royal guardian insider

CLIENT INFORMATION NEWSLETTER SPRING 2011

Have you thought about capitalising on a slow market?

By Anthony Tomazin, Managing Director

When there's a convergence of bad news – a dismal stock market and a slow-down in the pace of the property market – it's traditionally a time when the smart investor starts to smell 'opportunity'.

There's an interesting convergence occurring: Interest rates are on hold with some predictions that they may drop, auction clearance rates have slowed, there's an increase of property on the market and by contrast, rental returns are buoyant.

Analysts are saying the official cash rate will likely stay at 4.75% for the rest of the year, especially with the global economic uncertainty offsetting concerns about inflation.

It would seem to me this could be the signal that makes property investing hard to resist not just for savvy investors but also for first home buyers and upgraders – who may have been waiting to see what's happening.

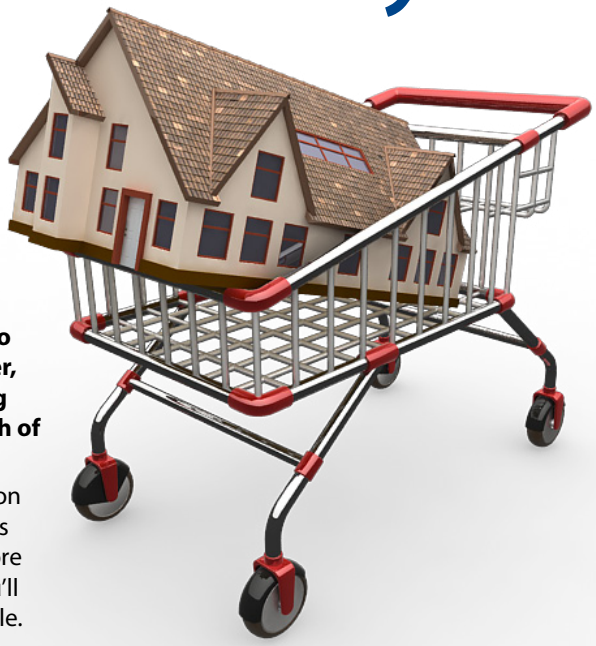
To help you with your decision, I'm happy to report that financial institutions have become far more competitive. Some have lowered their interest rates on fixed rate loans quite significantly to further stimulate the market.

If you're worried about the hassle involved in changing loans, finding something better than you have at present or establishing a new one, that's what we're here for.

I trust you find this issue of the newsletter informative and useful in your financial planning.

It's an excellent time to be a buyer

A market that is slowing can be the best time to buy



The best time to buy surely has to be a slow market. Or even better, a market that has prices drifting downwards, with an increasing length of time that properties take to sell.

This is because there's a wider selection of properties to choose from, there's less likelihood of a property being sold before you've compared it with others and you'll always find the seller far more negotiable.

A slowing market can be a particularly good time if you're wanting to upgrade to either a better home or move to a higher priced locality, especially if you have a reasonable amount of equity in your home: even if your own property has to be sold first.

This is because the higher up you go in property values, the market is slower and the price decreases are greater.

This often translates into some good buying opportunities. You will get a reasonable price for your property - not top dollar, but a reasonable price - and you will be able to buy a higher level property at a far bigger discount than you will have given on your own property.

All that's needed are a few items of good news for confidence to get the market bubbling again and then everyone will be saying they wished they'd taken advantage of the market slow-down in 2011!!

Inside

ROYAL GUARDIAN MORTGAGE CORPORATION

royal guardian ☎ 133 455 'home loans that fit'

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6 Reasons why a cooling property market spells opportunity

According to the recent NAB residential property index, national housing prices (led by WA and NSW) are expected to drop by 1.4% and rents to rise by 3.1% in the 12 months from June.

Although these results may appear gloomy, especially to wary first home buyers and new investors, there are many reasons why a potentially cooling housing market can produce great results.

1. **It's a buyers' market:** High stock levels and low auction clearances spell fantastic negotiation and bargaining power, especially in the higher priced end of the market.

2. **The market is inconsistent:** Do your research, there are still pockets of growth. Some residential areas and suburbs are experiencing growth, especially those within a surrounding business growth area. Western Australia is expected to be the strongest over the next 12 months, with declines in Queensland and Victoria. The best prospects for capital growth in existing property markets over the next year remain in the sub-$500,000 category.

3. **Know who's buying:** The new housing market continues to be dominated by resident owner occupiers (46% of total demand). Resident investors make up the next biggest share with 28%, first home buyers accounted for 17% of the market, with first home buyers most active in NSW (24%) and least active in Queensland (10%).

4. **Rental growths spell returns:** A continuing shortage of properties in the rental market paints a positive outlook for rental returns, recovering the investments made. Over the next two years, nationwide, rents are expected to increase by 4.4%, with expectations strongest in WA (6.3%) and NSW (4.6%).

5. **Financing competition:** Financial institutions are competing more aggressively for your loan business.

6. **Take a long-term view:** Property is a long-term investment. Although it will fluctuate over the short-term, bricks and mortar has historically proven to be a good investment, doubling in value every seven to 10 years.

Great news for home buyers:

Better packages, more competition and higher Loan to Value Ratios (LVR)

From the home buyers point of view things are improving.

We're starting to see a bit of a pricing war between lenders, in an effort to win back customer support.

Happenings include:

- new lenders entering the market
- low deposit home loans
- significant interest rate reductions
- better loan packages
- the mortgage insurance premium is being waived up to 85% LVR

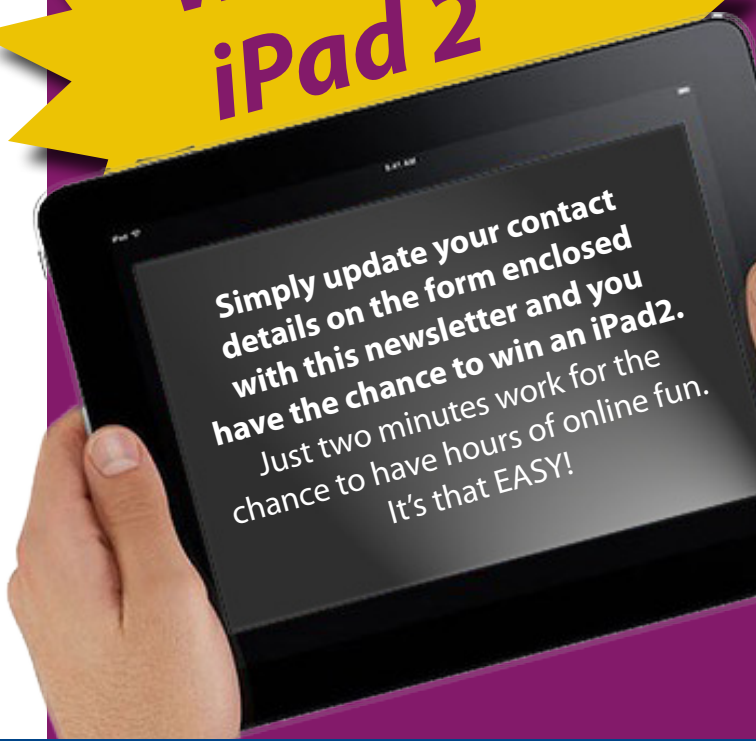
This is great news for everyone ranging from first home buyers to second and third home purchasers and investors. Because the cost of financing is coming down, it makes the cost of refinancing more affordable and therefore more attractive.

It's making refinancing and restructuring your loan portfolio more viable, or re-negotiating a better deal with your current Bank a better proposition.

To give you an example: one of the "New Loan Products" includes reduced interest rates for both variable and fixed interest rates, professional package and transactional banking discounts.

Call us 133 455 to see how we can help you.

Win an iPad 2



Simply update your contact details on the form enclosed with this newsletter and you have the chance to win an iPad2.

Just two minutes work for the chance to have hours of online fun. It's that EASY!

NCCP Legislation makes applications for a loan tough

Whilst interest rates may seem competitive, and banks are falling over each other writing "Dear John Letters" offering discounts to Mortgage Insurance Premiums and Early Termination Fees (DEFs), the fundamental fact remains Loan/Credit policies are much tougher than before the global financial crisis.

Lenders have recovered from the GFC, with the re-introduction of 3%, 5% and 10% deposit Home Loans. However, their credit/lending criteria is tighter since the new credit legislation (ie National Consumer Credit Protection or NCCP), came into effect on 1st July 2010.

This stringent credit criteria (which includes things such as income, employment history, asset position, age of borrower etc), has affected all Lenders.

Second tier lenders include institutions such as ING Direct, Bankwest, St George, Citibank, Bendigo Bank, Suncorp and most Credit Societies (to name a few).

Whilst these lenders offer great loan packages/products and competitive interest rates, most have been affected by consumer perception, which has (up until recently) created a virtual monopoly by the "Major Four" who tend to have higher profiles and are perceived to be more secure institutions.

It really doesn't matter how competitive Banks/Lenders appear, it's the credit policies that matter, how the application is submitted, and the experience in Credit/Risk assessment for both the Lender and your Finance Broker.

When preparing the loan application, it is essential to have all the supporting documentation in order to get the application right the first time and enhance the chances of being approved.

Credit profile

Each application to a Bank/Lender is automatically generated as a "Credit Check". This will show on your National Credit File with Veda – regardless of whether you proceed with an application, or it's declined. Each time there is a Credit Check, your credit profile decreases.

We have seen applications declined for no other reason than what was considered an 'over-active' credit file based on the number of credit enquiries.

So in summary, whilst each Lender has its own niche loan package, of important factors to consider such as interest rates, fees and charges they are irrelevant if you're unable to obtain approval, because you haven't been able to meet the credit criteria/credit policy of that particular Lender. Call us on 133 455 for expert advice.

The following is a checklist of loan application documentation needed with a loan application:

- **Identity –** Includes drivers licence, birth certificate, passport, Medicare card
- **Income –** Includes pay slips, group certificates, bank statements
- **Liabilities –** Includes HECS and/or Centrelink statements, lease agreements, existing loan statements, such as car or personal loan
- **Expenses –** Rental payments, bills, general living expense costs, rates notices
- **Savings –** Includes bank statements, term deposit statements

"Get it right the first time" That's where we come in!

Royal Guardian can help in times of financial hardship

One of the definite benefits of obtaining finance through a professional mortgage broker is that we can play a definite role in helping clients who run into tough financial circumstances.

While it is a legal requirement for brokers to verify their client's financial situation before recommending a suitable loan product (to the best of their ability), situations arise from time to time when people run into unexpected financial difficulties that all the foresight in the world could not have foreseen.

When they're in difficulty many people try to cover loan payments with a credit card – hoping it will be just for a short term and that recovery will be around the corner.

This move can make a bad situation worse. When financial difficulties occur, the sooner we can put a plan in place to address it, the more likely our client will be able to bounce back from it.

The early days of potential financial hardship are exactly when borrowers should get in touch with us to see if a solution can be worked out.

Many borrowers fail to realise that most lenders are not ogres (not complete ogres anyway), and that they'll work with you, if the case is explained to them properly and sooner rather than later.

In other cases we're able to consolidate loans – and much to the surprise of the person in difficulty, we've found ways to reduce payments without having to approach the financier.

Our primary objective has always been to look after the best interests of our clients.

We hope any client in tough circumstances, would feel welcome to contact us.

Also keep in mind, there are a number of specialised services available to help.

Protect your bricks and mortar from under-insurance or no insurance

We know it's a boring topic. Insurance is almost as exciting as paying tax but what if you've been paying for a policy all this time that won't cover what you expect it to? Or worse still, your new home isn't covered during the settlement period?

Unfortunately, it's not uncommon for homes to be insured for the wrong value. What's worse is, you're not likely to find out unless you investigate or happen to have a fire or accident – which is clearly too late.

Of course, all mortgage holders must insure their home's structure against fire and other accidental damage. If you own a strata property, all of the owners will be contributing to a policy via their strata fees.

If your insurance is not full coverage – say 75% then only 75% of the building's value is insured. Therefore – an insurance company will likely only cover 75% of the damages.

Check it out

What you should do is to find out when your detached home or strata building was last valued for insurance purposes and who completed the valuation.

It's important to hire either a valuer who is qualified to value for insurance (rebuild) purposes or a quantity surveyor who is able to estimate the exact cost of replacing the entire structure, brick-by-brick.

This type of valuation should be conducted every few years. In the years between, ensure you're adding an additional percentage (around 10%) to the value to cover rising construction costs.

Don't take the settlement period risk

Covering your new home during the settlement period is an important part of the pre-exchange paperwork trail.

It's often overlooked or 'saved on' due to other pressing costs that make a home purchase stressful on the bank account.

This short-term saving can become a long-term nightmare if something happens during that crucial settlement period.

To help with this we have formed an alliance with Allianz Insurance to offer a FREE* 90 day Building Insurance cover.

FREE

Feel secure with 90 days FREE* BUILDING INSURANCE from Allianz.

As a special introduction to property insurance, Allianz is offering **FREE* BUILDING INSURANCE** cover for up to 90 days during the settlement period, when you purchase an Allianz Home Insurance policy.

Your Motor Insurance can also be covered at the same time.

How do I get 90 days FREE* cover?

As soon as possible after entering into a contract to purchase a new home or residential investment property, call Allianz and advise the insurance team of the settlement date of the purchase.

To access this special offer quote reference number: RGMSM01. Call Allianz on 1300 203 050 or, complete the enclosed QUOTE form and fax it to 02 9715 4700.

** For the complete Terms and Conditions of the Free Building Insurance Offer, refer to the Allianz website, or call and ask for details.*

10 years of awards

Royal Guardian has long been recognised for its financial expertise, and it's pleasing to note the awards we have received commending our market-leading products.

It is therefore particularly pleasing to list the awards we have received that honour the market-leading services offered by Royal Guardian.

WINNER Money MAGAZINE AWARDS 2007 NON-BANK LENDER OF THE YEAR

FINALIST Money AWARDS 2006 NON-BANK LENDER OF THE YEAR

2006 FINALIST
Best Non-Bank Lender
Money Magazine

BEST NON-BANK LENDER 2006 MPA BROKERS' CHOICE BROKER SUPPORT AND IT 1st

2006 WINNER
Best Broker Support and IT
Mortgage Professional Australia

2007 FIVE STAR RATING
Basic Home Loan Investment Equity
Invt Royal Discount
Royal Discount
Cannex

2006 FIVE STAR RATING
Royal Basic Investment Loan
Cannex

2005 BRONZE
Best Fixed Rate Home Loan
Personal Investor Magazine

PERSONAL investor MAGAZINE AWARDS FOR EXCELLENCE IN FINANCIAL SERVICES 2005

2005 SILVER
Best Variable Rate
Home Loan (Royal basic)
Personal Investor Magazine

Royal Guardian Mortgage Corporation is a wholly independant Australian owned non Bank lender providing property loans around Australia.

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Featured Mobile Loan Consultants in Sydney

A local call for you. We pay to direct your call to their mobile!!

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- Nima : 02 9715 4725
- Christian: 02 9715 4726