



# "The Insider"

*Growing together*

*Edition 1 2007*

*Mortgage News and Tips for you*

# Property market set for continued growth

## Welcome to 2007!

Here it is - the first edition of "The Insider" newsletter for 2007. So, make yourself a coffee and 'invest' 15 minutes in getting yourself up-to-date with some mortgage news and tips.

2006 was a great year for Accrete Financial Solutions and we'd like to thank all our clients for helping to make it a successful one.

It's also been encouraging to see so many returning clients and referrals throughout last year - it reinforces that we're delivering the service you want.

In this issue of The Insider, you'll find some really useful information if you're thinking of buying a home.

Firstly, the threshold for the REBA first home buyers grant has been increased from \$250,000 to \$400,000 to reflect the growth in property prices in recent years.

In addition, we've teamed up with an innovative property developer who can help home buyers with a 5% gift of their purchase price to help cover fees and the deposit.

You can read all about this great offer on the back page.

We're really excited about this new opportunity and we think you'll be too.

Regards,  
Lisa and  
Lorrelle



**A strong economy, population growth, skilled labour shortages and lack of available land will keep fuelling the growth in Perth's property market for the foreseeable future.**

Although we probably won't see the record growth in property prices that Perth has experienced in the past couple of years, the demand for homes remains strong and we should see continued growth in prices during the next few years.

President of the Real Estate Institute of WA, Rob Druitt, expects property prices to grow at around 8% during the next financial year; provided the underlying economic drivers of the resources sector remain unchanged.

This follows an expected growth rate of around 17% for 2006-07.

So, what does this mean for today's home buyers?

Well, for investors, it means that property still remains a great investment.

Property investors can expect to see steady growth in the value of their asset as the demand for rental housing continues.

They will also see a steady increase in rents as rental prices catch up with the increase in property prices over the past few years.

There is always a lag between the increase in the price of homes and the resulting increase in rents as most rental properties are under a 12 month lease.

As home leases expire, rents are adjusted upward to reflect the increase in value of the underlying property.



For new home buyers, continued growth in property prices means the sooner you get into your own home, the sooner you'll start saving on rent.

It also means you'll be using your precious earnings to pay off your asset instead of your landlord's.

Rental prices are set to surge as the vacancy rate continues to drop and rents catch up with increasing property values.

And bear in mind that rental vacancy rates are already at a record low.

All in all, it's still a great time to buy property and Accrete Financial Solutions is ready to help you get the best deal on financing your purchase.

Give your broker a call today and let's get you started.

## Inside

**REBA grant threshold raised from \$250,000 to \$400,000**

# REBA grant threshold raised from \$250,000 to \$400,000

**It's about time! For years The Home Buyers Assistance Fund (HBAF), offered by the Real Estate and Business Agents Supervisory Board has offered a grant of \$2,000 to first time home buyers based on an unrealistic purchase price threshold.**

In order to qualify, home buyers needed to be purchasing a residence for \$250,000 or less!

Even with all of the home loans written by Accrete Financial Solutions, we've collectively only applied for a handful of these grants.

### **But good news has arrived!**

On 22nd September 2006, the Minister for Consumer Protection announced changes to the threshold of the HBAF.

Grants of up to \$2,000 may now be provided to a first home buyer if they purchase an established or partially built home through a licensed real estate agent for \$400,000 or less (if all eligibility criteria are met).

The grant can be used for - registration fees, solicitor and/or conveyancing fees, valuation fees, inspection fees, establishment fees, mortgage insurance premiums and lending institution fees associated with lodging the application.

### **Here's a quick criteria guide:**

- Applicants must be buying their first home, which is established or partially built.
- The applicant, spouse or partner of the applicant must not own or have owned any property in the State of Western Australia before.
- The applicant must live in the home for at least the first 12 months.
- The home loan must be financed through an authorised lending institution.
- The purchase price of the home must be \$400,000 or less.

First home buyers will also be delighted to learn that this grant can be



paid in addition to the First Home Buyers Scheme offered by the Federal Government.

For more details on these grants and how to apply, please contact your broker.

## Make sure you acquire your assets in the right order!

**Many would-be home buyers sabotage their chances of being approved for a loan by first purchasing an expensive car on finance.**



**A new car is tempting - but leaving its purchase till after a home loan is established, is the best move.**

A surprisingly high number of home buyers come to us shortly after signing up for a \$20,000-\$30,000 car loan, believing the car is an asset and therefore a benefit to their application.

Since a car is a depreciating asset that you're putting money toward month-after-month, we strongly recommend that you put off a new car purchase until after you purchase your home.

It can be hard to resist purchasing a new vehicle when the salesman offers a tempting deal to get your business.

And nothing beats the feeling of driving home in a brand new car!

But if you're thinking of purchasing a home in the next year or two, then speak to us before you sign that loan agreement.

Buying a cheaper, pre-loved vehicle now may be the key to qualifying for a home loan later.

And your Accrete broker can help with financing your vehicle purchase too!

However, if you've already made a new car purchase, it may not be too late.

Have a talk with us about your situation. For some clients we've been able to organise simultaneous debt consolidation which allowed them to wrap their small, high interest debts in with their lower interest home loan.

# What's your investing strategy?

Every investor's strategy is unique to their own goals and financial situation. If you're new to investing, you may have heard about the different types of investments but may not be familiar with exactly what they refer to. Here's a simple explanation.

## Buy and hold

A decision to buy and hold means just that. Your goal is to buy at a favourable point in the market cycle and hold the investment until a time you believe to be the best time to sell.

Obviously, your ultimate objective is to sell the property for more than you bought it for. Timing is, of course, critical for this strategy to pay off.

To do this successfully, you would try to buy when the market is at the bottom and then ride the growth phase upwards, selling the property at the peak of the cycle.

## Positive cash flow

In a positive cash flow investment, your rental income exceeds the outgoings, including the interest expense on the mortgage.

To achieve this, you would generally need to invest in an area with strong rentals and try to achieve a rental price that exceeds your mortgage repayments. Obviously the higher your deposit, the lower your mortgage will be.

The benefit of positive cash flow is twofold: your property will eventually pay for itself over time, and it will do this while appreciating in value.



Unfortunately, in most metropolitan areas of Australia, positively geared properties are becoming as rare as hen's teeth because rising values have compressed rental yields across much of the country.

## Negative gearing

Negative gearing is the most common investment strategy and offers the benefit of minimising your tax bill. Whereas a positive cash flow property pays for itself, in a negatively geared property you actually make an economic loss.

When the expenses of maintaining an investment property, such as

maintenance, depreciation and interest on the mortgage, outweigh the rental income you receive, you can offset this loss against your taxable income from other sources.

Negative gearing is of most benefit to those on higher incomes who pay more tax, but it's still beneficial to those who've moved down a tax bracket after subtracting the loss on their rental property from their taxable income.

No matter which investment strategy you're currently carrying or looking at initiating, the team at Accrete are experienced in arranging the finance for your investment and ready to help you along the way.

## Here's what you had to say about us...

*"Lisa was fantastic and helped us out with any questions we had and explained everything clearly. I would not hesitate to recommend her to anyone."*

**Luke & Tracey from Busselton**

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*"I was very impressed and appreciative of the service provided by Sharon. I have recommended her to several people in the meantime."*

**Katie from East Perth**

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*"Keep up the great work. Lorrelle is very professional and will go out of her way to facilitate client needs. Thank you."*

**Adam & Betty from Victoria Park**

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*"The service from Kylie was carried out with excellent proficiency. Hardly any room for improvement, the way I see it. Thank you. I shall recommend your service always."*

**Adam from Joondalup**

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*"Lisa and Kylie provided prompt, courteous, efficient, thorough and friendly service - attention to detail impressed us greatly."*

**Trish & Steve from Wanneroo**

# Here's a great offer to get first home buyers over the line!

As Perth housing prices continue to spiral - on top of ever increasing rents and living expenses - it's becoming more and more difficult for first home buyers to save their deposit.

By the time home buyers save a deposit that was suitable six months ago, property prices have increased and their deposit still falls short.

That's why Accrete Financial Solutions have teamed up with an innovative property developer who is helping home buyers get into a new home... faster!

By dealing direct with the purchaser, this developer saves on agent's sales commissions and advertising costs which they pass on to the home buyer.

What they are offering is a gift of 5% of the purchase price which is paid to any home buyer who finances their purchase through Accrete.

But don't worry; these aren't properties out in the sticks waiting for utilities to be connected.

They are House and Land Packages located within 15kms of the CBD!

Currently, there are properties in Balga, Nollamara and Westminster with prices around \$400,000.

There are three or four units on each site and they are all built in areas that have exceeded the average property growth rate over the past 5 years.

The 5% gift is advanced at settlement which can really help first home buyers

cover all their fees and the deposit, and finally get them into their own home.

And for Low-Doc customers, this may be just what you need to reach the 20% deposit you require.

#### Example:

House & Land Package value.....	\$400,000
Estimation of cash contribution (inclusive of fees/cost/ 5% deposit).....	\$33,000
<b>less</b>	
5% 'GIFTED' funds from the developer.....	\$20,000
First Home Owners Grant.....	\$7,000
<b>Estimated Cash Contribution required by you: \$6,000!</b>	

To take advantage of this great offer, speak to your broker today.

## Staff stuff

Lorrelle's chair will be empty for 2 weeks in April while she takes a well earned break. Not one to lie in the sun, Lorrelle will be just as productive on holiday as she is in the office.

She will, in fact, be swinging a hammer in Samoa as she works as a volunteer helping the Habitat team build low cost housing.

Habitat for Humanity is a non-profit organisation that builds simple, affordable

homes with those who lack adequate shelter. "I'm really excited about this opportunity," Lorrelle said.

"I was looking for something different in a holiday and discovered this project on the Internet.

It'll be great to do something constructive while on holiday and, at the same time, live and work with a bunch of like-minded people," she said.

You can learn more about Habitat for Humanity at [www.habitat.org](http://www.habitat.org)

#### Have you received our Survey?

Each time Accrete Financial Solutions process a loan, we send you a survey form so you can evaluate the service you received.

Please share any feedback you may have with us. We really do care what you think of our service and it's through this forum we can try and make it even better next time!

You'll find some of the comments we've already received on page three of this newsletter.



**Lorrelle McCormack**  
Director/Licensed Finance Broker  
0411 084 557  
[lorrelle@accretefinance.com.au](mailto:lorrelle@accretefinance.com.au)



**Lisa Welch**  
Director/Licensed Finance Broker  
0417 969 845  
[lisa@accretefinance.com.au](mailto:lisa@accretefinance.com.au)



**Kylie Symonds**  
Senior Finance Consultant  
0408 628 605  
[kylie@accretefinance.com.au](mailto:kylie@accretefinance.com.au)



**Sharon Cocklin**  
Finance Consultant  
0424 286 725  
[sharon@accretefinance.com.au](mailto:sharon@accretefinance.com.au)



**Nilan Chandratilake**  
Finance Consultant  
0431 876 571  
[nilan@accretefinance.com.au](mailto:nilan@accretefinance.com.au)



**Libby Wilmot**  
Personal Assistant  
0409 080 082  
[libby@accretefinance.com.au](mailto:libby@accretefinance.com.au)

**Accrete**  
Financial Solutions  
Unit 6/103-105 Erindale Road  
Balcatta WA 6021  
Phone (08) 9240 6770 Fax: (08) 9240 6775  
[www.accretefinance.com.au](http://www.accretefinance.com.au)

