

We Help With

Home Loans
First Home Owners
Investment Loans
Car Loans / Leasing

Accredited With

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ING
CBA
ANZ
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Pioneer
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+ many others

Supporting the Community

Park First Home Loans is proud to donate 5% of its after tax profit each year to different charities.



Autumn 2010

Banks Still Making it Hard to Borrow

- The trend continues
- 100% loans have gone
- Now the banks will only lend to 97% but this is only if you meet their exacting lending criteria. Loans for a maximum of 95% are more common.
- The difference between lenders is becoming more marked. Some lenders will only lend to 95%, some to 97%, some will include mortgage insurance in the loan amount while some won't.
- Higher interest rates combined with higher property prices make it tougher for first home buyers to enter the market.



- Lenders are much harder on credit assessment – eg a \$50 default on a telephone bill may make all the difference between a bank approving or rejecting a loan application.

So come and see us. It's times like these that Mortgage Brokers are more valuable than ever when wanting to borrow.

Beware of Mortgage Insurance – the Silent Thief

Mortgage Insurance protects your lender against non-payment should you default on your loan. It's important to understand that the primary and only real purpose for mortgage insurance is to protect your lender—not you. You pay the premiums, so that your lender is protected.

Some Facts about Mortgage Insurance

- It is a once only premium paid at loan settlement.
- If you borrow more than 80% for your home loan then you will be charged mortgage insurance.
- It is ridiculously expensive. How much money you borrow and the size of your deposit will determine the amount of mortgage insurance charged.
- If you only had a deposit of 10% to

purchase a house worth \$450,000 then you might be expected to pay mortgage insurance of approximately \$6131.

- Yet if you had only a down payment of 5% and were borrowing \$450,000 the cost of mortgage insurance increases to about \$11,075 (assuming you are a first home buyer!!)
- Depending on the institution, lender's mortgage insurance premiums are refundable if you pay out your loan or refinance within the first two years. It's a little-known bonus because borrowers are rarely told about it.

Market Round Up

- Rents on the way up
- Home prices going up
- Interest rates going up

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How to reduce mortgage insurance or even better eliminate it completely

- Don't borrow 80% or more in the first place... look for a cheaper house. Be prepared to look a little bit further out from the city centre or look for an older home in need of renovation or maybe look for something a bit smaller. Ask yourself is that fourth bedroom really necessary? Or maybe consider purchasing a unit rather than a house.
- Use equity in another property to reduce your borrowings on the new one.
- Consider selling some other assets such as a second car to come up with more deposit.
- Ask your parents for help.
- Keep saving.



If Something Happened to you how would your family manage?

- As a major income earner, who would look after the rest of your family if you died prematurely?
- Or if you are a homemaker, how will your partner look after the children, run the household and keep down a full-time job if you were to die or be incapacitated?
- How would your mortgage payments and living expenses be paid if you were off sick or injured for an extended period?

All tough questions but we can help.

Most people only have savings of between one and two months' income to fall back on should something adverse happen.

For those of you wishing to review your Life insurance we can now refer you to a professional who specializes in this area. This is an obligation-free service. After all, we could all benefit from some practical advice from time to time.

Did you Know???

- That there is no stamp duty payable on a home up to the value of \$500,000 for a first home buyer in Queensland?
- That the average loan size for first home owners is now \$290,100,
- That the median house price in Australia is now \$525,000?
- Housing affordability in Australia is getting worse. Australian houses are now less affordable than those in Canada, Ireland, the UK, US and New Zealand.

Tips for Investment Property Owners

- For those of you who have worked hard and saved to own an investment property consider restructuring this loan to become an interest only loan. This way all of your repayments are tax deductible and any extra you might have been paying in the way of principal can be applied to your own home loan to help pay off this (nondeductible loan) sooner.
- Still haven't got a depreciation schedule for your property? Remember, regardless of the age of your property there will be many items in the home such as ovens, window coverings, air conditioning units and so on against which you can claim some depreciation. Depreciation isn't just about the building itself.
- In nearly all circumstances the Quantity Surveyors who prepare these reports can guarantee that the cost of the report will be exceeded by the savings in tax created by the depreciation recorded.
- Don't just stop at one property. An English couple (both school teachers – Fergus & Judith Wilson) started investing in property in 1991. By the time they decided to retire and sell their property portfolio in 2009 they had accumulated over 700 of them!!
- One investment property, paid off, can give you a net income say of around \$300 per week or \$15,600 in a year. If you can build your portfolio to two or more this can make a substantial difference towards becoming financially independent. Set your sights higher.



If you're considering purchasing an investment property but not sure what you can afford ask us to arrange a pre-approval for you. This takes all the guesswork out of it.

The next time someone says house prices are going up isn't that good? ... Stop and think about it... is it?

Let's face it, if houses cost us less we would have more disposable income, less worry and financial stress, less to borrow and less to payback. Most importantly, first home buyers wouldn't be being squeezed out of the market.