



Mortgage Insights

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Welcome to our March newsletter

Rates rose for the first time this year in March, with the 25 basis point increase taking the Reserve Bank of Australia's (RBA) official cash rate to 4.00 per cent.

Economists were split as to which way the RBA would go, but an improving economy plus a strengthening housing market were enough to back the case for the central bank's interest rate hike.

An improving economy was reflected in better than expected retail sales, rising 1.2 per cent to a seasonally adjusted \$20.14 billion in January from \$19.91 billion in December, according to ABS data.

Rates have now risen four times over the last five RBA Board meetings, and the gathering momentum of the economy points to further rate hikes over the course of the year.

Forecasts from economists range from 4.5 to 5.0 per cent by the year end, and this is supported by recent comments from RBA governor Glenn Stevens, who said the Australian economy continued to show signs that it was in "good shape" and "stronger than expected, after a mild downturn a year ago".

While rising rates are certainly a concern for borrowers, at 4.00 per cent the cash rate is still a long way off the 7.25 per cent it hit in March 2007 and well below the historical average. Nevertheless, if you don't already work to a household budget, there's never been a better time to get one underway.

There is also good news for borrowers considering the increasing competition between lenders' mortgage rates. Even between the big banks there is over a quarter of a per cent difference in their standard variable rates, so it's well worth keeping an eye on what you're paying on your mortgage and what better deals could be available.

If you'd like to run through your options, or discuss how the most recent rate rise will impact your mortgage and repayments, please feel free to give us a call.

Sincerely,

Pat Cranshaw



The benefits of LMI

Raising a 20 per cent deposit can be a challenge but with Lenders Mortgage Insurance (LMI) you may be able to side step this obstacle.

Before LMI was available, lenders would usually lend up to 80 per cent of the value of a property, leaving the buyer to chip in the rest

When lenders agree to lend you money there is a small risk that they won't get the money back should you default on your repayments. An 80 per cent loan is therefore recognised as the 'safe' risk level by most lenders – should they have to repossess the property.

LMI was introduced some time ago to enable lenders to offer higher percentage loans. The insurance essentially protects the lender for the amount above the 80 per cent level should the borrower default and ultimately end up with their property being repossessed.

Open opportunities with LMI

With the backing of LMI, lenders are willing to lend as much as 95 per cent of the property value as they are protected – and this can make a significant impact on the amount buyers need to put in themselves as a deposit.

As the borrower you pay the premium, but while it may seem like you are paying insurance cover to benefit somebody else, LMI makes owning a home easier and more affordable.

It could also mean getting into your own home or securing, an investment property, years earlier than imaginable if a 20 per cent deposit was the only option.

Imagine how long it could take some would-be buyers to stump up a 20 per cent deposit on the average \$600,000 Sydney home? That's a sum of \$120,000 on top of all the other expenses associated with buying a house.

By reducing the deposit required, many borrowers are able to purchase a home much earlier, or buy a better property than they would otherwise have been able to afford.

Alternatively for property investors, lenders mortgage insurance allows borrowers to have higher borrowing ratios, giving them the opportunity to maximise negative gearing benefits.

LMI premiums are calculated on the amount that you borrow – and as you'd imagine, the higher percentage loan the higher the premium. But the good news is that the LMI premium can often be capitalised into the overall loan, thereby reducing upfront costs.

It's important to bear in mind that the higher the loan amount you take out, the bigger the repayments. It's essential that you think carefully about what your monthly budget can accommodate to ensure that you don't over stretch yourself.

If you have any questions or would like further details please don't hesitate to give me a call.



Stamp duty and government concessions

Stamp duty concessions are out there – but how do I know if they apply to me?

Stamp duty is a tax that is levied on property purchases. However some buyers can legitimately escape this extra expense.

The revenue collected by each state government from the sale and purchase of a property is used to fund the state's services and facilities.

Stamp duty is calculated on the value of the property being transferred, and as you can imagine this can be quite a significant amount.

For example a \$550,000 house in NSW would involve a stamp duty charge of around \$20,500.

With this in mind, the government has made concessions on stamp duty to help enable first time buyers to break into the property market; it also helps stimulate the property market and encourages the construction of new dwellings.

In most states, first home buyers can get a stamp duty concession if the home they are buying is intended to be their principal place of residence.

QLD first time buyers, for example, can receive the 'first home concession' from the state government

There can also be concessions for investors though these are far more limited.

But aside from stamp duty concessions, that's not to say there aren't other benefits available for investors – some state government offer grants to investors to encourage investment in certain markets, like new homes.

A grant is a different concept to a stamp duty concession; think of it as a separate gift that you could possibly use to offset your stamp duty expense.

To find out more about what concessions are available check out details with your state government or alternatively give us a call.



Entertainment on a shoestring

You don't need to hide under a rock if you have a family budget to stick to... You still need to have fun and enjoy life.

Life is meant to be fun, but money pressures brought on by financial commitments can mean this is sometimes hard to achieve. However, there are ways to have fun on a shoestring, and these simple tips will show you how.

Movie nights

Going to the movies is expensive. There's admission, drinks, snacks... The costs can skyrocket fast. But if you sign up online to the latest deals, you can receive discounts to some of the latest and greatest flicks. Greater Union, for example, have a 'Cinebuzz' membership scheme offering movie discounts and freebies. Alternatively, why not have your own movie night at home? Most DVD stores offer rental deals with awesome savings.

Hairdresser trips

Hairdressers can charge an arm and a leg – but not if you're savvy. While senior stylists charge the highest rate, you can generally get the same 'do' at a discount if you request a junior stylist. Alternatively, training colleges have students who are eager to cut, colour, crop and crimp your hair as you wish – and it's practically free.

Eating out

We all love dining out – but how do you know where to balance fine food with an affordable price? Many restaurants have their menu online, so it helps to check out the prices before you arrive. Also, check out your local paper for special deals. Alternatively, websites like DineClever source the latest and greatest restaurant deals and email them right to your inbox. Plus, it's free to subscribe – you can't get cheaper than that!

Music gigs

Paying to watch live music concerts can be pricey, with costs stretching to over \$100 a ticket. But why overpay when there's great local talent around? There are plenty of live bands on the local circuit plus you'll generally get a better seat and be able to invite more of your mates. Check out your local sporting or worker's club, which host some great performances.

Wine review

Book review

Miles from Nowhere Chardonnay 2008

Western Australia's Margaret River is renowned for producing quality wines, and this chardonnay is guaranteed to charm. Enjoying the tasty yellow fusion of dandelions and nut aromas combined with flavours of vanilla and sweet pears, one would think they were sitting among the rolling hills and open views of the region.



RRP: \$16.99

www.milesfromnowhere.com.au

Blood money

Bikies, terrorists and Middle Eastern gangs – sounds like a recipe for a crime thriller success? The sequel to *Smack Express*, *Blood Money* is a bloody tale. Set in the underworld of criminal bosses, old taboos and strategic alliances, a power struggle wages. There are Middle Eastern gangs whose core business is drugs, the sale and stockpiling of dangerous weapons, extortion and large-scale fraud; outlaw motorcycle gangs with their fortified club houses and amphetamine labs, and the Calabrian Mafia, who are always dangerous and opportunistic. Meticulously researched and not for the faint-hearted; this novel takes the reader deep into a new, dark and violent Australian underworld.



Author: Clive Small and Tom Gilling

Publisher: Allen & Unwin

RRP: \$35.00

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