

# If You Have a HECs Debt, Your Lender Will Want to Know About It

You might think your higher education loan (HECS-HELP) repayments are only peanuts in the picture of your weekly expenses, but your HECS-HELP debt is a liability like any other.

When you apply for a home loan, you'll be asked to provide information about your income, expenses and liabilities. Your lender uses this and other information, such as your loan amount, size of the deposit, other commitments and credit rating, to calculate your loan serviceability. HECS-HELP debt information is considered part of this equation because your lender wants to know the strength of your financial position.

No matter whether you're currently paying off your HECS-HELP debt, they're interested in what level of surplus income you have now and in the future to service home loan repayments. If you have a negative surplus, your borrowing capacity could be restricted, depending on the individual calculations of your lender.

#### Expect changes mid-year

Your HECS-HELP loan doesn't currently need to be paid back until your annual

taxable income is \$51,309 or higher, but this is set to change. From July 1 this year you'll have to start paying back your HECS-HELP loan when your earnings reach \$45,881 a year (source). At this threshold salary, you'll be paying back anywhere from 1%, all the way to 10% if you earn \$134,573 and above.

This debt has to be paid back as soon as you hit this income threshold, even if you've moved overseas or are still furthering your education with more study. You won't pay interest on your loan, but it's indexed each year to reflect changes to the Consumer Price Index (CPI).

#### Your broker can help

If you have a HECS-HELP debt and you're looking to maximise your borrowing capacity, we can put you in front of lenders who are more likely to approve your application. Different lenders use different criteria to assess debt, placing varying importance on factors like your income and the size of your debt. We know what different lenders look for and we're expertly positioned to negotiate a competitive rate on your behalf.



## BORROWERS NOT CONFORMING TO TRADITIONAL LENDING REQUIREMENTS

**SELF EMPLOYED?  
NO UP TO DATE FINANCIALS?  
TAX DEBTS?... NO PROBLEM!\***

**Discharged Bankrupts, Part IX,  
Contractors, Late payments,  
Defaults.**

**WE SPECIALISE IN  
OUTSIDE THE BOX SITUATIONS FOR:**

**Home loans, Investment Loans  
Consolidate Debt, Unsecured  
Business LOC, Developments  
Commercial Refinances and  
Purchases, Vehicle and Equipment  
leases, 2nd Mortgages,  
Cash flow for SME's, Import  
trade finance, Export Finance,  
Construction Invoices, New ABN's\***

**Ask Financewerx - We look outside  
the box for options and solutions.**

**There are No Obstacles  
Only Solutions**

\*subject to lenders' criteria



**AUTUMN 2019 | NEWSLETTER**



**FAST HOME LOAN  
APPROVAL TIP #3:  
SAVE FOR A LARGE DEPOSIT**



**BUY AND SELL PROPERTY  
ON THE SAME DAY:  
IS IT A GOOD IDEA?**



**HOW TO CHOOSE  
BETWEEN AUCTION OR  
PRIVATE TREATY**



**IF YOU HAVE A HECS DEBT,  
YOUR LENDER WILL WANT  
TO KNOW ABOUT IT**

If you're selling a property, we have a couple of articles in this newsletter which will help. Read how you can choose between an auction or private treaty, and whether buying and selling on the same day is a good idea.

We continue our series of tips on gaining fast home approval. This time we look at how a large deposit can make your application attractive to a lender.

Whether you've started to pay off your student loan or not, you'll be interested in our post "You Have a HECs Debt, Your Lender Will Want to Know About It".

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

## Fast Home Loan Approval Tip #3 Save for a Large Deposit

Want to know how to make your home loan application attractive to a lender? One option is to show evidence you have a large deposit saved.

The less you borrow from a lender, the less risk you represent. If the lender feels confident you have an excellent savings ability and can comfortably service your loan, you may be offered a better interest rate. Under a tiered system, the rates lower as the deposit size increases. Your improved borrowing power may also qualify you for loans with extra features.

While the amount you need for a home loan deposit varies from lender to lender,

in most cases you will need at least 20% to avoid lenders mortgage insurance (LMI). LMI covers the lender's risk in case you default on your repayments, and it usually amounts to thousands of dollars (the exact cost is lender-specific). This expense is commonly added to the loan amount, increasing your monthly repayments.

Reduced repayments are a significant perk of a larger deposit. The more you save upfront, the less interest you pay over the life of the loan. If you can save up a 30% deposit, for example, that's 30% of the purchase price knocked off upfront, enabling you to make more affordable repayments.



If you don't yet have your dream deposit saved, don't give up. There are still plenty of ways to get into the home loan market and even options for avoiding LMI. Give us a call for expert advice honed from years of experience working with lenders.



**Financewerx**  
P O Box 7150  
Baulkham Hills BC  
2153

### 2 RENTAL INCOMES CALL US TODAY!

**INVEST?... TALK TO US ABOUT HOW LITTLE IT CAN COST  
TO OWN AN INVESTMENT PROPERTY**

Are you guided by the wrong information?

We have Great New Properties in; Northwest Sydney, Penrith,  
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**

DISCLAIMER: This newsletter is intended to provide general news and information only. Readers should rely on their own enquiries before making any decisions touching their own interests. Please do not rely on any part of this newsletter as a substitute for specific legal or financial advice.

t	02 8603 5503
f	02 8883 4290
m	0425 370 438
e	rosa@financewerx.com.au
w	www.financewerx.com.au



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.

# Buy and Sell Property on The Same Day: Is it a Good idea?

When considering how best to tackle the sale of your home and the purchase of a new one, is simultaneous settlement a goer? Arranging for the settlement of your old home and your new one to happen simultaneously is an ideal scenario, but your chances of success may be limited.

With a simultaneous settlement, two settlements are coordinated on the same day. Multiple people will be involved in this transaction, including lenders and legal representatives for both parties. For the matter to be considered 'settled', all documents and cheques must be checked to ensure everything is ready for both the sale and purchase.

In this complicated legal process, many delays could affect the timing. Pitfalls include not being able to find a home to buy quickly or a change in settlement date due to incomplete paperwork. There is also the worry of the vendor not vacating the property immediately after settlement or a home inspection picking up issues that need to be fixed before you move in.

## How can you simultaneously settle?

As a buyer, you can request that your new home purchase is contingent on the successful sale of your old home.

As a seller, you can opt for a lengthy settlement of up to six months to give yourself time to buy a new home. Include a clause in the contract allowing you to bring forward the settlement. When you find a property, you can move the settlement of your old home or your new home so that both occur on the same day. If you have no luck finding a home within the six months deadline, be prepared for the prospect of moving out and renting.

## Buyer's or seller's market

The state of your local housing market will have an impact on whether a simultaneous settlement is possible.

In a buyers market, where the available properties for sale exceed the number of buyers seeking to purchase, you will probably discover it isn't too hard to find a new home. Selling your existing home may not be as easy – you may have to lower the listing price, and

potential buyers might not be too willing to agree to hang around waiting for a simultaneous settlement to occur.

If you want to avoid the stress of making sure you buy or sell your home at the same time, know that there are finance options available to alleviate this pressure.

**As your mortgage broker, we can advise you of the possible solutions based on factors like the amount of equity in your existing property and your financial capability.**



# How to choose between Auction or Private Treaty



When faced with the dilemma of how best to sell your property, do you flip a coin or spend hours researching your options?

Either way, you'll discover sooner or later that there's no right or wrong. Which choice is best for you will depend on factors like your property location, how quickly you want to sell and demand from the current market.

Your real estate agent may have a strong opinion so be sure to quiz them about the reasons for their preference. Different strategies have their pros and cons in different situations, so here are some of the considerations to keep in mind when making a decision.

## How quickly do you want to sell?

The urgency in which you need to sell is a strong influencing factor. The fixed date of an auction and

the fast turnaround of the marketing campaign might help if you're trying to coordinate the timing of buying a new home while selling your old one.

Sale by private treaty can take quite a long time, so it's not always ideal if you need to sell quickly. When there's no urgency, a private treaty gives you the luxury of time to wait for offers. You can take your time deciding whether to accept, which provides you with more control over the outcome. Granted you are prepared to gamble on a better offer around the corner; you have the option to reject any propositions you aren't happy with and wait for a better one.

## What is the current market demand?

Auction clearance rates provide valuable insight into understanding how many properties that go to auction end up clearing and selling.

Because auctions usually work best where competition is high, clearance rates can give you an idea of the level of buyer demand.

This demand can vary according to the suburb or housing type (source), so find out the auction clearance rates in your area rather than relying on the state-wide trend.

## Where do you live?

Do you live in an area where auctions are common or scarce? Auctions are most common in Melbourne and Sydney, so outside of these areas, you may face the problem of scaring off any buyers not familiar with the auction process. If your property has unusual or high-end features, this may not apply because it has the potential to generate significant interest among buyers.

FINANCE  
TIPS

- Buyers can't change their mind after they have signed the contract under auction conditions. Unlike a private treaty sale, there is no 'cooling off' period.
- In the past 20 years, an average of just 7.7% of home sales has been at auction versus private treaty (source).
- Auction sales as a portion of the total market are increasing over time. In the last ten years, the average of properties sold at auction is 9.4% (source).

