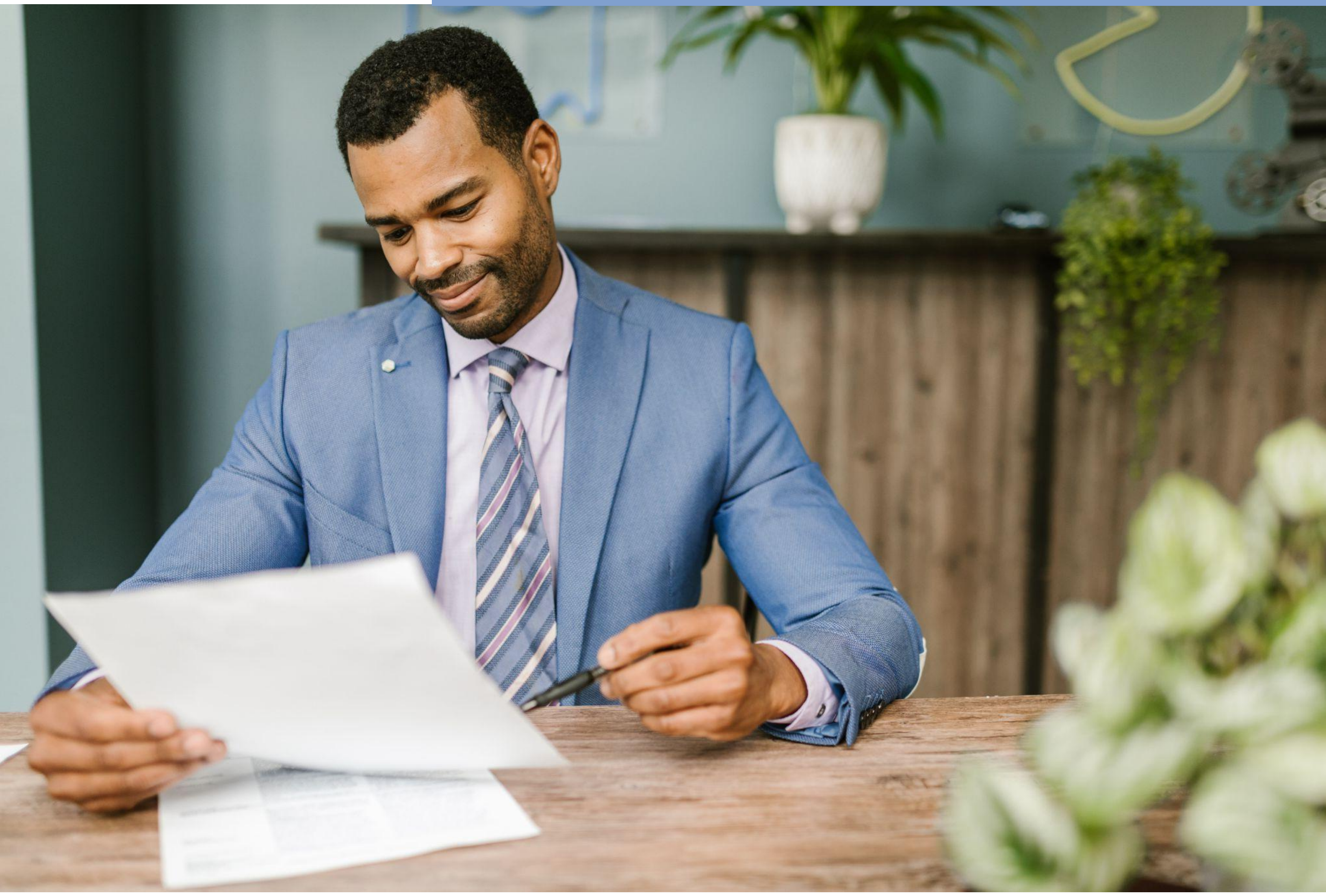
THE MORTGAGE MONTHLY

RESIDENTIAL

Cash Rate Update | increased to 1.35%



TAX TIPS FOR PROPERTY INVESTORS

The vast majority of Australians believe that mortgage brokers have their best interests at heart when borrowing or refinancing, based on new research. According to Mortgage Choice, 89 per cent of people who had used a mortgage broker said they were confident their advisers had addressed their best interests.

Market research agency, Honeycomb Strategy, surveyed 1000 Australian homeowners with a mortgage during April this year and found working with a broker was incredibly beneficial. The research also found that 88 per cent of people who worked with a mortgage broker were provided relevant options for their loan, with almost three-quarters (72 per cent) of this group of borrowers having either secured their home loan or refinanced in the last two years.

The borrowers found the leading benefits of working with a broker were their extensive industry knowledge, access to the best deals and interest rates, and that they would do most of the work.

Mortgage Choice Chief Executive, Anthony Waldron, said the research confirms that mortgage brokers clearly do have the best interests of their clients at heart. “The DNA of mortgage brokers has always included looking after borrowers' best interests," Mr Waldron said. "Eighteen months on from formalising Best Interests Duty and Australians are demonstrating their trust in mortgage brokers. The industry now writes more than two in every three home loans, and our network of almost 1,000 brokers find themselves constantly adapting to meet this demand."

The research also noted there was reluctance among borrowers to refinance, with two-thirds of the respondents hoping to avoid it, and 61 per cent believing that refinancing could leave them worse off.

Mr Waldron said seeking a better deal with a lender can be difficult. "Customers aren't prepared to seek a better deal due to the significant hassle that they have to go through to try and figure out how to get a better deal on their home loan," he said. "The broker market share has accelerated because of solving this client need and the fact that the broker can take care of the hard work of dealing with the banks."

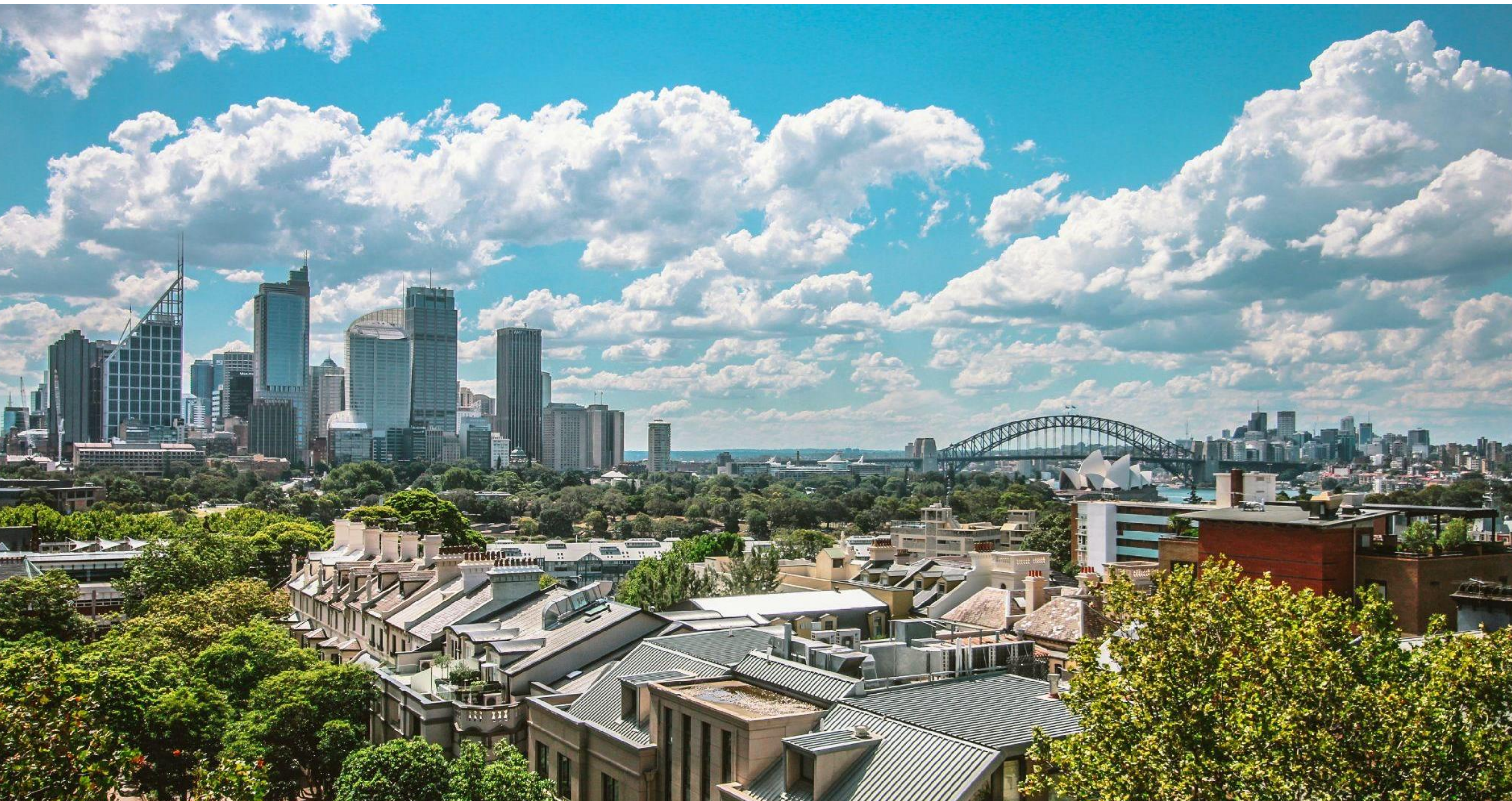
NSW TO LAUNCH STAMP DUTY REFORM FOR FIRST HOME BUYERS

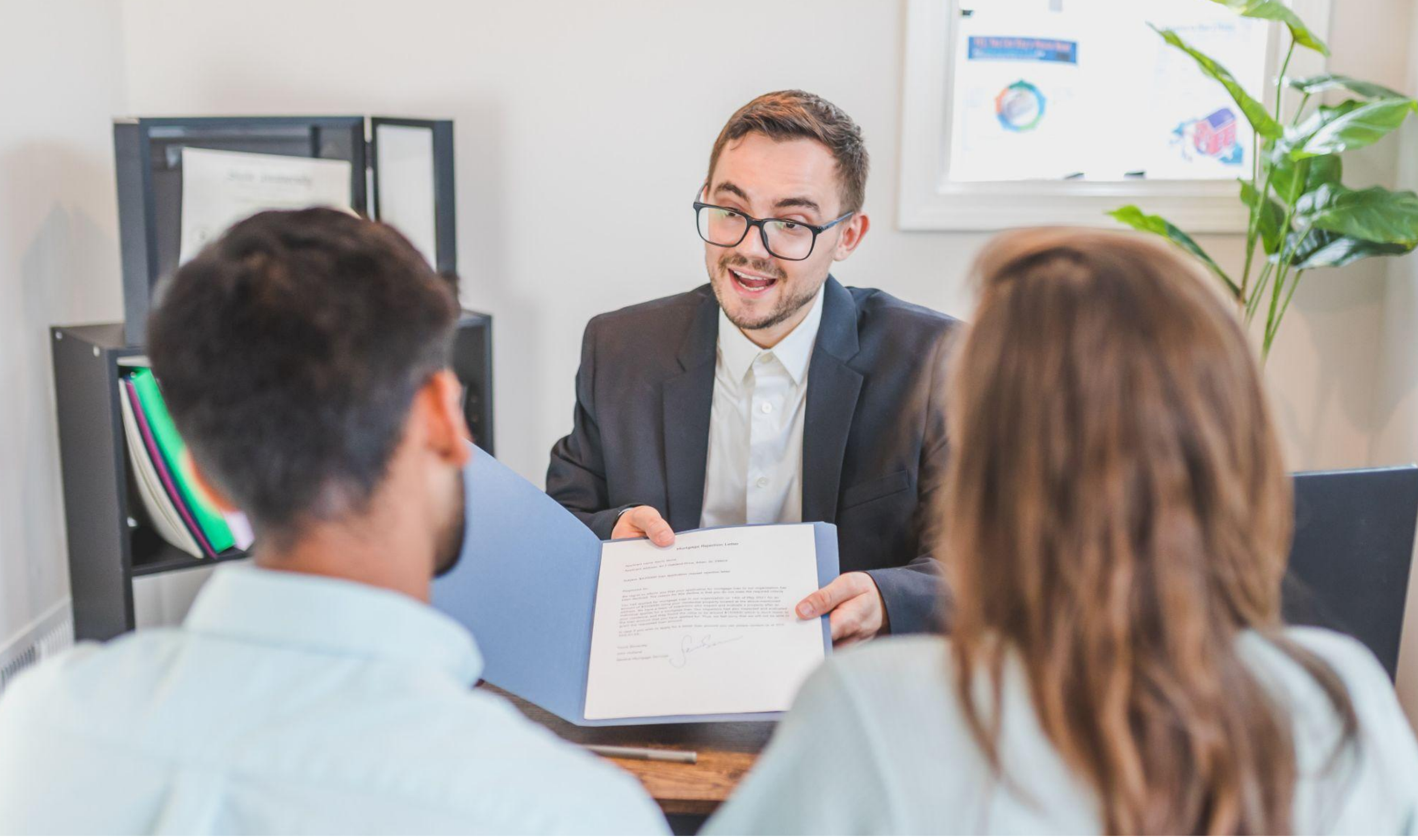
The NSW state government has announced it will give first home buyers the option to not pay stamp duty and instead pay an annual land tax as part of the 2022–23 NSW Budget. NSW Premier Dominic Perrottet said first home buyers who opt-in to the property tax will pay an annual property tax of $400, plus 0.3 per cent of the land value of the property, or, $1,500 plus 1.1 per cent of land value for investment properties.

The option of a land tax for the First Home Buyer Choice program is only available on properties worth up to $1.5 million. The changes are due to take effect from 16 January 2023 and the property will not be locked into the scheme if it is sold. First home buyers will still be eligible to apply for a full stamp duty exemption for properties up to $650,000 and concessions for properties between $650,000 and $800,000. However, they will not be eligible if they have received a First Home Buyer Grant or duty concessions.

Mr Perrottet said the changes are getting put in place to help affordability, with the program expected to assist up to 55,000 people per year. "We want to lower the barriers to owning a home for first home buyers seeking a place of their own," Mr Perrottet said. "In the past two decades, the share of first home buyers under 35 years of age has declined from 67 per cent to 61 per cent. Lifting home ownership is part of this Government's efforts and ambition to help families who are feeling the squeeze. The First Home Buyer Choice will remove one of the largest upfront costs to buying a home and help deliver a brighter future for first home buyers."

Legislation to establish the property tax will be introduced during the second half of 2022, with eligible first home buyers able to apply to opt-in to the property tax from 16 January 2023.





WHAT IS A MORTGAGE VALUATION?

A valuation for a mortgage is a formal report, completed by an accredited valuer to give a lender an idea of what a certain property's value might be. A valuation is a critical part of the home buying process, so it's vital that borrowers understand how it all fits in.

A formal valuation differs from an appraisal, which is just an indication of what a property is worth based on the opinion of someone such as a real estate agent. When a lender offers a home loan, it is normally conditional on an adequate valuation. A lender firstly wants to make sure that a purchaser is being given fair market value for a home. They also want to know how much the home buyer is going to need to borrow so they can establish a loan-to-value ratio for the borrower and the property.

From the perspective of a lender, the more a home buyer is required to borrow, the more risk they are taking on. When a borrower falls below the 20% deposit threshold, a lender will typically require borrowers to pay Lenders Mortgage Insurance (LMI), which is a one-off upfront premium taken out to protect the lender in the event the borrower is unable to manage their repayments.

For that reason, valuations are detailed assessments of a property's value that takes into account the location of the property, as well as the property's type, size and condition, any structural faults, any caveats or encumbrances on the property, and even local council zoning.

A valuation is also required should you look to refinance your current property and move to a new lender. In most instances, the valuation will likely be organised by your lender, however, there will be a fee which needs to be paid upfront. Valuations can work through an automated valuation model (AVM) or a full valuation. An AVM will likely use an algorithm to determine the value of the property based on property market data and the specific information relating to the features of your home.

A full valuation involves a valuer physically attending your property to do an in-house inspection. They will then combine their analysis from the inspection with comparable sales and market data to determine their decision. Sometimes a valuer will do a kerbside inspection, where they don't actually enter the property and only view it from the exterior. In some situations, if a valuation comes back lower than what you paid for a property, then you may be required to come up with a larger deposit or pay Lenders Mortgage Insurance (LMI).

5 THINGS TO CONSIDER BEFORE TAKING OUT A MORTGAGE

Over the years, investing in real estate has been incredibly successful for millions of Australians. However, for new borrowers, there are a number of factors that should be taken into account before getting started.

Here are five key considerations for first home buyers before taking out a mortgage.

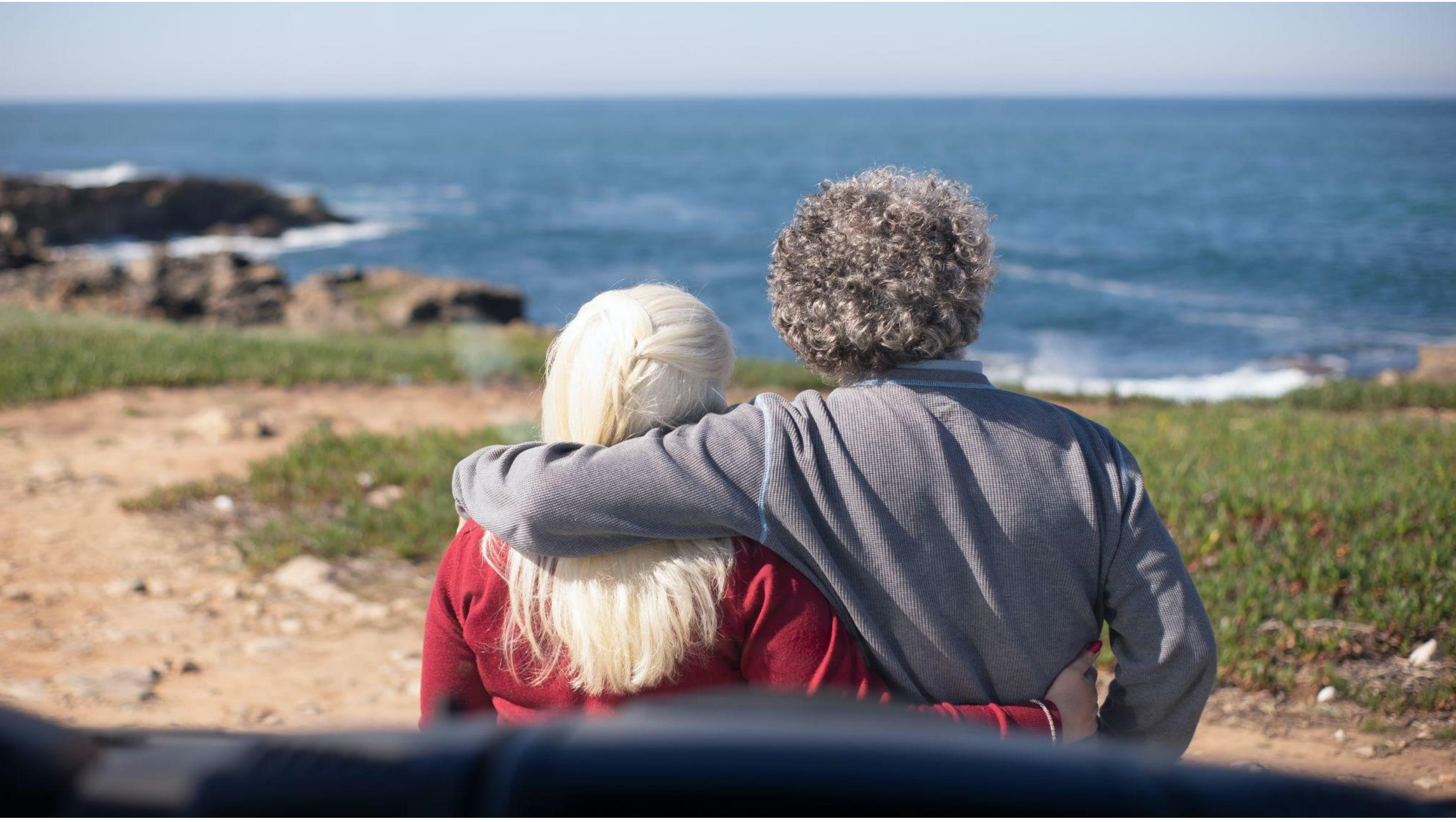
Find an affordable property – not a cheap loan
With interest rates starting to rise, it's more important than ever to ensure you can afford the financial commitment of paying off a home loan. While you should always look to compare interest rates on different loan products, it's more important to set your sights on buying a property that is affordable based on your own financial circumstances. You might not be able to afford your dream home right away, but your first investment can be a stepping stone to bigger things.

Learn to budget and save
Before you even start looking for a property, you need to make sure you've got your budgeting on track and you're saving for a deposit. There's no point buying a home if you quickly find out that the cost of owning the property is more than you can manage. By putting sound financial management in place before buying a home you can be confident in handling the repayments.

You don't need a 20% deposit
Contrary to what you might have heard, you actually don't need to have saved up a 20% deposit to purchase a property. There are a number of ways you can buy a home with far less than 20%, especially if you're a first home buyer. There are Government schemes and guarantor loans that can assist you. Alternatively, you could look at paying Lenders Mortgage Insurance (LMI) if you aren't a first home buyer.

Look at the loan features
While most people are focused on the interest rate they'll be paying on their home loan, it's equally important to consider all the other features on offer as well. These different features can potentially save you a significant sum of money. Things such as fixed vs variable rates have been very important recently, while an offset account normally has a big benefit to a mortgage holder.

Look at the total upfront cost of purchasing
A lot of attention for first home buyers is often dedicated to getting the right features in their homes and buying in the location that they want. However, it's just as important to look at all the upfront costs. While most homeowners would know about the impact of stamp duty, –first home buyers are typically exempt. It's the other costs that can easily mount up. These include things like inspection fees, transfer costs, conveyancing, application fees and insurance, plus additional expenses like rates, water and any strata costs.



HOW TO BUY A CARAVAN FOR THE FIRST TIME

Travelling around the country in a caravan is one of the ultimate goals for many Australians. Aussies love to get out on the open road and go wherever the path takes them. While heading off in a caravan is incredibly exciting, there are plenty of factors you need to take into account before making your first purchase.

What type of travelling will you be doing?
Different types of caravans handle different types of road conditions, and it's vital that you work out what you want to do before buying something. There are a few key questions you should ask yourself. What types of roads are you going to travel on? Are they likely to be highways and major roads, or are you looking go off-road where possible? You'll also need to determine how long you'll be gone for. Is it just for a long weekend getaway or will you be travelling around the country for a year? Your options will initially be a caravan, campervan or motorhome, but you'll also have to look at factors such as on-road single-axle or twin-axle heavy duty to get the right fit for your needs.

What size do you need?
Aside from the different types of caravans, there are also large differences in the sizes you can purchase. Many of the larger motorhomes and caravans come fitted with all the basic creature comforts. On the flip side, you can also get simple, no-frills campers that are best suited for just one or two people, with very few luxury additions. If you're going away for a long time, you might want a caravan with enough space for living, sleeping, and storage. You also need to remember that you have to be able to tow the caravan. Don't buy a caravan that is too big for your car's towing capacity, or you might find yourself needing to upgrade your car before you even get going.

Financing the purchase
Caravans can vary wildly in price, starting with simple models for around $40,000 all the way to over $100,000 for fully loaded models. Motorhomes can be even upward of that number and offer all the bells and whistles. It's possible to buy second-hand models for under $40,000.

The vast majority of people buying a caravan will be using finance, so it's important to speak to a broker and get a pre-approval in place before you start the search. A pre-approval will give you confidence that you can potentially get finance and give you an idea of what your budget will be.

While you can potentially get finance through a dealer, it's unlikely they have a wide range of lenders to choose from and you may not be getting the best product for your needs. There are a range of lenders that offer loans for caravans and your broker will be able to help you compare the best options. Once you have a pre-approval in place, you can start shopping around and try to match your budget with what you're wanting in a caravan.