

How Useful are Mortgage Calculators?

Mortgage calculators can help you crunch the numbers on a home loan as a first step toward planning to buy a property. Use them as a starting point and a handy way to get some good estimates before you seek more detailed, personalised advice from your mortgage broker.

The function of a mortgage calculator is to provide quick, convenient figures. By entering some key financial information, you can get answers to any number of home loan related enquiries, from calculating your borrowing power and repayments, to loan comparisons and budget planning.

For example, to find out what your repayments would be on a certain loan size, you need only plug in your loan amount, interest rate, repayment frequency and loan term.

For a \$600,000 mortgage at an interest rate of 3.7%, paid monthly and over a period of 25 years, repayments would be \$3,078 per month and the total loan repayment over 25 years would be \$923,545. *Source: Money Smart Calculator*

These repayment figures are handy, but keep in mind that they are a guide only. The above calculation doesn't take into account that interest rates may not stay the same over the life of the loan, or that you might change your repayment frequency over time.

Not all calculators factor in the fees and costs associated with taking out a loan, such as establishment fees, stamp duty, lenders mortgage insurance, council and utility rates. Your spending habits also impact your ability to meet repayments so look at how much of your household budget you allocate to things like child care, eating-out or groceries.

Lenders are now placing a greater focus on your capacity to repay a loan in the context of your current financial commitments. When looking at the figures given to you by a mortgage calculator, it's essential to plan for the fact that your repayments aren't the only monthly cost you'll incur while repaying your loan.

As your mortgage broker, we can provide clarity for your specific situation. Whether you're buying your first home, upsizing, investing or considering your repayment ability, think of us as your personal calculator!



\$726,100
Lot 36 Vale on Virginia Estate,
Hamlyn Terrace NSW

House Type Cedar 244 Hive

	Unit 1	Unit 2	
Living Area	124.61m ²	59.76m ²	
Garage Area	23.02m ²	20.02m ²	
Alfresco Area	10.32m ²	4.38m ²	
Porch Area	2.32m ²		
Total Unit Areas	160.27m ²	84.16m ²	
Land Area	450m ²		
Land Conditions:		Land Price:	
\$1,000 at EOI		\$310,000	
10% at Exchange			
House Conditions:		House Price:	
5% on Finance Approval		\$416,100	
Optional House Upgrades			
2550 Ceilings	\$2900	Gas Cooktop	\$500
Ducted AC	\$7275 (U1 only)	Tiles to Alfresco	\$995
900 Appliances	\$1700 (U1 only)		



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Imagining a time before Mortgage Calculators is a bit like imaging life before Google. Mortgage calculators are an accessible and convenient tool for answering common financial questions, but how much should you rely on them? Find the answer in our post "How Useful Are Mortgage Calculators".

We look at the hidden dangers and delights of buying a money pit property. It might seem like a good idea to buy a dilapidated home and do it up, but do you know what you're getting yourself in for?

As for getting home loan approval, learn about what to expect and how to speed up the process.

Please share this newsletter with a friend, and remember, we're only an email or phone call away if you need our help.



HOME LOAN HACK #4



HOME LOAN APPROVAL:
THE HOW TO
AND HOW LONG



THE HIDDEN DANGERS
AND DELIGHTS OF
BUYING A MONEY PIT
PROPERTY



HOW USEFUL ARE
MORTGAGE CALCULATORS?

Home Loan Hack #4

Pay down your home loan faster by rounding up your repayments to the nearest \$10 or \$100. Chances are you won't even notice the difference to your hip pocket, yet rounding-up can deliver noticeable savings over the lifetime of the loan.

Check out this hypothetical example. You've got a \$350,000 home loan, and your monthly repayment is \$1,668.94. Round your payment up by \$32 to make an even \$1700 a month. It's a small increase, but the benefit is anything but small – you'll save \$9,409.76 in interest over the life of the loan and shave one year off the term.

Of course, these savings vary according to the loan term, the size of the loan, the interest rate and how much you round up by.

Using the above example, if you decide you can afford to round up to the nearest \$1000, the savings would be even higher. Your repayment each month would be a neat \$2,000, which means tightening up your household budget by \$331 each month (approx. \$83 a week). Looking at the life of the loan, you'd be \$70,026 better off, and your repayments would end seven years and nine months earlier.

Rounding up won't work well if your home loan repayments are only a few dollars away from being an even figure, such as \$1,998. In which case, you'd be better off making extra scheduled repayments according to how much loose change each month you think you could do without. Give us a call to check whether your loan allows for rounding up or extra repayments.



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TO OWN AN INVESTMENT PROPERTY

Are you guided by the wrong information?

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Quakers Hill, Oran Park Catherine Fields, From \$512,000
Hunter Valley area and Newcastle From \$310,000
Qld and Victoria From \$299,000

TALK TO US ABOUT YOUR INVESTMENT STRATEGY

Or if you Are you a First Home Buyer and want to buy in Sydney

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We're a member of the Mortgage & Finance Association of Australia (MFAA), the peak industry body. As a member, we adhere to the industry Code of Practice which requires high standards, fair business practices, ethical behavior and compliance with the letter and spirit of relevant laws and regulations.

Home Loan Approval: The How to and How Long



You've decided to buy a new home, and it's time to line up your finances so you can go ahead and purchase your new property, but how long will it take to secure home loan approval and is it a complicated process?

Putting together a formal loan application is the first step. Home loans are issued in two stages, pre-approval and formal approval.

When a financial institution has agreed in principle to loan you a specific amount with which to purchase your home you become pre-approved for that home loan. The amount you're approved to borrow will determine what type of property you can afford. The application process is rigorous even at this stage because should you be granted pre-approval you're one step closer to formal loan approval. This last step usually occurs after your offer on a property is accepted, and you're securing the mortgage against the property purchase.

How to speed up the home loan approval process

The good news is that by meeting with us, we can assess your financial position

and determine which lender would be right for you. By directing your application to the most appropriate lender, we remove the back and forth communication that often occurs in the application process between financial institutions and borrowers. Also, if you can provide accurate and up-to-date financial information when we meet, you'll get the loan pre-approval process started sooner.

As the applicant, you may be required to provide the following documentation:

- acceptable forms of ID
- payslips for the previous two pay periods or a Group Certificate
- statements of your bank accounts showing income and expenditure for the last three months
- statements of existing debt such as existing mortgage, personal loans or credit cards.

With this information, we complete your application. Once it's lodged, the time frame for pre-approval on your home loan is between 3-7 days, although this can be

influenced by factors including:

- if you're borrowing less than 80% of the property value
- if you need mortgage insurance
- whether you're purchasing the property through a family trust, business or in partnership with another applicant.

Once your offer on a property is accepted, we'll quickly start the process of obtaining formal approval on your loan. Approval is subject to confirming that your financial circumstances haven't changed since securing pre-approval and requires the banks to seek a formal valuation on the property you intend to purchase. Issuing your mortgage will then form part of the settlement period for purchase, which is usually between four to six weeks.



The Hidden Dangers and Delights of Buying a Money Pit Property

Why would you buy a dilapidated property in need of renovation? The old saying 'buy the worst house in the best street' is an attractive option for many home buyers.

Seen as an entry point to the best suburbs or a way to maximise profit on an investment, it's tempting to take the leap and buy a 'renovators dream'.

But before you don a hard hat and take a sledgehammer to that internal wall, we'll step you through the risks and rewards that buying a fixer-upper can deliver.

If you're purchasing to renovate and sell, you need to consider the costs carefully. If the property's price seems too good to be true, there's always a reason, and you should do closer research to find out what that is.

Engage building and pest inspectors to do a thorough pre-purchase inspection which will form the basis of the to-do list of work you'll need to carry out to make the property sound.

You'll need to cover the 'hidden' costs of doing up the property before you even consider paint colours and polishing old floorboards. The property might need new piers; walls may be made of asbestos; termites may have affected timber frames, plumbing may need replacing, the whole house may need re-wiring to make it safe, and roofs and guttering may need to be repaired to ensure it's watertight.

Consider hiring a builder to give you an estimate on the cost of renovations before you take the plunge.

If a property has a heritage listing, this may limit you to a particular design or style which could prove costly if you can't access more affordable and current building methods and materials to transform the home.

While it's a challenge, living in a sensational suburb or restoring a beautiful heritage home can be the reward for persevering and thinking outside the square to create a delightful home out of a discarded dump.



FINANCE
FACTS

Financing your Renovator's Dream

Before making an offer on a dilapidated dump, you need to confirm lenders are willing to issue a loan for the property. While it may seem a dream purchase for you because you have a vision of the beautiful home it could be, lenders may not share your vision! If it has structural issues or is uninhabitable, it can make the property more challenging for the lending institution to sell in the event you foreclose on your mortgage.

Financial institutions want to extend loans on properties that will sell easily and at a similar value to their purchase price. One of the safeguards financiers put in place is to issue a construction loan, similar to when you're building a new property, which will have progress payments throughout the process of renovating the property.

Talk to us, and we'll explain the details and assist you in applying for this particular loan type.