**Welcome to Mortgage Watch**

I hope you find the information in this issue useful and informative. Please feel free to pass this newsletter to family or friends.

Regards,

Brendan Gleeson





# mortgage watch

## Cash rate remains at historic low.

The Reserve Bank of Australia (RBA) has announced that it will leave the cash rate on hold at 1.50% for another month. Governor Philip Lowe had this to say in his official statement:

“Growth in housing debt has been outpacing the slow growth in household incomes for some time. To address the medium-term risks associated with high and rising household indebtedness, APRA has introduced a number of supervisory measures. Following some tightening in credit conditions, growth in borrowing by investors has slowed a little recently. In the housing market, conditions continue to vary considerably around the country. Housing prices have been rising briskly in some markets, while in others they have been declining. In Sydney, where prices have increased significantly, there have been further signs that conditions are easing. In the eastern capital cities, a considerable additional supply of apartments is scheduled to come on stream over the next couple of years. Rent increases remain low in most cities.”

“The low level of interest rates is continuing to support the Australian economy. Taking account of the available information, the Board judged that holding the stance of monetary policy unchanged at this meeting would be consistent with sustainable growth in the economy and achieving the inflation target over time.”

So, what does all this mean for you? Despite the recent cash rate hold there have been a number of lenders, including the Big 4, who have recently changed their interest rates at their own discretion. Keep a close eye on any rate movement, and consider whether your current loan is the right one for you, right now.

# Saving as much as possible to make a deposit on a home

If you're planning to buy a home, the golden rule is to save as much as possible to make a deposit. Nowadays, it's more challenging than ever to do so.

In Australia in recent years, we've witnessed a troubling pair of economic trends - the price of a house in many major metropolitan areas is rising quickly, yet wages remain relatively stagnant. This means it's going to take longer than ever before for ordinary working families to buy homes.

It's important to save as much as you can if you want to buy real estate, and that's especially the case today. If you've got your sights set on owning a house soon, it's crucial to stash away as much as possible from each pay check.

**Saving for a home can take decades**

It's always been difficult for hardworking Australians to afford homes, and it's only becoming more so. New statistical models from UBS reveal that the average price of a house is now 6.5 times the average employee's annual compensation. In order to afford the deposit and all the loan interest rates that come after, the typical Aussie now needs to save for 18 years.

"This model shows that the time to save a 10 per cent deposit - with a 5 per cent saving rate on AWOTE of $80,000 per year - to buy a house at the average Australian capital city dwelling price of $820k has almost doubled from a long-run trend of around 10 years, to 18 years now," UBS economist Scott Haslem told ABC News.

**Developing consistent saving habits**

If you don't have 18 years to wait before moving your family into a home, the best solution to that problem is to save aggressively. The more you can stash away from each pay check now, the fewer headaches you'll have later. A heftier deposit means fewer repayments you'll have to make with interest down the road.

A good rule of thumb is that 10 per cent of each pay check should go toward your deposit - ideally, in a separate bank account so you won't be tempted to spend that money. Upping that percentage will help you afford a home sooner - and so will working with a broker who can track down affordable low-interest loans.

**Get budgeting help from the professionals**

Saving for a home is one of the biggest challenges you'll ever have to tackle. To get a leg up on things, contact us today. We have connections with a wide-ranging network of Australian mortgage lenders, and we can find one who knows your target market and can help you plan your big purchase.

# How much money do you need to start investing in property?

If you want to bolster your wealth for retirement in a big way, one option is to begin investing in property. Do you have enough cash to consider it?

For many Australians who are looking to carve out a retirement plan, the typical approach is to take a modest portion of each pay check and make a contribution to super. Often, the strategy simply ends there. But if you really want to bolster your wealth for retirement in a big way, one option is to begin investing in property.

Property investment scares off a lot of people; if you know first hand how hard it can be to buy a house, the last thing you want to do is voluntarily buy more real estate that you don't need. But you might be surprised by how cheaply you can enter the market, and by how significantly investing can begin boosting your wealth right away.

**It doesn't take much to get started**

It might seem daunting to save the cash for the deposit and all the mortgage repayments required to buy investment property, but it's really not so bad. Property expert Zoran Solano recently told Domain.com.au that it's realistic to begin buying property even if you only have 10 per cent of the total purchase price saved.

"You can still get into a 17 to 18 kilometres radius from the Brisbane CBD for sub-$400,000 for a house, and even within 10 kilometres for a unit," Mr Solano said.

With this in mind, it's feasible for new property investors to get started even if they only have about $20,000 in savings. This number is not insignificant, but it's more attainable than you might think.

**You can uncover major value right away**

The Australian Securities and Investments Commission pointed out that there are several key advantages to investment that make it a good bet, even when it seems like you can just barely afford it. For example, when making income right away by renting properties to tenants, you can make a profit even if you have hefty loans to pay off. Additionally, there's capital growth to consider - if your real estate increases in value, you will benefit from capital gains when you sell it.

All in all, it's a lot easier than you think to be a gainful property investor. All you need is access to low-interest loans that can get you started. Luckily, we specialise in helping you find them. We have access to an extensive network of Australian mortgage lenders, and we're eager to connect you with one who can help you build your wealth.

# Unlock the value of being pre-approved for a new home loan

Looking to secure a home loan? The easiest way to do so is to get pre-approved. Let's discuss how this process works and how you can get a head start on it.

Unless you've got hundreds of thousands in cash stashed under your mattress, it's likely that you'll need to secure a home loan before buying real estate. The easiest way to line up such a loan is to have pre-approval in place before you even apply.

How can you get pre-approved for a new loan? The process is nuanced. Let's dive in.

**Why pre-approval is so valuable**

Getting a loan to buy a home can be daunting, but fortunately, the process is easier with pre-approval. Once you know how much you can borrow and what sorts of loan interest rates you can get, you'll have greater clarity and can make decisions with confidence.

"With a pre-approved home loan under your belt, you will be considered a more serious homebuyer than someone who is 'just looking', because a lender has made a commitment to lend you the money that will allow you to purchase," mortgage specialist Sean Longman told Finder.com.au.

When you're pre-approved, you can show up to open houses and property auctions and quickly pounce on homes you want, knowing exactly what amount you can afford to spend. There's no more guesswork involved.

**Knowing how and when to apply**

Pre-approval can be a major blessing, but securing it isn't always easy. Your Investment Property Mag recommends that prospective borrowers are entirely upfront and honest about their financial information - if there's even a small discrepancy in your application, it can hold up the approval process and make it tougher to quickly buy a house.

In addition, you don't want to apply for loan pre-approval until you're absolutely sure you're ready to take out a loan and buy a home. Having multiple applications can negatively impact your credit rating; you want to wait until the moment is right, then apply just once.

**Getting a savvy broker on your side**

Once you've decided you're ready to seek loan pre-approval, the next step is to speak to us. Whether you're searching for your first home or looking to add investment properties to your portfolio, we can help you round up the capital you need.

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