenders, enabling us to compare mortgage interest rates on your behalf and choose a product that meets your needs and budget.

Our team can help you research, organise and negotiate the ideal loan for your personal circumstances.

So, contact us today to maximise the effectiveness of your 2018 investment property saving plans.

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