



## NEGOTIATOR eNEWS

October 2008

[www.negotiator.com.au](http://www.negotiator.com.au)

### **No-one can make you inferior without your consent – Unknown**

Welcome to the October issue of Negotiator eNews – the free newsletter with Tips, Strategies, Articles and News related to Wealth Creation.

#### **Interest Rate News**

A lot has taken place over these last few weeks - American banks falling over, stock market roller coaster rides all over the world and doom and gloom every time we open a newspaper or listen to the news. I think we need to put what is happening in the world economies into perspective. The Reserve Bank have met this month and decided to reduce interest rates by a full 1%. Lenders will decide how much of this reduction they will pass on but competition is a great leveller between the lenders and even if they don't immediately pass all of it on, we will see some reduction and when things stabilize a little we could see more.

Housing prices in Perth have declined by 3.14 per cent in the June quarter and risen by just 2.9 per cent over the last financial year. Prices have declined following phenomenal growth which has seen Perth experience an average gain of 13.8 per cent over the last 10 years. However, the Western Australian economy continues to surge ahead and this should ensure that the housing market remains relatively stable. The rental demand for residential properties remains strong.

The market is poised to take off again on the back of cuts to interest rates and stamp duty. Now is an ideal time for investors to accumulate more properties in the market. Just remember, during panic is where wealth exchanges hands and you can set yourself up to reap the rewards when the market takes off in the near future. I always position myself for success in the future so I buy property and hold on for the long term.

#### **Feature Article**

##### **How The Banks See You**

The bank's ideal client has a stable income with a solid work history and sufficient savings or property assets to use as security for future property purchases. Banks look at all the following points – knowing this beforehand will help you understand what is required of you when taking out a loan.

Credit History – Assessors look at your Credit File for past history. They examine loan, credit card and other bills for defaults and late payments. Loans have been declined even for one default. I have mentioned this before in earlier newsletters but I would recommend everyone to do a credit file check especially if thinking of refinancing or taking up a new loan. You can download your own free credit file at [www.mycreditfile.com.au](http://www.mycreditfile.com.au) A default can stay on your credit file history for up to 5 years so the lesson from this, is to pay your bills on time and keep your credit history clear.

Employment and Residence – Banks require a stable employment and residence history. Most banks need you to be in a full-time job for at least 6 months and a part-time job for at least 12 months and in the same residence for at least 6 months.

Assets – Banks like to see applicants with existing assets especially appreciating assets like property.

Debt – Restrict your personal debt such as personal loans, car loans, and credit cards.

LVR – Mortgage insurers usually insure any loans exceeding 80% of the value of the security.

Business Owners – If you are a business owner, the lender will be looking for you to have at least 2 years successful operation for conventional finance.

Income – Every bank has their own borrowing capacity calculator to test your capacity to repay a loan.

Credit Card Limits – Many people don't realise the impact their credit card limits have on borrowing capacity even if they don't use the whole limit so it's best to have a credit card limit that is reasonable.

Commitments – All financial commitments will be considered in assessing serviceability such as loan repayments on other mortgages, personal loans, child support, HECS fees etc. The more commitments you have, the less you can borrow.

Locality of Securities – Not all properties are acceptable securities. There will be restrictions on some areas in Australia particularly rural but I can check all areas with different banks.

Asset Type – The type of property is always considered by the lender. Most banks do not like studio, serviced apartments and apartments under 50 sqm.

Condition of Property – If the property is in poor condition, this will be reflected in the Valuation price.

## Ask The Negotiator

Email [gregg@negotiator.com.au](mailto:gregg@negotiator.com.au) if you have any topics you would like to see covered in future newsletters.

## Helpful Product/Tips

### Renovator's Guide

Renovating your home is an exciting process, but it can be daunting too. There's so much to consider that it's sometimes hard to know where to start. Whether you're planning a major renovation or just upgrading your bathroom, this guide will help you get the most out of the process. You'll find helpful hints and checklists on budgeting, design, product and building material selection as well as advice on creating a renovation that meets all your needs and provides the best value for money.

[www.yourhome.gov.au](http://www.yourhome.gov.au)

### Pre-Approval

Finding your dream home and having your heart set on purchasing it before getting a loan pre-approved could set you up for disappointment. If you know your limit before you start looking, you will have an idea of your borrowing capacity and can find your dream home in the allocated amount, saving you heartache in the end. Another good tip, is to get a valuation done in advance if you're serious about purchasing your home to make sure you pay market value. If you need any help with this, you can give me a call on 0411 233 293.

### The Right Loan

The wrong loan could hinder your property investment plans. While the interest rate of your loan is important, it is not the sole factor and there are other important loan features to consider. As a mortgage professional, I know what to look for in a loan. There are many types of loans and I can recommend the most suitable loan for each individual circumstance that works well for you now and in the future.

## Joke Of The Month

### According to the Lease

A woman called a pet store and said, "Send me 450 cockroaches immediately."

"Lady, why in the world would you want 450 cockroaches?" asked the flabbergasted clerk.

"Well," she explained, "I'm moving out today and according to my lease, I must leave the premises exactly as I found them."

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