Allpoints Finance

every loan everywhere

July / August 2014

Selecting the best loan for your needs

Borrowers experience many emotions when buying a home. Most of them are positive but one of the most common emotions is also fear. Fear of selecting the wrong home loan type is a common concern for most. So how do you know which type of loan is best for you?

We've tried to take some pressure off your shoulders by laying out some pros and cons for all loan types to help with your decision.

Fixed Mortgage

Pros – Fixing your interest rate guarantees that your repayments will remain the same for a set period of time (usually from one to 10 years) and gives you protection against rate rises. The upside is that it will allow you to budget more accurately as your regular repayments will remain the same, instead of fluctuating with rate rises and declines.

Cons – If interest rates decline, you will miss out on the savings because your rate will not change. Fixed rates are also usually higher than variable rates because you are paying for the security that your rate won't move for the set period of time.

Variable Mortgage

Pros – Variable rates generally follow the Reserve Bank of Australia's official cash rate. If the cash rate falls, your variable rate is likely to decrease and so will your repayments. Variable interest rates are also generally lower than fixed rates.

Cons - If interest rates rise, so will your repayments. Variable rate loans are harder to budget for as your repayments may differ from month to month depending on whether your lender increases or decreases your rate.

Low Doc

Pros – Do you own a business or have you just started a new job? A low documentation (low doc) home loan is designed for people who can't provide the usual paperwork required when applying for a loan. Usually you don't have to provide pay slips and tax returns however you must state your income and you must be able to prove that you can meet the repayments.

Cons – Usually with this type of loan the interest rate is higher than regular home loans. You may also be charged additional fees such as 'risk fees'. Low doc loans are considered a higher risk loan for lenders so they may ask you to provide other assets, such as your car, for security against the loan.

Introductory Rate

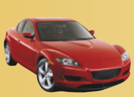
Pros – This type of loan offers a lower interest rate for a specific amount of time, usually the first year. Targeted at first home buyers who are inexperienced in paying off a mortgage, intro loans can be used as a great way to ease them into the home loan market. Depending on the lender, you can usually choose between a fixed or variable interest rate at a reduced rate for a certain period.

Cons – After the introductory period ends, the interest rate reverts to a higher interest rate, which may not be the best deal on the market. You could therefore end up paying a lot more in interest over the entire loan term than if you chose a cheaper deal to begin with.

Call us anytime if you are still unsure about the best type of loan to suit your needs. We are here to assist you.

HOME LOANS

COMMERCIAL



LEASING

PLANT AND EQUIPMENT

INCOME PROTECTION

RISK PROTECTION

INSURANCE

ACCOUNTANTS

FINANCIAL PLANNING

SELLING PROPERTY IN WINTER: Not such a cold thing to do

Many punters wax lyrical about the Spring property market as the only season in which to sell. Whilst the hype of the Spring selling market is infectious and garners much media attention, the reality is that the most popular time of year to sell doesn't equate to being the best time to achieve a premium price. Why? Because achieving a great sales price relies on fierce competition.

When the market is flooded with properties in Spring, the buyers are spoiled for choice. They don't need to go above and beyond to secure a home. If they miss out on yours, there's another to buy around the corner. In the cooler months, you have less competition as a vendor - there are fewer homes on the market, and purchasers are motivated by having fewer homes to consider. Selling in Winter won't leave you out in the cold, that's for sure!

Are you considering selling your home in the chilly months to come? Get in contact with a reputable local agent to discover the value of your property under current market conditions. Remember – demand and supply change season-on-season, so the value of your home may have changed since last appraised.

Using low interest rates to reduce your mortgage

While hazy economic conditions are nothing to rejoice about, low interest rates are good news for everyone with a mortgage. That's because low interest rates provide the perfect opportunity for home owners to get ahead on their home loans by making additional payments towards their mortgages. When rates are low, your repayments are also lower – and therefore more affordable – which means you have more money left over than when interest rates are high.

A great thing you can do with that extra money is put it straight back in your mortgage.

Why should you pay extra?

Paying more than the minimum will help you pay off your mortgage faster because the extra repayments are going towards the principal of the loan rather than the interest.

Not only will you pay off your mortgage sooner, you will also pay less over the life of your loan because you will reduce the interest charges.

For example, if you owe $500,000 on your mortgage and begin paying an extra $250 a month five years into a 30-year mortgage, you will save $65,637.79 in interest and shave three years and 10 months off the life of your loan.

Making extra repayments is even more important in the first five to eight years of your mortgage, according to the Australian Securities & Investments Commission (ASIC). As ASIC states on its Money Smart website, most of your payments in those first few years go towards paying off the interest, therefore any additional repayments can make a huge difference in shortening the life of your loan.

Are there any penalties?

If your home loan has a fixed interest rate, you may not be able to make any extra repayments without having to pay fees while other fixed rate mortgages will have a limit on the amount you can pay in extra repayments.

It's a good idea to do your homework before you fix your interest rate, but if you have already, it may be best to contact us so find out if you can make extra repayments without penalty.

RBA UPDATE

JULY 2014

The Australian dollar has surged past its highest level in 2014 on the back of the Reserve Bank of Australia's (RBA) decision to keep the official interest rate on hold at 2.5 per cent. The cash rate has now been held at the same level for the longest time since 2006, the RBA has maintained a 2.5 per cent rate at ten consecutive RBA board meetings.

We're here to assist you with:

- Home Loans
- Commercial Loans
- Leasing
- Plant & Equipment
- Marine Finance
- Risk Insurance
- Life Insurance
- Accounting
- Financial Planning
- Income Protection
- Wealth
- Debt Relief
- Investments

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Some of our lenders include

AMP, ANZ, ING, Suncorp Bank, Australian First Mortgage, bankwest, Westpac, Liberty Financial, Bank of Melbourne, citibank, homeside, Adelaide Bank, nab, Homeloans Ltd, Commonwealth Bank