

Mortgage *News*

Your guide to mortgages, finance & property

Spring 2010

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Welcome to our spring newsletter

The Reserve Bank of Australia (RBA) left the official cash rate unchanged in September. Rates have now remained stable at 4.5 per cent for four straight months.

While this news will bode well with those Australians with variable rate mortgages, there's the solid chance that rates will raise again before the year is out - putting pressure on home owners as well as those seeking to enter the market.

While there's fluctuations in different property markets across Australia, in general terms we're moving into a buyer's rather than a seller's market, especially as the warmer months approach and more properties become available.

When shopping for your dream property keep in mind that there's certain steps you need to undertake to make sure you're not buying a lemon. In this issue of Mortgage News we take a look at how to effectively inspect a property prior to purchase.

On the property buying hunt you're likely to also run across the 'battle axe' block, so we also consider some of the pros and cons associated with these types of properties.

Securing credit is essential to any purchase, and if your finances are not in tip top shape you may struggle to secure a loan. Your credit file essentially records your credit history, and there are some ways to help keep yours in check, as we reveal in this issue of Mortgage News.



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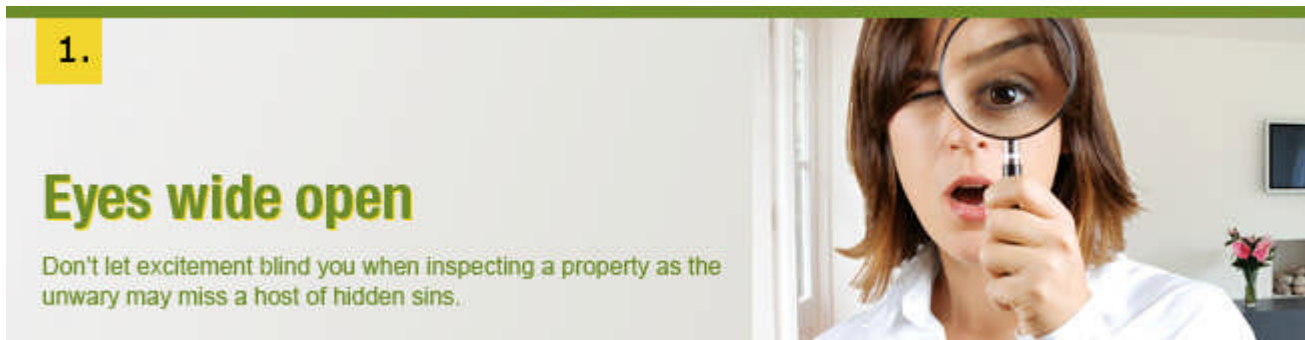
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THINKING FINANCE? let's talk!



As well as our regular economic wrap, plus some handy tips to better position yourself to secure a mortgage, I hope you enjoy this issue. If you'd like to discuss any topics highlighted in this issue, or have any questions on how the recent rate rise may impact your mortgage, please feel free to give me a call.

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Viewing a property can be adrenalin-charged experience - particularly in a market that's moving fast.

In some areas it's not uncommon to find tens of other budding buyers viewing the same place and this can create real pressure when you find a place you want.

But to ensure that you really are buying your dream place, and not a lemon, you've got to make sure that you check out the smaller details and not just look at the bigger picture.

Step-by-step strategy

One practical tactic for keeping your feet on the ground is to work with a checklist. This will help ensure that you don't cut corners in your inspection and that all the boxes are ticked before getting down to the business of putting in an offer.

As well as checking off the general state of repair

Damp in a house can be catastrophic, so also look for the tell-tale signs on the interior. Water marks on wall paper can be an indicator that water has leaked in; musty smelling carpet can also be a giveaway.

Make sure you look out for cracked ceilings and also walls that may have had cracks papered over.

A thorough inspection is especially important as sellers may try and hide any imperfections, signs of damage or problems in the making.

Just remember, you can help make sure that you don't get lumbered with a money pit by taking time to inspect a property thoroughly before you put in an offer. Even if your first inspection comes up trumps, go home, take time to reflect, and return to view the place afresh - you'll be surprised at what you didn't notice the first time around.

Finally, if you have any doubt, use the services of a professional.



of the inside of the house, this will also help remind you to check for problems with the exterior.

The quality of the roof is often overlooked by over-excited buyers, for example, however this can be a costly oversight.

Take particular note of any missing or cracked roofing tiles as well as cracked brickwork, loose mortar and crumbling eaves.

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2.

What does your credit file say about you?

Just how you manage your debt is no secret thanks to credit history files, so it pays to keep your file in shipshape order if you want success in buying property



Have you ever borrowed money for a car, owned a credit card, or forgot to pay your phone bill on time? Were you aware that all of this is kept in a credit file accessible to any financial institution - with your consent?

If entering the property market is your aspiration, then it pays to understand how your credit history is recorded and just how it can influence your home loan eligibility.

Credit files and home loans

Defaulting on your loan repayments or phone bill late are examples of items that may be recorded on your credit file. Such items can remain on your credit file for a five year period. Some, such as bankruptcy orders, can remain for 7 years.

Ultimately, these items on your credit file can affect the loan amount you may be eligible to apply for. In some circumstances, it can result in the denial of your loan application.

What is a credit file?

A credit file is essentially a record of information concerning your dealings with credit providers. It is often used by providers to ascertain your creditworthiness or reliability to pay back a loan. The record is held by a credit reporting agency.

The information usually covered includes records of credit applications made by you in the past five years, existing loans and debts, default notices where payment hasn't been made in over 60 days, as well as fraud convictions and bankruptcy orders.

For this reason it is essential to keep your credit file as squeaky clean as possible to maximise your chances of being approved for your loan.

You can ensure this by upholding regular repayments on loans and meeting all bill payments on time.

To what extent your credit file will influence your home loan application will depend on the lender. Each lender applies their own credit criteria when it comes to assessing applications.

Some lenders, for example, will use 'credit scores' as part of their credit risk assessment process in conjunction with their lending criteria.

Because of the difference in credit assessments, one lender may approve your application, while another may not.

Credit reports are held by a credit reporting agency. You have the right to access your credit file of the reporting agency (Veda Advantage for personal purposes). You can also request incorrect information to be amended. We recommend you contact Veda before embarking on any property purchase to prepare yourself for any loan hurdles you may face.



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3.

Considering a battle-axe block?

Purchasing a home on a battle-axe block is no different to making any other property purchase – it still requires thought and understanding

The graphic features a light green background with a subtle pattern of grass blades. On the right side, there is a vertical strip of a close-up photograph of green grass. The number '3.' is in a yellow box, and the main text is in a white box with a green border.

Some people hate them, some love them, but whatever your preference there's every chance you'll come across a property on a battle-axe block at some point during your property search.

A battle-axe block is simply a larger block that's been subdivided at some point, leaving one property located at the front and another that is set back.

The 'handle' of the axe is the long shared driveway, with the 'head' of the axe being the home at the rear of the block.

There are both benefits and downsides associated with the rear or battle-axe block.

The pros and cons

Due to the long drive, it's likely that a battle-axe block won't have much of a view to the street - you're more

Neighbourly love

Sharing a driveway can prove to be a hassle at times, which can lead to tensions between residents of the front and back blocks.

Whether that is down to fencing, the planting of trees or parking that blocks access to the driveway, this should all be considered before you make an offer on a battle-axe block.

Try to speak to the current

likely to be looking out over other properties or yards. But this can in some cases create a sense of privacy, with the property feeling like its tucked away from the public eye.

The positioning of the home at the rear also has other benefits.

For a family with young children, a battle-axe block can provide a good degree of safety since it doesn't have direct open access to the road. It can also offer a long stretch of enclosed driveway - ideal for bike riding, skateboarding or simply running around.

However while there are some distinct advantages, a battle-axe block does have its drawbacks.

For example, when guests come to visit, it can be tricky finding a concealed driveway - particularly at night.

But one bonus that can't be ignored is the price. On average, homes built at the rear of a battle axe block are generally cheaper, which could be the final factor in your decision process.

owners to try and get a feel for the neighbours and whether they've had any problems in the past. There's nothing worse than picking up the legacy of a bad neighbourly dispute.



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A graphic with a green border. On the left, a yellow square contains the number '4.'. Below it, the text 'Help is at hand' is written in a bold, green, sans-serif font. To the right of the text is a photograph of a young man and woman sitting on a white sofa, smiling and looking at each other.

Have your documents ready: Lenders have cracked down on their lending policies over the last 24 months, so it helps to have clear documentation proving your income, liabilities and living expenses. The more documentation you can provide, the less likely a lender will delay the processing of your loan application.

Show genuine savings: A savings record is important to most lenders. If you can show that you can manage

Talk to the experts: With thousands of mortgages on the market, why not recruit in the experts to help you track down the best mortgage for your needs, We offer unbiased advice on all aspects of finding a loan; we can even help to arrange the first home owners grant plus coordinate the whole application process. Give us a call and we'll explain how we work.



your money - including an ability to save while repaying credit cards, covering your rent and other expenses - you'll improve your position with lenders.

Matters of the heart: Single? Coupled? Kids? Your living situation can impact your borrowing capabilities. Think about how your circumstances may impact your borrowing - now and in the future - and be realistic about what you can afford.

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The raft of economic data released over the past few weeks confirms the view that Australia remains one of the strongest developed countries in the world - a position that has been bolstered by the latest GDP figures.

According to the Australian Bureau of Statistics (ABS), GDP grew 1.2 per cent over the June quarter following an upwardly revised 0.7 per cent increase in the previous quarter.

The results were labelled "outstanding" by the federal government.

Other recently released ABS figures showed slow but steady growth in retail sales, building approvals and house prices.

Shoppers splurged more than \$20 billion in July - 0.7 per cent more than in June.

The outlook for the housing industry has also improved, with building approvals rising 2.3 per cent in July - the first increase in four months.

While the latest figures no doubt show that the Australian economy is currently faring well,

Mr Stevens said despite the fact that the Australian economy was clearly going from strength to strength, the global outlook remained uncertain.

The global economic recovery since the severe recession of 2008-2009 has been artificially boosted by a massive monetary and fiscal stimulus, and the backstopping and bailout of the financial system.

But the fundamental excesses that led to the crisis - too much debt and leverage of the private sector - have not been addressed as the private sector deleveraging has barely started.

As such, fears are mounting that some countries, including the US and Japan, could double-dip into recession.

Moving forward, the RBA will be forced to weigh up the uncertainty plaguing foreign countries like the US against Australia's positive outlook.

Nomura Australia Chief Economist Stephen Roberts said he would expect international problems to take precedence over the national outlook, and believes the RBA will keep rates on hold for the rest of the year. Other economists are factoring in at least one

particularly compared to its global counterparts, it was not enough to persuade the Reserve Bank of Australia (RBA) to lift rates.

At the board meeting conducted early September, RBA governor Glenn Stevens said keeping the official cash rate at 4.5 per cent was appropriate "for the time being".

hike before the year is out.

If you're concerned about how the current rate environment may impact your mortgage or your home buying plans please feel free to give me a call.



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