

## REGULATION CHANGES AND THE ROYAL COMMISSION – THE LIKELY OUTCOMES!



**The question arises: what are the ramifications for the property market and for people seeking loans, as a result of recent changes to banking regulations and the Royal Commission?**

With respect to recent changes in regulations: the Australian Prudential Regulation Authority (APRA) removed the cap on investor credit growth on July 1 this year.

The cap was introduced in December 2014 to slow investor activity, primarily in Sydney and Melbourne.

APRA also required financial institutions to increase their capital resilience and improve the quality of their lending.

Unfortunately, limits on interest-only loans, introduced in March last year, remain in place.

### **Difficult to obtain:**

Interest-only loans will remain more difficult to obtain than before March last year, however standard loans for investors could be more readily available.

There is some speculation that the banks will be keen to increase their 'investor loan portfolios' and there could be some competition between

them. This may result in some attractive deals being offered.

As Melbourne and Sydney property markets are in the early days of a slow-down it's possible that more investment activity will come to WA.

### **Royal Commission**

The obvious outcome will be a greater level of discernment ('responsible lending') from financial institutions in assessing people's ability to meet their mortgage repayments. And as for Lo Doc loans they're likely to be a rarity, if at all.

### **Outcome:**

Low income earners in particular, may find loans more difficult to obtain. This could result in a subdued property market taking longer to recover because market activity often percolates from lower priced properties upwards.

And with respect to the rental market?

If loans become more difficult for low income people to obtain, we may see the rental market tightening throughout the country. In other words, the beneficiaries of all of this, could be property investors.

## welcome

**W**elcome to the third *all finance matters* for 2018.

This year will surely go down as being one of the most eventful – what with the Royal Commission into Banking, the Royal Wedding, The World Cup, the change of Prime Ministers – what next?

Well, one thing coming up next that is going to be interesting is the international follow up meeting to the Paris climate accords being held in Poland, in December. All the excuses should add more zest to what has been a memorable year. In the meantime, we have for you in this edition an analysis of the Royal Commission and regulatory changes, an article on what's important for new buyers to be made aware of before they enter the market, an analysis of the current property market and something that might surprise you – a form of art that has become popular.

We trust the year is being good to you and that you find this edition of interest.

AT THE TIME  
OF GOING TO  
PRINT, BEST  
VARIABLE RATE  
ON OUR  
PANEL:

**3.55%**  
PA  
VARIABLE RATE

**3.99%**  
PA  
\* COMPARISON  
RATE

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# PROPERTY MARKET UPDATE:



**A**s you're no doubt well aware Perth's property market has undergone major adjustments since the end of the mining construction boom.

The median price of Perth properties is down about 12.1% from where it was in 2014.

Rentals have also been depressed because of workers leaving WA in droves.

The decreases in values and rental levels have varied from area to area so it is dangerous to generalise, but there is some good news on the horizon.

## The rental market is on the mend.

As at September 2nd there were 7,584 properties for rent in Perth, 7% lower than 4 weeks earlier and 25% lower than the same time last year.

The rental market is definitely heading in the right direction though plenty of choice remains in some areas for prospective tenants to choose from.

That means rental levels are unlikely to rise for a while, but most real estate agents believe that if the trend continues for another six months we may be back to a stronger situation for rentals to start moving upwards.

As rentals tighten and prices firm, a point tends to be reached when a greater proportion of renters regard buying as no more expensive than renting, investors return to the market and confidence resumes.

When, is the 64 dollar question. Most pundits believe it will be another year or two before confidence gains momentum in WA but there are signs of things happening.

Jobs growth in WA over the last 12 months has been significant - an increase of roughly 50,000 with much of it coming from health care, construction, retail, education and other industry sectors.

## Another boom?

While most would prefer the WA economy to be less dependent upon the mining industry, it is interesting to note the news stories regarding the increased activity emerging in the resources industry.

Among the news of recent times is \$8.6 billion worth of mining construction work planned by BHP, FMG, Rio Tinto and Newmont.

Property market guru, Michael Yardney recently summed up the WA property market stating that he believes consumer confidence remains low in WA with buyers still waiting for signs that the market has hit "rock bottom." He believes it is likely to stabilise over the next six months but offers little interest for property investment.

Contrary to that of course, is the opportunity that the market represents for those who are able to draw on funds for upgrading to a more expensive home or location.

The Real Estate Institute of WA recently mentioned that upmarket localities where the median house price exceeds \$1million have been selling faster than the overall Perth metro region - surely an indication that some sectors are on the move again.



AT THE TIME  
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PRINT, BEST  
FIXED RATE ON  
OUR PANEL:

**3.58%**<sub>PA</sub>  
1 YEAR FIXED

**3.73%**<sub>PA</sub>  
\* COMPARISON  
RATE

## USE OF FINANCE BROKERS GAINING GROUND

**T**he latest market share data sourced by the Mortgage & Finance Association of Australia (MFAA) reveals a continued - and growing consumer confidence in mortgage brokers.

Australian brokers settled \$46.1 billion in residential home loans in the quarter to March 2018.

This was the largest amount for a March quarter since data collection commenced in 2012.

MFAA CEO, Mike Felton said the data demonstrates that consumers are continuing to prefer brokers when seeking a home loan.

"At a time when confidence in the entire financial sector is in question, customers are flocking to mortgage brokers, which in my view is a clear reflection of the positive customer outcomes being produced," Mr Felton said.

He said a true measure of customer satisfaction was the fact that data collected showed that for more than five years, broker clients have continued to refer brokers to other consumers.

Research group 'comparator' (a CoreLogic business) compiles quarterly broker statistics from ABS Housing Finance commitments.

## Debt reduction the priority

**A**ustralians have become strongly focused on paying down their debt which is resulting in household savings being at a decade low.

The CBA said in its August report that low wage growth and high household debt presented a risk to the economy in respect to outlook for consumption.

In the past, homeowners were happy to reduce savings to fund spending but the priority now is definitely debt reduction.

It said the scenario was a positive one for financial stability but a negative factor for consumer activity.

## ITEMS TO BE AWARE OF – WHEN BUYING A PROPERTY

**S**easoned purchasers are of course aware of all the factors involved in buying a property – but for the newcomer it can be confusing because there is far more to it than just raising the finance.

We always aim to make first home buyers fully conversant with these points – but if you have a member of your family – or a friend who is about to buy for the first time, it would be well worth passing this article to them.

### **Additional costs in purchasing:**

When buying a property there is more to spend than just the purchase price, as there is stamp duty, conveyancing and legal fees, pest and building inspection fees, mortgage registration and transfer fee, a loan application or establishment fee, Lenders Mortgage Insurance plus council and water rates and home insurance.

### **Lenders Mortgage Insurance:**

LMI, as it is known, is required when a borrower's loan to valuation ratio (LVR) is high, meaning they have less than 20% of the purchase price for a deposit.

The insurance is to cover any difference between what the financier was able to sell the property for and the balance on the loan in the event of the borrower defaulting.

Though LMI offers no tangible benefit to the borrower, it nevertheless gives a purchaser the opportunity of entering the property market with a low deposit.

### **Settlement**

The process of Settlement not only includes the transfer of money from buyer to seller but involves conveyancing - the process of transferring ownership of the property. This involves transfer of title deeds.

In Western Australia a licenced conveyancer generally handles the process, while in some other states it is handled by legal firms with a conveyancing department.

The process of Settlement includes a Pre-Settlement (final inspection) of the property and signing of transfer documents. The process usually takes at least a month but can take longer.

### **Purchasing via Auction or Private Treaty**

If a decision is made to purchase a property via auction, it pays to have a full understanding of the process. Access to

the deposit – usually 10%, is essential as it generally has to be paid at the fall of the hammer.

Purchasing via private treaty – ie placing an offer with a Real Estate Agent after a 'home open' or private inspection is generally regarded as a less pressured means of buying, and a full explanation of the process and paper work can be given by the agent.

### **The role of a Finance Broker:**

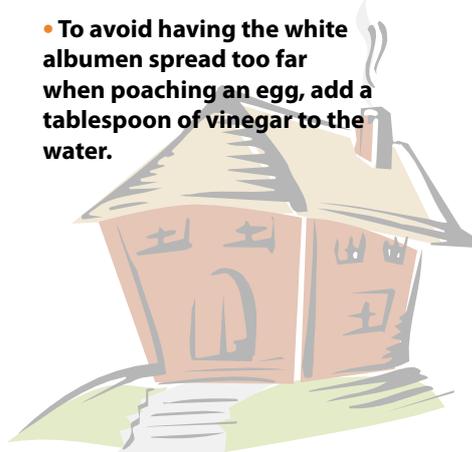
A Finance Broker identifies the most appropriate financial institution and financial package for the circumstances of the purchaser, prepares the submission for finance and negotiates the loan on the borrower's behalf.

IMFS can also advise first home buyers of assistance available to them, and if parental help is involved in the purchase, give advice as to how it can be best arranged.

We also recommend the most appropriate means of arranging the mortgage. For instance, advising on how to set up an offset account which involves linking a savings or transaction account to the home loan account for 'offsetting' the home loan balance, thereby helping to reduce interest charged.

## Handy home hints?

- **The best place for your home Wi-fi router to give the best signal is in a central location on a high shelf or table.**
- **If you have trouble finding your light switches in the dark, the solution is to put a dab of glow-in-the-dark paint just at the tip of the switch.**
- **If you have a really tight jar lid – you might be able to handle it by putting on a pair of dry rubber gloves. Hold the container in one hand and twist the stubborn lid with the other hand. The rubber gloves give more gripping power.**
- **To avoid having the white albumen spread too far when poaching an egg, add a tablespoon of vinegar to the water.**



## 5.3%

AUSTRALIA'S  
CURRENT  
UNEMPLOYMENT  
– THE LOWEST  
SINCE 2012

## FAMILY VIOLENCE VICTIMS TARGETED IN THIS YEAR'S 'OLYMPICS'



**T**he IMFS 'Charity Olympics' event has concluded for another year.

This year's event, held Friday September 7, had as its targeted charity the Women's Council for Domestic and Family Violence Services. Our 'Olympics', an event we hold for Team IMFS to give back to the community, resulted in 42 emergency care packs being assembled and donated.

The team donated the items for the packs that comprise a range of products for the kitchen and laundry, plus children's back-to-school items so that the victims of violence who face the task of having to start a new life have something to help their new beginning.

# Here comes spring – and those darned weeds...

**O**ne of the things that spring heralds is the vigorous growth of weeds so a -weeding, most keen gardeners will go.

But before you get stuck into them with your hoe or weed spray, here's something to think about.

Grass weeds have a mass of fine roots giving them the ability to be extremely competitive for water and soil nutrients – thereby dominating the more genteel plants we want in our gardens.

This mass of fine roots also gives grass the ability to have a strong beneficial effect on soil structure and its workability.

Lots of sugars and stuff come out of those roots, to feed soil organisms. As the lower leaves and some of the roots die, they break down, and the fine netted structure and organic compounds help to 'glue' soil particles together into little crumbs, or peds, that allow water and air to penetrate down into the soil.

This in turn fosters microbial action . . . and so it goes, around and around.

Some gardening gurus now recommend putting a section of garden down to grass for a few years in rotation, in part because of the restorative effect weeds can have on soil structure.

In a small garden this might not be practical - but it may be a useful idea for a larger garden, particularly if the soil is sandy.

When you have a healthy cover crop, deliberately planted or arising out of neglect, the way to clear it without undoing some of the good soil healing work that the weeds have done is to chop up the leafy parts, then lightly dig them in, and as for the roots, they can be turned over or chopped up also.

The chopped weeds will rot down and be eaten by the soil life within a season.

**41,202**

ADULTS IN PRISON IN AUSTRALIA

APPROX 216 PER 100,000 OF THE ADULT POPULATION

## HAVE YOU HAD A HOME BURGLARY?

**I**t is not just interesting to note but the fact is downright depressing, home burglary rates in Western Australia are continuing to rise.

According to RAC Security, the worst month in the year for home break-ins for the purpose of burglary is August.

However, if you have escaped without having a burglary so far, you cannot rest easy as school holiday periods are also particularly bad.

Furthermore, the level of burglary activity from October to January is also increasing while the day for most break-ins is Saturday.

The day for the least number of break-ins is Sunday and the month when the burglars are at their least active is recorded as being February.

It is important to note that many insurance claims can be deemed as void if a home is not properly locked when left unoccupied.

While not compulsory for insurance purposes, a 24 hour home monitoring system is ideal for an extra level of security for when you're away from your home and when asleep.



\* The comparison rate quoted in this publication is based on a secured loan of \$150,000 over a term of 25 years. This comparison rate is only true in this example given, and may not include all fees and charges. Different terms, fees or other loan amounts may result in a different comparison rate.

## HAVE YOU MET THE IMFS TEAM?



Helen Lenyszyn  
Director



Janine Carpenter  
Director



Lisa Corlett  
General Manager



Charlotte Rubbo  
Finance Consultant



Cheryl Kopec  
Finance Consultant



Clinton Bishop  
Finance Consultant



David Collins  
Finance Consultant



Graeme Chalmers  
Finance Consultant



Jeffrey Delbridge  
Finance Consultant



Monica Chan  
Finance Consultant



Tanya Stapleton  
Finance Consultant



Tim Bowler  
Finance Consultant



Mia Pernechele  
Administration Manager



Melanie Miratana  
Personal Assistant



Michelle Hugill  
Personal Assistant



Rachel Booth  
Personal Assistant



Renee Wilson  
Receptionist



Sharon Lowry  
Personal Assistant



Tarah Beckingham  
Administration Assistant

**In Mortgage & Finance Services**

t: +61 8 9228 1000

f: +61 8 9228 1555

e: info@imfs.com.au

w: imfs.com.au

a: Suite 6, 9 Cleaver Street,  
West Perth WA 6005

p: PO Box 207, Leederville WA 6903



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