



**GREENSPAN**  
HOME LOANS

*When you're ready*

NOVEMBER/DECEMBER 2008 | NEWSLETTER

There are many reasons for using a mortgage broker like personal service and expert advice.

Without blowing our own trumpet, we've highlighted some of these benefits, including an industry survey that shows homeowners believe good advice is the key to choosing a home loan (see 'Broker Benefits').

A mortgage broker can also prove a worthwhile asset in getting your loan approved. In our lead article we look at how the credit crunch has made many lenders tighten their belts and get tougher on credit applications.

Our article 'A recipe for Investment' provides some encouraging statistics about entering the home buyer market. The recently announced full percentage point cut in interest rates by the Reserve Bank is expected to further stimulate the market.

With Christmas fast approaching we have also included an article on 'Smart Xmas Spending' – how to financially survive this festive season.

Enjoy this newsletter and feel free to pass it on to family and friends.



**LENDERS TIGHTEN THEIR BELTS**



**A RECIPE FOR INVESTMENT**



**SMART XMAS SPENDING**



**BROKER BENEFITS**

# Lenders Tighten their Belts

One of the fallouts in Australia from the global credit crisis may be that home loans will become harder to get.

Many lenders are tightening their lending criteria to protect their loan books against the difficulties they now face in raising capital.

The changes differ from lender to lender but the overall trend is a move towards more conservative lending.

Among some of the changes has been reductions in the maximum loan-to-valuation ratios. With some applications and property types high loan-to-valuation ratios previously 95 to 100 percent may no longer be available.

Lenders will also be looking more closely at the suitability of line-of-credit loans, as well

as the borrower's ability to service their home loan repayments. As a borrower, your savings history and disposable income will be more closely scrutinised.

In addition, your credit history will take on a greater importance. The way you've managed all your past and present credit arrangements will count for a lot. In fact, it's anticipated there will be a significant tightening of low-doc loans, as lenders will favour those with solid credit ratings.

How easy or hard it is to get a mortgage will largely depend on individual lender criteria and how well your finances are in order. As your mortgage broker we can provide invaluable expertise in negotiating on your behalf through these more stringent credit requirements.



We are members of the Mortgage & Finance Association of Australia (MFAA), the peak industry body. All members are bound by a strict code of ethics to ensure the highest levels of service, integrity and professionalism.

# A Recipe for Investment

## Sky-high rents and declining interest rates may make a good recipe for property investment.

Although there's much talk of a declining housing market, many analysts believe there's money to be made from property if you choose your investment wisely.

A shortage of housing has pushed rents up to levels not seen in almost two decades. The Australian Bureau of Statistics data shows a 3.7% drop in the number of new residential building construction projects in the June quarter – its lowest level in 12 months. This equates to around 43,000 fewer homes being built over the year.

Rental vacancy rates are averaging less than two per cent across our capital cities, and rental rates for houses increased by 11 per cent over the past 12 months.

RP Data predicts that rents will continue to rise by a similar level

over the coming year. With Australia's population increasing at a rapid pace, the demand for accommodation is not expected to slow.

## Hot Spots

RP Data research shows that city apartments are considered among the best investment choices for capital growth in the current real estate market.

Inner-city apartments are also showing high rental returns, particularly those in areas known for their cafes, bars and shopping. Convenience and location appeal to a broad cross-section of the marketplace and are a huge draw-card to renters.

Other locations that are considered wise investments include those with close proximity to water—seaside, riverside or lakeside. Properties with views and those on large blocks of land within convenient commuting distance to the city remain popular choices.

## Market growth

A lack of buyer confidence, labour shortages and rising construction costs has driven developers away from the market. So too, the uncertain economic conditions has made home owners cautious of investing in property.

However, strong housing demand, October's one-percentage point cut in the official cash rate and the Federal Government's recent stimulus package increasing the first home owners grant to \$14,000 for existing homes and to \$21,000 for new homes, could see a significant recovery in sales.

That spells good news for both first home buyers and experienced property investors. Please call us and we would be happy to provide our advice and expertise in helping you enter the housing market.

## Book Review

### Budget Wise, Dollar Rich – the Australian Guide

By Anton Nadilo, Andrew Lendnal & Dr Malcolm Johnson • RRP \$ 24.<sup>95</sup> • Exisle Publishing



The authors of Budget Wise, Dollar Rich have years of experience providing budgeting advice. This is a useful guide which includes practical tips and worksheets to help people take control of their finances.

The book is written in easy to understand language that explains how to achieve your financial goals, whether you are saving for something you want now, seeking a larger purchase in the future or for retirement.

The book goes through the budgeting process step by step: how to manage your income, how to pay off debts, setting goals and how to save.

This practical guide is just what we all need in these tough economic times to help us in managing our finances.



# Smart Xmas Spending



**Spend big in the lead up to Christmas then pay for it in the New Year. It's an all too common habit that many of us fall into, leaving us in serious debt by the time January rolls around and should be avoided.**

Start thinking now about ways to practice safe Christmas spending and you may well avoid that New Year financial hangover. The festive season brings with it many celebrations and dollar spending opportunities, but there's no reason you can't enjoy yourself without overdoing it.

## Limit credit

Know that you have the money before you make a purchase. Pay in cash or lay-by your gifts so that you can keep a handle on where your money is being spent. If you have to pay by credit, try to use only one card.

## Avoid store cards

Store cards may offer convenience and discounts but they don't come cheap. Interest rates can be up to seven percentage points higher than alternative cards.

## Resist impulse shopping

Before you hit the shops, make a list of what you need. Allow plenty of time to do your Christmas shopping to avoid last minute expensive purchases.

Next year why not completely avoid the Christmas rush by grabbing bargains as you see them throughout the year and packing them away. In fact, the best time to begin Christmas shopping is the day after Christmas!

## Make a budget

Take a look at what you spent last year and plan your party, gift-giving and decorating costs accordingly. Also set aside money to repay bills and credit in January. It's true that sticking to a budget can be difficult when you're in a celebratory mood, but you'll thank yourself in the long run.

## Set a limit

An important part of budgeting is to set spending limits. If you're having a night out or buying a gift, put a dollar limit on your spending. If you don't have enough money for store-bought gifts, use your imagination to create handmade gifts – often the most appreciated presents are those with a personal touch.

## Did you know?

**Here are ten top tips for achieving fiscal fitness in the lead up to Christmas.**

1. Prepare a written budget
2. Stick to it
3. Never repay credit cards with other credit cards
4. Use credit only if you can afford to pay it back
5. If you are experiencing financial difficulties, seek advice
6. Build a nest egg
7. Be sensible today to reap the rewards tomorrow
8. Ask us to help you shop around before applying for loans or credit
9. Examine all pros and cons
10. Lead a lifestyle suited to your income, not your wishes.



# Broker Benefits



## **Good advice is critical when selecting a home loan, according to a recent survey of Australian home-owners.**

The survey, conducted by CPA Australia, has found that 94 percent of respondents agree getting good advice is the key to securing a successful home loan arrangement.

Choosing a home loan can be a daunting task and the survey showed that people turn to brokers when they are having difficulty sourcing a mortgage.

As your broker, we are here to help demystify the process of selecting a loan, as well as save you the time and effort of wading through the fine print of so many lenders. A recent survey by the Mortgage and Finance Association of Australia actually shows that the main reason people choose a broker (75.1% of respondents) is that they do all the leg work for you.

Survey respondents also chose brokers because they have a wide loan range (72%) and will help you get the right loan for your circumstance (63.7%). Brokers are cited as experts in their

field (71.1%), and as such know the mortgage market inside and out.

It's true that we are able to provide you with expert advice regarding the options available to you. Our access to different loan products gives us the ability to source loans that most closely match your personal financial situation.

We can also provide the added advantage of a speedy application. Our close relationship with lenders enables us to get an answer faster, in most cases, than if you submitted the application yourself.

The personalised relationship that is built between broker and home buyer is another benefit of using our services. We are your single point of contact, so there's no waiting around at the bank or dealing with different staff every time you have an inquiry.

We are passionate about helping you through the complex lending maze to make the right financial choices. As your mortgage broker, we are here to meet your needs, both now and in the future.

## It makes sense to call us

With all the uncertainty of interest rate rises and most of us questioning whether we get a good deal, it is more important now more than ever to review your current loan arrangements. With so many special available and banks tightening their lending policy it is worthwhile speaking with us first.

**Call us NOW for details.**

**Don't forget if you refer a friend to Greenspan we will contribute \$250 towards your home loan and \$100 towards the cost of theirs.**

DISCLAIMER: This newsletter is intended to provide general news and information only. Readers should rely on their own enquiries before making any decisions touching their own interests. Please do not rely on any part of this newsletter as a substitute for specific legal or financial advice.



*When you're ready*

*With compliments*

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