

# MORTGAGE & FINANCE



## UPDATE - WELCOME TO OUR SUMMER EDITION



### DON'T GIVE THE BIG BANKS THE POWER

**Around 55% of all loans nationally are completed by mortgage brokers, who**

**employ 27 000 people in the industry and contributing \$2.9 billion to the Australian economy.**

Every time we secure a new loan for a client we are continuously comparing and measuring that client's proposed loan, against others in the market place –ensuring there is competitiveness in the market place on price, product features, servicing and policy. The goal is to obtain the best loan for your particular situation from the panel of lenders we deal with. We are constantly requesting pricing discounts from the lenders to get you the best rate possible.

Since mortgage brokers entered the market 30 years ago banks interest margins (gross margins) have fallen by over 3%. The broker channel has given smaller lenders a distribution channel and small lenders have flourished. The added competition has permitted rates to continually fall and products to evolve for all types of borrowers.

While the majors still hold a major share of the market (albeit a falling share), they have done so by having to continuously remain competitive on price and product features.

Commission rates paid by lenders are almost uniform and there is very little variance from lender to lender.

*With the Banking Royal Commission in November the CBA CEO Mr Matt Comyn expressed support for a fee model where the consumer pays a flat fee for any home loan whether it be via the bank direct network or Brokers channel. This would be a win for the big banks only.*

The Mortgage & Finance Association of The Mortgage & Finance Association of Australia (MFAA) and other industry groups slammed the model as anti-competitive and one that would diminish competition in the market place (benefit CBA shareholder – not customers) and it would lead to killing off the Mortgage broking industry as it is today.

Smaller lenders would no longer have a distribution channel, more borrowers would go direct to the big banks and less borrowers would use mortgage brokers. This means less borrowers would be comparing the rates of 35 to 40 lenders. All this equals less competition for the banks.

It is interesting to note that CBA's competitors NAB and ANZ favour the existing model where banks pay mortgage brokers. We are unsure where Westpac sits. We think they support the existing model.

*We believe a "borrower pays" model will lead to less competitive interest rates and products. A lending industry dominated by the Big 4 banks.*

Mortgage Brokers take the stress and legwork out of comparing interest rates and products in the market. Leaving it to an experienced mortgage broker makes it all so easy. You may see a really cheap rate in the market place or a really good cash back offer. But how do you know if you qualify for that product? A mortgage broker can tell you in an instant, whereas a bank employee can make your application unsure whether you qualify because they have targets to reach.

*We save clients time and money both in interest rates, setup costs, rebates on promotions and product features every day.*

As you know our service does not stop once the loan settles. Brokers offer after sale service and welcome your on-going enquiries. We do this as we value you as a client.

We actively encourage you to ask us to perform a "health check" on your mortgage as and when you wish.

If the Royal Commission recommends a "borrower pays" model and the government of the day implements this recommendation this will do irreparable damage to the mortgage broking industry.

*This could severely impact our ability to be an ongoing force working in the consumers interests, delivering better customer outcomes (better rates and products) and constantly improving your overall position going forward.*

*This is a threat and real risk that could affect us all in the future*

If we do not advocate and promote the benefits and value mortgage brokers bring to the table. It will permanently damage our industry. In saying that we may call upon your support to help our cause where possible as it is you whom we serve.

### WHAT DO WE OFFER AS AN ONGOING SERVICE TO OUR CLIENTS?

**After Settlement Advice and Service, We Provide:**

- ✓ Regular Price Requests – revising your interest rates
- ✓ Refinance Options – is there a better loan out there for you.
- ✓ Product Switches
- ✓ Loan top ups
- ✓ New Purchases- both Owner occupied, Investment and Business and Commercial
- ✓ Switching to a better loan with the same lender, avoiding refinancing fees.
- ✓ Reviewing your rate when the "honeymoon" rate expires
- ✓ Ensuring rate discounts are passed onto you
- ✓ Partial and full discharges when you have sold a property or paid out your loan
- ✓ Reassessing when fixed rates expire
- ✓ Processing progress payment claims when you are building
- ✓ Substitution of Loan from One Security to Another.
- ✓ Removal of Guarantors from Security Guarantee Loans.
- ✓ Restructure of loan after the sale of properties to have correct end facilities in place
- ✓ New Loan Scenarios and Options to add Value or Gain Savings
- ✓ Promotion of Insurance and Other Products
- ✓ Restructure of Present Facilities to place you in the best financial position going forward
- ✓ Pre-Approvals
- ✓ Miscellaneous changes to existing loans such as change of name on title etc.

**Other services we can assist with include Personal Loans, Business loans, Commercial loans and Equipment finance.**

**We like to wish each of you and your families the best over the festive season and may the New Year bring you all, joy happiness and good future to each and every one of you.**

**VIC GIANNAKIS - DIRECTOR**

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**PLEASE SUPPORT YOUR LOCAL BROKER, CLICK HERE AND FOLLOW THE SIMPLE STEPS TO HELP US KEEP COMPETITION ALIVE AND STOP THE BIG BANKS FROM GETTING ALL THE POWER.**

[keepcompetitionalive.com.au](http://keepcompetitionalive.com.au)

### CONTACT US FOR FURTHER INFORMATION & GUIDANCE

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**22** YEARS OF TRUSTED MORTGAGE SERVICES IN AUSTRALIA

## DATA SHARING IS ON THE WAY

**You may not have heard of open banking – according to a survey of 2000 Australians earlier this year, 83% were unaware of it or unsure what it involved.**

But the new regime, which could reshape the financial services landscape, will be on Aussie shores from July next year so it is worth understanding what it will mean.

*“Open banking will require banks to share customers’ details, right down to the transactions, if the customer consents to have their data shared,” explains Azhar Khan, research analyst and RFI group. “This data will only be shared with approved third parties who will have to take precautions to protect the customer’s information.”*

Open banking is the first phase of the federal government’s Consumer Data Right and a similar scheme will follow for energy and telecommunications. In theory, it is meant to increase transparency and make it easier for customers to find better deals, as competition will be improved, and will also make it easier to switch providers.

It will be phased in product by product, starting with deposit, credit and transaction accounts in July 2019. Mortgage products will be next (February 2020) and then personal loans (July 2020).

**About 2/3 of Australians are concerned for security and privacy reasons but it will be an opt in measure, so those who aren't willing to share data will be largely unaffected, says Khan.**

*“Open banking has already been introduced in the UK...Why? Because when interest rates started to come down, everyone kept paying the same overall repayment, which became more principal and less interest, and are well ahead on their mortgages.”*

- MONEY MAGAZINE -

## MORTGAGE OR RENT?

ME bank’s Household Financial Comfort Report found that 22% of households spend more than 30% of their disposable income on paying their mortgage, a number that rose slightly since its last report in December 2017.

*Interestingly, the number of households that paid more than 30% of their disposable income towards rent actually fell during that period, from 32% to 26%.*

- MPA MAGAZINE -

## PAID A FORTUNE FOR YOUR PROPERTY? WHAT SHOULD YOU DO?

**There’s a cohort of home and property investment owners in Sydney and Melbourne today who bought at the top of the market, which was around mid 2017 for Sydney and late 2017 for Melbourne.**

If you’re in this boat, I understand your disappointment in terms of timing but please don’t despair. No one can pick the top – and that includes me, and I’ve been around in real estate for 35 years!

Unfortunately, in boom markets, there will always be people who happen to exchange at the peak but try to remember you are one of many – thousands of people did the same thing. What’s important now is for you not to panic and to look at the situation objectively.

**If you’re an owner-occupier, stop worrying. You have a new home to enjoy for as long as you can afford your payments in what continues to be a low interest rate environment.**

If the capital value of your home has come back a bit, it doesn’t matter because you’re going to be there long term and prices will eventually rise again.

*If you’re an investor, you’ve bought for different reasons but the time period should be the same – always long term. No investor likes to lose money or see the value of their asset go down. It’s not pretty to watch but you’ve got to hang in there.*

All that has changed is the amount of time your asset needs to bear fruit. We’re in the winter period now but the sun will come out again. Whether you invest in shares, managed funds, property or any other asset class, there are always going to be highs and lows. Smart investors ride out the lows.

*Don’t feel compelled to get out. It won’t take long for Sydney and Melbourne to rebound. These are two major international cities with many unique factors keeping property prices strong. You just have to be patient while the magic of capital growth takes effect.*

I think the worst is already over. There have been 5%-10% declines in values this year and we might see another 5%-7% in some areas. After that, there will either be a steady period of market stability or even a small positive rebound by a few per cent.

**If you bought at the top and you’re negatively geared, there’s a few things you can do to keep your cash flow healthy:**

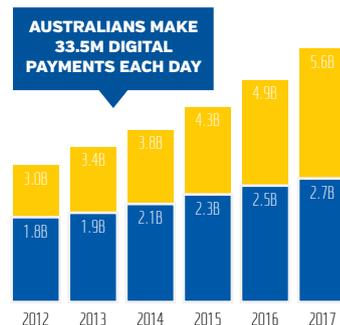
- 1 WATCH YOUR TAX DEDUCTIONS CLOSELY**  
Many property investors short change themselves by claiming less back from the taxman than they are entitled to. Pretty much every expense is tax deductible or depreciable so keep every single receipt! So make sure you get good tax advice on this.
- 2 DEPRECIATION BENEFITS**  
If your investment property is new, you’re entitled to depreciation benefits and these can be substantial, so get a quantity surveyor to compile a tax depreciation schedule. It will tell you how much money you can claim every year.
- 3 DEDUCTIONS** If you’re negatively geared, you don’t have to wait until the end of the year to claim your tax back. Say your property returns a loss of \$10,000 pa; and your salary is \$90,000. This makes your estimated taxable income \$80,000. You can apply for a PAYG Withholding Variation to have your withholding rate recalculated based on this. You’ll have more money in your pay packet each period, which you can use immediately to pay the costs of owning the property.
- 4 INJECT ADDITIONAL FUNDS** Finally, whether you’re an owner/occupier or investor, it would be a good idea to put some spare money into your loan or an offset account while interest rates remain this low.

**Many people panic when they’re negatively geared, with no capital growth on the horizon and interest rates going up. This is a situation that could very well eventuate in the next few years, so get yourself mentally prepared now to wait it out. Long term, you’ll be glad you hung in there.**

- SWITZER -

## GROWTH OF THE DIGITAL ECONOMY

■ DEBIT CARD PAYMENTS  
■ CREDIT CARD PAYMENTS



% BY AGE MAKING PHONE PAYMENTS



**83%** 18-34  
**68%** 35-49  
**34%** 50+  
**61%** TOTAL

**ATM WITHDRAWALS HAVE FALLEN CLOSE TO 30% IN THE PAST DECADE**

2007 840.2 MILLION  
2012 816.2 MILLION  
2017 610.1 MILLION

**30%**

- MONEY MAGAZINE -

## WHAT IS THE RULE OF 72?

The "Rule of 72" is a simplified way to determine how long an investment will take to double, given a fixed annual rate of interest. By dividing 72 by the annual rate of return, investors can get a rough estimate of how many years it will take for the initial investment to duplicate itself.

For example, the rule of 72 states that \$1 invested at 10% would take 7.2 years  $[(72/10) = 7.2]$  to turn into \$2. In reality, a 10% investment will take 7.3 years to double  $[(1.10^{7.3} = 2)]$ .

### \$1 @ 10% > 7.2 YEARS > \$2

When dealing with low rates of return, the Rule of 72 is fairly accurate. This chart compares the numbers given by the rule of 72 and the actual number of years it takes an investment to double.

- INVESTOPEDIA.COM -

RATE OF RETURN	RULE OF 72	ACTUAL # OF YEARS	DIFFERENCE (#) OF YEARS
2%	36.0	35	1.0
3%	24.0	23.45	0.6
5%	14.4	14.21	0.2
7%	10.3	10.24	0.0
9%	8.0	8.04	0.0
12%	6.0	6.12	0.1
25%	2.9	3.11	0.2
50%	1.4	1.71	0.3
72%	1.0	1.28	0.3
100%	0.7	1	0.3

NOTICE THAT, ALTHOUGH IT GIVES A QUICK ROUGH ESTIMATE, THE RULE OF 72 GETS LESS PRECISE AS RATES OF RETURN BECOME HIGHER.

## IMPORTANT CONSIDERATIONS WHEN BUYING A STRATA UNIT OFF THE PLAN

The number of WA strata complexes being developed in the Perth metropolitan area has exploded over the last 10 years. Just look at the Scarborough Beach front and Burswood as clear examples.

Unlike building a standalone residential property there are some significant differences that need to be considered, especially in large multi storey strata developments.

### YOUR NEW STRATA UNIT

You will often only be given one opportunity to view the unit prior to handover. This will normally be at the pre settlement inspection and it is important that you take the opportunity. A Building Inspector can assist you by reviewing the construction and installation quality of the final finishes throughout your unit inclusive of the installed items such as doors, windows, fittings, shower screens, tiling etc. **Remember, if some of the issues are not identified pre handover, the opportunity to have them remediated can be lost.**

**The strata Lot owner owns a share of the entire common property for the strata complex.**

Prior to undertaking this inspection it is critical that you review the strata plan so that you can determine where your Lot boundaries are. These are generally the surfaces of floors, walls and ceilings of the strata unit, balcony, storeroom and carport/car bay. The strata Lot owner also owns a share of the balance of the entire common property for the strata complex.

The key issue is what defects buyers find in their new unit. In some instances the units are near perfect with very little remediation work to be undertaken pre settlement. In other cases, the pre settlement inspection identifies a long list of incomplete works or construction defects which need to be addressed.

### WHO'S LOOKING AT THE COMMON PROPERTY?

The extent that the Developer will require an independent review of the construction defects and flaws in the final finishes of the common property can vary substantially. While Building Surveyors are employed by

the Builder as a component of securing occupancy certificates, these reviews are often focused solely at BCA compliance and may not consider a myriad of issues including final finishes. The net effect is it can be left to the new strata Lot owners, via their strata company to review the construction of the common areas and progress these against the Builder via the WA Building Commission or State Administrative Tribunal.

It is also important that maintenance contracts be established for all plant and equipment (electrical, mechanical and hydraulic) and that the suppliers confirm that all items are fully operational and have been installed as per manufacturers requirements so as to ensure that any warranty entitlements can be retained.

The challenge with defect liability inspections is that the operating budgets of most new Strata Company's are barely sufficient to meet basic operating expenses let alone additional inspection costs. Hence, funding these important discretionary inspections can often be a challenge without a special levy or a revision of the strata fees.

**Make sure your due diligence enquiries includes the question as to who has done or will do the defect liability inspection on the common property and has this cost been allowed for in the initial operating budgets of the strata company.**

### SUMMARY

The inspection should extend from the roof cover down to the basement and all areas in between and include the common grounds and boundary fences. This tends to be a specialist role undertaken by a professional and independent building inspector.

- DOMAIN.COM -

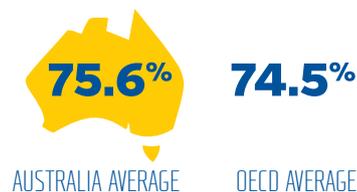
## LITTLE TO COMPLAIN ABOUT

Many Aussies might like to complain that we don't get paid enough and pay too much tax, but figures show there's not much to whinge about.

The organisation for Economic Co-operation and Development (OECD) tracks both the average wage earnings and taxation figures for each of its 35-member countries and Australia comes in sixth spot when it comes to net wages.

We earn on average US\$41,655 (about \$56,000) after paying 24.4% in taxes. We pay a little less in taxes than the OECD average of 25.5%. Basically in Australia the average take home pay of a single worker, after tax and benefits is 75.6% compared with the OECD average of 74.5%.

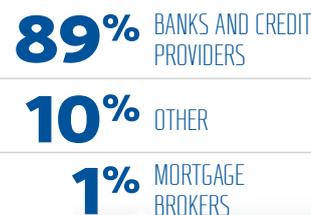
### AVERAGE TAKE HOME PAY AFTER TAX



- MONEY MAGAZINE -

## NEXT TO NO COMPLAINTS

Complaints about brokers represented less than 1% of the total number of complaints received by the Financial Ombudsman Service between 2013 and 2017.



- AUSTRALIAN BROKER -



**APPLY NOW** ✓



**HOME  
LOANS**



**BUSINESS  
LOANS**



**CAR AND  
EQUIPMENT  
LOANS**

## INTEREST RATES

OWNER OCCUPIER FROM

**3.59%**  
VARIABLE RATE

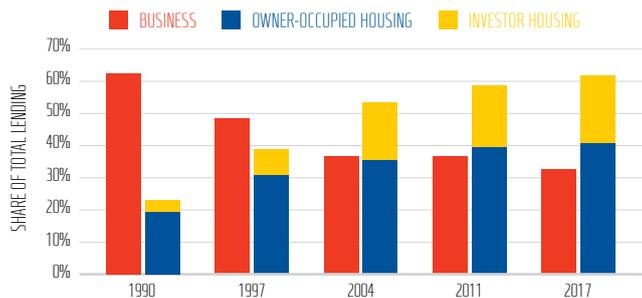
\*CONDITIONS APPLY

COMPARISON RATE

**3.60%**

WARNING: This comparison rate is true only for the examples given and may not include all fees and charges. Different terms, fees or other loan amounts might result in a different comparison.

## LENDING MIX ACROSS MARKET SEGMENTS



- BROKERNEWS.COM.AU -

## SIMPLE WAYS TO ENSURE PHYSICAL ACTIVITY REMAINS A DAILY PRIORITY

**Finding time for physical exercise can be a daily struggle when we are juggling work and life commitments. Diabetes NSW & ACT recommended several ways in which you can make exercise your daily priority.**

Including physical activity into our day can be a struggle for many of us. Work or other commitments may take up a large portion of our time, and at the end of the day it's hard to generate the energy or motivation required for exercise.

There are however, some simple ways to ensure physical activity remains a daily priority.

### 1 MAKE EXERCISE AN APPOINTMENT

Put it in your calendar. Just like you would with a doctor's appointment, schedule exercise into your diary and if something comes up respond with "sorry I have an appointment then". After all, you exercise to ensure good health, just like you visit your doctor as part of looking after your health, so why treat these "appointments" any differently?

### 2 EXERCISE IN THE MORNING

Start your day by releasing endorphins. By going to an early gym class or on a morning walk, you're ensuring you've accomplished your daily exercise before the other daily demands start to take up your time and energy.

### 3 CATER TO YOUR LIKES AND DISLIKES

Make sure you enjoy exercising! It's easy to find excuses to NOT do something we don't like doing; so find something you do like and that fits with your lifestyle, personality and taste. When it comes to exercise we are spoilt for choice. So don't be afraid to experiment with different activities until you find the perfect exercise schedule that is achievable and enjoyable.

### 4 MAKE IT SOCIAL

Incorporate active get-togethers into social catch-ups, or invite a friend or family member to exercise with you. Take a dance class together, ride your bikes to the park, or take a walk along the beach. You'll keep your fitness routine from going stale, hold each other accountable and discover ways to build regular exercise into your relationships.

### 5 BOOST ACTIVITY THROUGHOUT THE DAY

Think about opportunities throughout the day where you can boost your activity levels. Walk instead of driving short distances; park further away or get off a bus stop or two before your destination; take the stairs rather than the elevator; or do strength exercises during the ad breaks.

### 6 WORK OUT EFFICIENTLY

Choose a workout you can do anywhere, with little preparation or equipment needed. You want to accomplish as much as possible in as short a time as possible. Body weight exercises and interval style sessions are efficient exercise choices that don't require much preparation or space time - so there's no excuses!

### 7 SET A GOAL, TRACK YOUR PROGRESS AND REWARD YOURSELF

Setting a goal is key to keeping your exercise routine on track. For example, competing in the City2Surf will motivate you to stay on track and add purpose to every workout. Once you have set your goal, put an exercise plan in place that will build the fitness and stamina the event requires. Don't forget to reward yourself for achieving your goal. A weekend getaway is the perfect way to do so!

- WELLNESS DAILY -

## SETTLEMENTS AND LEGAL WORK

**MDH LEGAL** are highly recommended solicitors, specialising in the following services:

- Settlements for the sale and purchase of residential and commercial properties
- Settlements for the sale and purchase of businesses
- Strata titles
- Subdivision applications
- Related party transfers
- Deceased estates
- Powers of attorney
- Wills
- Debt recovery

*Melissa Dixon provides a very personalized and cost effective service and will provide a no obligation free quote for any of your settlement and legal requirements on request.*

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