

The Insider



Accrete Financial Solutions

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Agency of Choice Aggregation Services (Pennley Pty Ltd)
Finance Brokers Licence #3080

Mortgage News and Tips for you

Edition 3, September 2008

Welcome



Welcome to the spring edition of our newsletter.

I'm trying to decide whether it's a time for doom and gloom or

whether to pop the cork on a bottle of champers.

While the news in the media is all doom and gloom with the share market and the USA sub-prime crisis, it's surely cork popping time thanks to the period of interest rate rises coming to an end.

Furthermore, though we keep hearing how terrible the property market is in Perth at the moment, I can tell you there's something else a' happening out there.

We've been surprisingly busy handling loans for people buying homes and investment properties and so have quite a few of the real estate agents we know.

So all I can say is don't take too much notice of the 'disaster headlines' - bear in mind it's disaster and mayhem that gets us glued to the television news and buying newspapers.

In the meantime, in this edition we're addressing the subject of mortgage stress and raising the subject of what's involved in investing in commercial property because there's been increasing activity in this area of investment.

We trust you'll find the newsletter of interest. Do have a happy spring... despite the media.

Lisa Welch
Director

Mortgage stress! What is it -

and some tips if you're suffering from it

Mortgage stress is no fun. It takes the joy out of home ownership, so where possible let's not live with it.

This situation generally arises when the loan requires more than 30% of after tax income to meet repayments.

Hopefully stress will have been reduced by the recent interest rate reduction but if you're in this position because of changed circumstances or you know someone who is really struggling to make loan repayments, the first priority should be to contact us or the lender to see if an affordable repayment arrangement can be negotiated.

The number one thing to avoid is a mortgagee sale because they can cost the poor, harassed mortgagee dearly.

You need to act as soon as you receive a default or arrears notice because assistance might be available to you.

Ways to accommodate you

You should be aware that lenders are obliged to explain options and the Uniform Consumer Credit Code allows those in temporary difficulty to extend their loan term to reduce payments and to postpone the date when payments are due.

It may also be possible to arrange a loan repayment 'holiday' or a restructuring of the loan so what may seem to be a looming crisis may be averted!

There are a range of other options that can be investigated such as negotiating with the lender for their lowest rate or most basic loan package.

There may also be the option of refinancing to another type of loan with your lender or with a different lender, plus there's the option of a loan extension and possibly gaining access to your superannuation.

Some of these steps can have traps for the unwary. Switching lenders for example can



incur penalty fees while there are also risks associated with dipping into superannuation.

If all options fail, then the best move may be to sell up. This may seem drastic but downsizing or moving to a more affordable suburb maybe the best thing to do.

The key of course is not to borrow too much in the first place but sometimes people's circumstances change so that what was affordable at one time suddenly becomes a millstone.

The best thing we can suggest is to investigate the possibilities; don't try living with it until the situation becomes a disaster.

Saved - \$1,878 per month!

Having an occasional review of your loan situation can really pay off.

Our Narelle recently reduced payments made by a local family by a staggering \$1,878 per month by combining their existing mortgage, credit cards and personal loans into one mortgage.

This was just one of a number of local families who we've recently helped to trim hundreds of dollars from their monthly outgoings.

If you'd like some help on this, come and see us for a no obligation financial health check. You may be pleasantly surprised at what we can do for you.

Disclaimer: Consolidating debt is really only a short term bandaid fix designed to reduce your cashflow. However, it is important that you plan for the future and if possible aim to make additional and accelerated repayments. Your Accrete Finance Consultant will explain the pro's and con's and the possible pitfalls so that you can make an informed decision if this is the best option for you



A beginners guide to investing in commercial property

Some people swear commercial property investment is the better way to go while others prefer residential property for investment.

Both have advantages and disadvantages but one thing's for sure, before charging into something, you need to gain an understanding of it.

Successful commercial property investment requires an understanding of the market factors at work, unique financing requirements, property management options and a good grasp of potential risks.

You have the choice of investing in retail, industrial or office premises so it pays to understand the factors influencing these types of businesses.

Understand the market drivers:

Just like the residential market, the fundamental driver is demand. Commercial demand is driven by national and local economic factors as well as population growth.

Tenant demand and lease levels can be greatly affected by a number of influences, among them the following...

Interest rates:

Rate increases reduce consumer spending, slowing demand.

Infrastructure development:

The introduction of infrastructure into an area can increase demand for commercial

premises. By contrast though, a developing area can pull business from another area thus reducing tenancy interest in a particular location.

Demographics:

As different segments of the population are motivated to move to different locations, new opportunities arise. A good example over the years has been the increased popularity of retiring in Mandurah which led to better amenities which led to more people living there to commute to industry in the region or to Perth which led to more service industry and so on.

Retail spending:

Consumer spending increases demand so the requirements for warehousing and retail outlets increase.

Finance:

Commercial property finance is more complex than residential funding. Banks normally lend up to 70% of property value but their decisions can be based on the property's rent yields.

Lease terms:

Commercial property lease terms are usually longer than residential property. Leases can be three, five or even 10 years with an option to renew, but it can take longer to find a tenant when the property becomes vacant.

Size of property:

Larger properties can be more difficult to

lease than small suites and can cost more to hold.

Supply/demand:

An increase in new property in the same area can threaten tenancies as tenants look to upgrade or expand.

This can affect the time taken to find a new tenant and have a negative affect on lease prices of older property.

Management:

Management is usually undertaken by commercial property agents who operate more like 'deal makers' than traditional residential agents. Agents try to match a property with an appropriate business and may lure tenants with deals like rent free periods, free fit-outs etc..

The good thing about commercial property tenants is they usually have to take good care of the property because it reflects on their business.

Tenants pay all outgoings such as rates, water, body corporate fees etc, and depending on lease arrangements usually make good any physical changes to the premises when the lease finishes.

Small new or 'off the plan' commercial suites or warehouses in high demand areas provide a lower risk option for investors to enter the commercial property market.

Initial returns are often guaranteed by the developer for the first year thus negating some element of risk.

Self Employed Client of the Quarter

The Insider will now be distributed on a quarterly basis (instead of 3 a year) and from this edition forward we will be including a regular segment/feature namely "Self Employed Client of the Quarter."

The insider is distributed to more than 1,000 clients (predominantly NOR).

If you would like your business to feature in this segment then please email us a brief overview of your business, the services you provide, a photo and your logo to admin@accretefinance.com.au (it will be a case of first in first served!)

Introducing...

Colour Perfect Decorating and Refurbishment Contractors



First off the block is Colour Perfect Decorating and Refurbishment Contractor.

This business specialises in decorating the interior and exteriors of new houses and commercial buildings.

In business since 2003, the company is also known for its expertise in the complete refurbishment of old properties and tin and tile roof sprays to any colour.

If you have a need for this type of service give Mick Pickering a call to discuss your requirements on (08) 9408 5837.

Our new website will help you

We are proud to be able to say that the new look Accrete website has been officially relaunched!

You can download current and previous editions of our newsletters as well as find concise, simple to understand information on the various types of finance available – including Home Loans, First Home Buyers, Investment Loans, Business/Commercial Loans, Personal Loans/Leasing/Hire Purchase and Loans for Self Managed Superannuation funds (just to name a few).



www.accretefinance.com.au

Phil Williams from Phaz Website Solutions (who also happens to be Narelle's husband) has spent a great deal of time in redeveloping The Accrete website, and we think he's done a fantastic job! – if you would like Phil to design your website he can be contacted on 0433 220 731 or email phil@phaz.com.au

What they're saying about us!

Testimonials are an important part of business as it assures prospective clients that the service provider is credible.

We're most grateful for the kind comments and delighted that we're able to please so many people.

'Your service is excellent and I will take great pleasure in referring you to our friends and family ...thank you Kylie'

Aaron & Sarah - Wanneroo

'Kylie has been great with us every time'

Andrew & Isla - Warwick

'Narelle, you have been fantastic. I will definitely pass on your card and recommend you'

Tonia - Clarkson

'It was an absolute pleasure dealing with Narelle and Accrete - we will not hesitate to refer you wherever we can'

Danny & Alison - Sinagra

'Lisa, I admire your complete professionalism and great staff! I liked the way you kept me informed of the progress'

Lynn - Shenton Park

'Thank you so much for all your help, help, help and advice - you have been great and it was much appreciated'

Graeme & Erin - Kingsley

'You all did an excellent job and I wouldn't hesitate to use you again or recommend you to others'

Damien - Mandurah

Newsflashes:

The Shared Equity scheme with Keystart and Dept of Housing and Works has been suspended 'indefinitely' from the market from 17th September 2008.

This is primarily due to over subscription and to the change in State Government. Existing formal and conditional approvals currently in the system will be honoured. First Start applications will remain in the pipeline.

However Keystart has indicated it cannot guarantee if the scheme will continue or if more funding will be allocated.

This was an extremely popular product, so we will keep you informed of any updates.

Bankwest changes hands

BankWest is now a subsidiary of CBA.

The deal, which also includes HBOS wealth management business St Andrew's, is worth \$2.1 billion.

Australia's largest lender was quick to pounce on BankWest, when it became available.

Ralph Norris, CBA chief executive said "rarely have we seen a quality asset such as BankWest become available on such attractive terms".

"BankWest provides a significant opportunity to further develop the group's business in the fast growing Western Australian market."

"It complements our existing operations and will deliver additional growth opportunities in key market segments."

The Commonwealth Bank will maintain the BankWest brand and said no branches or business centres in WA would be closing.



Don't expose yourself to this trap!



If you're considering buying a new car or other vehicle for your business you need to be aware of a hidden trap for the unwary.

When the Hire Purchase Act in WA was repealed and replaced by Offer to Hire agreements (OTH), in 2004, there was no longer a requirement for the agreements entered into by businesses to incorporate many of the protections which by law are extended to private consumers.

So what are the conditions that no longer need to be disclosed in OTH agreements involving businesses?

- Lenders no longer have to show what

interest rate or other formulas apply to your agreement.

- Furthermore, they need not disclose the penalty you will face if you make an early repayment on the outstanding amount owed.

We reckon signing for the unknown is madness.

If you were to finance your vehicle through us you would be given a total disclosure of what you're committing yourself to.

We can help with financing business and commercial property, as well as vehicles and equipment.

Criteria for loans are a 'chargin'

Are you aware that the criteria for lo-doc loans have changed?

Currently, to qualify for a lo-doc loan you have to show you've been self employed for 12 to 24 months, have an ABN number and are earning more than \$75,000 a year. You must also be registered for GST.

The same applies if you've been thinking of taking up one of the fixed interest rate loans currently being heavily advertised by the banks.

These ads should be telling you one thing; that the banks expect interest rates to fall in the longer term.

So before you jump, why not instead get your finances reviewed.

Also, if your loan hasn't been reviewed for some years or you have a fixed term loan period about to expire, call us, we're happy to help you with your strategies.

STAFF NEWS

Welcome aboard Stephanie Dillon!



Stephanie joins Accrete as a Finance Consultant.

She's been working in the Finance Industry for the past six years predominantly

specialising in Equipment Finance and Leasing.

Steph brings with her a wealth of knowledge, we already consider her a valued member of the Accrete team.

Accrete strikes platinum

Accrete Finance has once again qualified for 'Platinum Broker Membership' for 2008/2009 with Choice Aggregation Services.

Platinum membership is awarded to only a few select Choice Agencies/Franchises nationally after stringent selection criteria.

It isn't easy to qualify but we're pleased to report that this will be our third consecutive year of making the grade.

Sharon departs

Sharon Cocklin is no longer with us but clients of hers can be assured of continuing attention. If you would care to have a free loan assessment our team are happy to be of service.

Kylie's happy event

Kylie has a new bundle of joy, 'Cohen Jason'. He arrived safe and sound on 19th September 2008 weighing in at a healthy 8lbs 3.5oz.



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