

Q3 - 2012 UPDATE



October 2012

The focus of this Quarters Update is on Interest Rates.

As has been well publicised, the RBA dropped the Cash Rate by 25 basis points to 3.25%. I am not going to delve into why Lenders haven't passed on the full cut in this update, as my 'professional' opinion has been well documented over the past 2 years - we will take a look at where everyone is sitting at the moment - comparing apples with apples, not apples with lamb chops as the media/industry 'experts' do... Out of interest though, does anyone else find it ironic/hypocritical/whatever that our illustrious Treasurer publically waves a big stick at the big bad banks for not passing on the full cut to struggling households (predominantly middle-high income earners), yet he is in the process of taking a tomahawk to 'welfare' for the same struggling households to protect his Governments surplus ambitions...?? Hmmmm...

As for the property market, hard to know what to make of it at the moment, despite median property values rebounding by more than 2% in the five capital cities (Sydney, Melbourne, Brisbane, Perth and Adelaide) quarter-on-quarter in September, according to RP Data-Rismark's daily index. My Real Estate associates are reporting increased enquiry/activity, and I certainly have fielded plenty of enquiries over the past 4-6 weeks. Executing is another thing though, but better to have interest than none at all! Interestingly, I have funded only one Investment Loan since 01 July. All business has been Purchases and Refinancing. Can't recall the last time I funded only 1 investment property in a 4 month period. All other pipeline business is also predominantly Purchasing & Refinancing.

Sincere thanks to everyone for their well wishes while Dee was undergoing her operation and recuperation in June/July. Fortunately all went well and she's made a full recovery. Thankfully we've all managed to stay out of hospital since.

The Residential Lending Market/Interest Rates

The current Cash Rate of 3.25% is the lowest the cash rate has been since October 2009. It is only one 25 basis point rate cut off the record low of 3%, which was in place from April 2009 - September 2009 (during the GFC).

While the latest cut surprised me (& many analysts), another cut is now tipped for Melbourne Cup Day. Though this would be welcomed by all home borrowers, I don't believe this will have a flow on effect leading into the Christmas spending period and consumer confidence. As I've mentioned to several of you who have asked, I personally looked at it as another few hundred in the account - and I believe this is how most are looking at it! Still, I'll take another few hundred too thanks...

So, apples with apples - where is everyone sitting at the moment?

Variable Rates

As the Standard Variable Rate (SVR) differs greatly amongst Lenders (some 'smaller/no name' Lenders call their Base Variable 'Standard Variable'), I will focus on the 'delivery rates' as a true comparison. Ultimately, no-one with a loan >\$50000 should be on a SVR without discounts.

The Table below highlights the current end rate under each Lenders 'Professional Package' (new loans only). I have also included the recent Rate cut for each Lender.

LENDER	Recent 'Cut'	LOAN TO VALUE RATIO	\$250K+	\$500K+
ANZ	0.20%	<80%	5.90%	5.80%
		>80%	5.95%	5.85%
BOQ	0.20%	<80%	5.86%	N/A
		>80%	5.86%	N/A
CITIBANK	0.20%	<80%	5.79%	5.74%
		>80%	5.84%	5.79%
COMMONWEALTH	0.20%	<80%	5.80%	5.70%
		>80%	5.80%	5.75%
CUA	0.20%	<80%	6.05%	N/A
		>80%	6.05%	N/A
HERITAGE	0.20%	<80%	5.93%	N/A
		>80%	5.93%	N/A
HOMESIDE	0.20%	<75%	5.75%	5.69%
		>75%	5.79%	5.75%
ING	0.25%	<80%	5.91%	N/A
		>80%	5.91%	N/A
NAB	0.20%	<80%	5.88%	N/A
		>80%	5.88%	N/A
ST GEORGE	0.17%	<80%	5.79%	5.74%
		>80%	5.79%	5.74%
SUNCORP	0.19%	<80%	5.79%	5.69%
		>80%	5.99%	5.99%
WESTPAC	0.18%	<80%	6.01%	5.81%
		>80%	6.01%	5.81%

As at 24/10/2012

- Loan to Value Ratio (LVR) – the loan against the Value of the property as % eg Loan \$400K, Property Value \$500K – LVR = 80%.
- Professional Packages usually carry an Annual Fee in lieu of an Application Fee and Monthly fees.
- Interest Rates above are the 'end' Rate after the applicable discount is applied to the SVR.

As you can see, what a Lender cuts a rate by is somewhat irrelevant (contrary to media commentary & advertising) – it's what the final rate ends up at.

Here's a question for everyone... NAB has 'pledged' to have the lowest SVR of the Majors in 2012. Looking at the above, how attractive are they and their statement? The SVR might be 0.02% lower than ANZ & Commonwealth, but how do they stack up once the discounts are applied - wonder how many have been 'NABbed'?

Base Variable Rates

The Base Variable Rate is the 'no frills' rate. This usually still has all the features of the SVR, with the main exception being the ability to have an Offset A/C attached.

LENDER	Base Rate	Exceptions
ANZ	5.90%	
BOQ	6.13%	
CITIBANK	5.89% (<80% LVR)	5.95% (>80%)
COMMONWEALTH	5.90%	
CUA	5.87 (>\$250K)	5.97% (<\$250K)
HERITAGE	5.98%	
HOMESIDE	N/A	
ING	5.97%	
NAB	6.08%	
ST GEORGE	6.02%	
SUNCORP	5.91% (>\$150K)	6.11% (<\$150K)
WESTPAC	6.06%	

As at 24/10/2012

- Commonwealth Bank have a \$700 Refinance Rebate (until 30/11/2012)
- ANZ rebate the \$600 Application Fee for First Home Owners
- St George have a \$1000 Purchase Rebate on ALL Loans >\$300k (until 21/12/2012)

The Commonwealth Bank Product (the No Fee Home Loan) has ZERO fees – in, out & during. It is completely free with all the benefits (eg Redraw, Extra Repayments, Interest Only). You also receive a 'free' Transaction Account & Fee free Credit Card. Great product & one of a kind!

Fixed Rates

LENDER	3 Years	5 Years	Pro Pack Discount
ANZ	5.54%	5.84%	0.15%
BOQ	5.36%	5.99%	N/A
CITIBANK	5.35%	5.59%	N/A
COMMONWEALTH	5.54%	5.84%	0.15%
CUA	5.50%	5.99%	N/A
HERITAGE	5.60%	5.95%	N/A
HOMESIDE	5.54%	5.84%	N/A
ING	5.54%	5.94%	N/A
NAB	5.64%	5.94%	0.10%
ST GEORGE	5.54%	5.94%	0.15%
SUNCORP	5.52% 5.37% <80% LVR	5.98% 5.50% <80% LVR	N/A
WESTPAC	5.59%	5.89%	0.20%

As at 24/10/2012

- Max extra repayments apply.
- No Redraw available during Fixed period.
- If you break the Fixed Rate/Pay out the loan prior to the expiration of the fixed period, you may incur significant penalties – you will need to consider whether you'll be doing anything with your mortgage in the fixed period eg selling, refinancing etc...
- Pro Pack discounts are in addition to the stated Rates above. Annual Fees may apply.

Refinancing (for no other reason than to 'get a better deal')

It is very easy to get lost in the 'number' (ie Interest Rate) when thinking about refinancing but there is more than one consideration in doing so...

For every 0.10% on \$100000 in lending, you save \$100. This should serve as a good starting point; however you need to factor in the following:

1: What are my 'out' and 'in' costs when changing Lenders. Best case scenario is \$615 (assuming \$350 Discharge Fee, Govt Discharge & Registration of Mortgage \$265, refinancing to the CBA No Fee HL).

2: Is my total loan less than 80% of the value of my property? If not, then you will incur LMI and this alone will deter you from refinancing.

3: Will the gap in Interest Rates between my current Lender and my new Lender remain the same? If the gap remains the same, how long will it take before I am better off?

Unless you have a specific reason for refinancing eg purchasing another property/structuring, you don't qualify with your existing Lender, significant overall savings on your portfolio, then it is not considered financially viable to do so. Ultimately, the amount saved in what time period will determine whether it is worth it or not. Generally though, refinancing for a 'better deal' is rarely viable. As always, I am more than happy to run the numbers for you if you wish...

Home Sweet Loans

On our website is our '**Budget Organiser**' Template. This Organiser has been designed to assist you in implementing a budget or simply tracking your expenses. It's amazing where your money goes once you decipher it on paper! You can download this for FREE! I'm also open to any suggestions on how we can improve it too!

Home Buyer Guides - The Home Buying Essentials and Property Investment Essentials. These 24 page colour booklets are packed with information for those who haven't purchased a home (ever or in a long while), or anyone considering dipping their toes in the Investment pool. If you would like a FREE copy, or know anyone that could benefit from them, please email me or request from the HSL website...



On a housekeeping matter, please note that we are here to assist during the Application process, and post Settlement. If you require any assistance whatsoever once you have your loan in place, please call us at anytime. This alleviates any issues that you will encounter dealing directly with your respective Lender, especially when it comes to Product switches and Discharges/Releases.

We Value Your Thoughts!

Gift Vouchers, Movie Tickets, a night at the Footy, lunch/dinner at sumptuous Restaurants – the more of your family & friends you refer, the greater your rewards! We also conduct a regular competition through our Quarterly Magazine. Throughout the year, we conduct several competitions that are exclusive to our 'Email Alert' members & Facebook 'Likers'.

Take Care!
Tarek

