

# What is the True Worth of Your New Home?

Why does your lending institution need to arrange a valuation on your property before approving your loan? Surely the value of the property is its purchase price? Not always. Here's a simple way to understand the difference between the market value of your property and a bank valuation, as well as some steps you can take if the two don't match.

## Market Valuation

This is the asking price you will see advertised and is determined by the current property market and set by the property owner and real estate agent. It's affected by the highs, or lows, of the property market. In most cases, this valuation will be higher than the financial institution's assessment, particularly in an over-inflated market because it generally assumes the seller can wait to obtain the sale price they seek.

## Bank Valuation

When we process your loan application, the chosen lender will appoint an independent valuer who will provide a formal estimate on the value of your property. This valuation is

to assure the lender that if a mortgagee is unable to make their repayments, the property they're considering issuing a loan for holds sufficient value to cover the mortgage. In other words, it ensures the home loan they approve doesn't exceed the value of the property. This valuation is usually a conservative figure, sometimes 10%-20% less than the selling price. It isn't always shared with you but will affect the lending institution's decision to fund your application, or not.

## Concerned your valuation is too low?

If the feedback from the lender indicates your property valuation is significantly lower than your purchase price, you have several options that we can work through. We can assist you in obtaining an independent property valuation and gathering data and reports on your property and comparable sales in your area, and we can appeal to the lender.

In some instances, if neither of these approaches changes the valuation, we may have to investigate borrowing additional funds from another source to cover the shortfall.

## 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

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

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.

## 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



WINTER 2019 | NEWSLETTER



With the pendulum in favour of buyers in today's property market, we look at what sellers can do to achieve a fair sale price. This issue also shines the spotlight on living expenses, and how to track and calculate your outgoings for submission to a lender.

Also, check out our post "What Is the True Worth of Your New Home?" which looks at the difference between market valuation and a bank valuation. We outline why the two don't always match and what to do 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 #4:  
MINIMISE LOAN APPLICATIONS



WHY IT'S TIME TO  
GET REAL ABOUT YOUR  
LIVING EXPENSES



GAINING THE SELLER'S  
EDGE IN A BUYER'S  
MARKET



WHAT IS THE TRUE WORTH  
OF YOUR NEW HOME?

## Fast Home Loan Approval Tip #4 Minimise Loan Applications

Avoid making multiple home loan applications as you shop around for the best mortgage deal. Lenders disapprove of borrowers who make too many credit applications in a short space of time.

Every time you apply for credit, a new record is added to your credit file. This entry shows up on your file as a minor default without any accompanying information to explain why the application didn't progress to an approval.

It doesn't matter if you've merely gathered responses from various institutions and are in the process of deciding which one to take.

What a lender will see is that you have multiple applications outstanding, and they'll want to know why. The conclusion they may come to is that you are under financial stress because other lending institutions viewed your application and declined it. This assumption may make it more difficult for you to get your home loan application over the line or it might lessen your chances of accessing the lowest interest rates.

It's important to carefully consider your options and make home loan comparisons without making applications. One of the great benefits of a mortgage broker is that we can help you comparison shop

without affecting your credit rating. This support is particularly vital if you're a first home buyer borrowing more than 80% of your property's value and are relying on Lenders Mortgage Insurance (LMI).



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.



# Why it's Time to Get Real About Your Living Expenses

When it comes time to apply for your home loan, you may be surprised at the level of detail required when you submit your living expenses. Lenders are screening home loan applications in the wake of the Hayne Royal Commission, which has recommended that there be more focus on household spending, rather than just income, as a means to determine if an applicant can service a loan.

Previously living expense figures could be provided as an estimate, but now these need to be submitted as actual evidence of expenses before a lender will consider your application. The thought can be daunting if you're not sure off the top of your head how much your electricity is per month, or how much you've spent on Ubers or entertainment for the last few weeks. But there is a way to be smarter about your expenses, and together we can work to demonstrate your living expenses are calculated, realistic and achievable, which is what lenders are seeking.

Firstly, be patient. If you're planning on buying a home, allow three months to make a record of demonstrated budgeting. Lending institutions will be looking closely at actual figures on bank statements, credit cards, and other debt so before you begin, set a budget. Establish what your living expenses should be to qualify for the loan, and you can then create a budget to ensure you stick to these expenses and can demonstrate your capacity to live within your means.

There are many budget planners and calculators available to help with this process. The Money Smart Budget Planner available through the Australian Securities and Investment Commission (ASIC) website, for example, will help you work out where your money is going and gives you access to a budget planner wizard. It suggests

the categories of expenses could include: home and utilities, insurance and financial, groceries, personal and medical, entertainment and dining out, transport and auto and children. You can add other categories where you incur expenses, such as education fees and holidays.

After you've established a budget, track your expenses with one of the many savings apps available, including the free TrackMySPEND from ASIC. It helps to nominate a spending limit on items then track your spending and view your expense history to make sure you're staying on track.

There's no need to be nervous about living expense calculations for your loan application, but you will have to be diligent to demonstrate your living expenses. Call us now so we can help.

FINANCE  
TIPS

Choose your real estate agent wisely. Now isn't the time to choose an agent who charges the lowest commission or prices your property the highest. Now is the time to select a professional agent who has experience selling in tighter markets.

When you're interviewing likely candidates, ask them their views on the current market conditions, see if they have any strategies that would be useful if the sale proves to be a challenging one and do some research into their track record. Have they been in the business for enough years to have worked in challenging property conditions, not just the good ones?

# Gaining the Seller's Edge in a Buyer's Market



When homebuyers have more choice, selling property can be more challenging. However, armed with these tips to maximise the appeal of your property, you'll position yourself to achieve a good sales result.

## Price your property properly

What is your property worth compared to similar featured properties in your area? To know what the market is paying, research sales in your suburb to find recently sold similar properties to yours. It's no use believing your four bedrooms; two-bathroom brick home will bring you a specific sale price if down the road there's a similar property priced significantly less.

## Know your competition

Knowing the competition gives you the chance to check what features they have that you don't. Is there something positive about your property in comparison to theirs?

What can you highlight to differentiate your property and make it more appealing than the competition? From simple aspects like an entry foyer to more outstanding additions like a swimming pool. Feature it.

## Sell it with style

Don't rely on a buyer's imagination to see how gorgeous your property could be; show them how gorgeous it is! Consider engaging a stylist who may use your existing furnishings to better advantage, or provide complimentary furniture or accessories to make your home on-trend and in demand. Not using a stylist? Declutter, fix broken or damaged features, clean, and make sure outdoor areas are tidy and landscaped.

## Be prepared to negotiate

With an open mind to negotiation, you're more likely to obtain a sale than if you were resolute in what you

needed to achieve. The market usually decides how attractive your property is to buyers, and how much it's worth.

## Have patience

It may take a little longer to complete a sale, but if you can wait, the right buyer will most likely come along. Buyers enter the market at different times, so several weeks into a sales campaign someone new may come along who will offer you the price that you're looking for.

## Prepare to be more flexible

Your buyer may also be relying on a sale of their own property so consider negotiating terms to assist the selling process for them.

To discuss these tips and more, contact us today, and we'll give you the seller's edge.

