
# GET READY TO KNUCKLE DOWN!

## Sweeping changes to the finance industry *WILL affect you...*

You have probably noticed in recent months that financial institutions have started to increase interest rates independently of the Reserve Bank's decision to keep the cash rate on hold.

Not only are interest rates increasing but financial institutions are now starting to significantly change the lending rules and criteria sometimes on a weekly - and even daily - basis.

- Interest only loans are under scrutiny, for investors AND owner occupiers
- Preferred lending ratios are decreasing - that means larger deposits are required
- Lending criteria is tightening, particularly for investors and off the plan purchases - potentially a headache for those who entered into contracts at a more flexible time
- Bank valuations are starting to come in lower than expected in most states across Australia

If you have been sitting on the fence waiting for lower interest rates or looking to refinance your debt, then your opportunity may already be lost.

We are finding loans that were easily financed only a few months ago are now not being approved by many lenders.

### What is driving the constant changes?

At a time of record low interest rates you would expect the news for borrowers to be all good!

Instead, lenders and regulators tend to become very nervous about how borrowers will manage their debt when interest rates eventually rise, so they take steps to lessen the impact.

Bank lending rules are not a set and forget. Lenders introduce changes over time largely due to funding pressures. In addition, APRA (Australian Prudential Regulation Authority) has continued to exert pressure on lenders in an effort to slow down lending in a low interest rate environment.

**With constantly shifting goalposts there has possibly never been a more important time to regularly review your home loan and take steps to protect yourself from any future mortgage stress.**

### What are the signs of potential mortgage stress?

- If you are living week to week now, you will not survive a rate increase. CALL US URGENTLY before it is too late.
- If you have multiple investment loans and are highly geared, DO NOT CALL YOUR BANK FOR A REVIEW - you could end up in a worse situation. Call our office.
- If you have an INTEREST ONLY loan coming off the fixed interest period, CALL US URGENTLY.
- IF YOU HAVE ANY FINANCE COMING OFF the fixed interest period in the next 3-6 months. Call us.

- If you have a loan approval in place that is older than 1 month, call us to confirm your approval terms HAVE NOT CHANGED.
- If your credit cards are maxed out and you are struggling to pay out the balance - yes, you too need to call us.

## How can we help?

The reasons that more than 50% of Australian home owners NOW use mortgage brokers are:

- We do all the research (that takes time and patience) to understand different lending products and can recommend several options for you across many different lenders. Your bank can not do that.
- We are a professional service provider and we educate you throughout your finance journey with us and beyond.
- When rapid changes are happening in the world of finance, we are best equipped across the range of lending products to help you identify how to get through these changes and come out singing!

These are interesting times and although we are currently in a low interest rate environment, that doesn't stop the landscape from changing.

You are best to catch up with us at least every 18 months - preferably every 12 months.

Even just a 10 minute phone call to the office may help relieve the stress of not knowing whether you should be taking action.

It is much easier for us to help you BEFORE mortgage stress sets in. Please do not leave it until it's too late for us to review your finance.

**Call the office TODAY because we are going to be busy over the coming months.**

If you have friends or family, please forward this article on to them as well. We want to help everyone else you know who has a mortgage to be informed.


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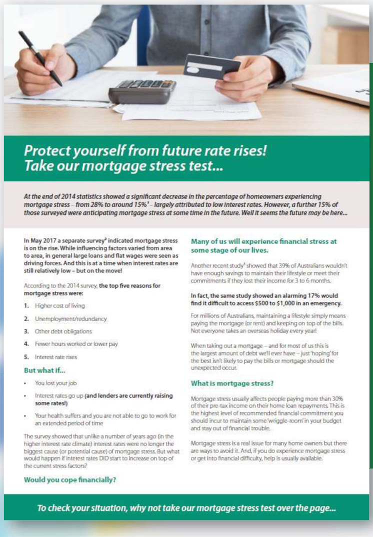

*Protect yourself from future rate rises!*
*Take our mortgage stress test...*

*At the end of 2014 statistics showed a significant decrease in the percentage of homeowners experiencing mortgage stress – from 28% to around 15%[1] – largely attributed to low interest rates. However, a further 15% of those surveyed were anticipating mortgage stress at some time in the future. Well it seems the future may be here...*

**In May 2017 a separate survey[2] indicated mortgage stress is on the rise. While influencing factors varied from area to area, in general large loans and flat wages were seen as driving forces. And this is at a time when interest rates are still relatively low – but on the move!**

According to the 2014 survey, **the top five reasons for mortgage stress were:**

1. Higher cost of living
2. Unemployment/redundancy
3. Other debt obligations
4. Fewer hours worked or lower pay
5. Interest rate rises

**But what if...**

- You lost your job
- Interest rates go up **(and lenders are currently raising some rates!)**
- Your health suffers and you are not able to go to work for an extended period of time

The survey showed that unlike a number of years ago (in the higher interest rate climate) interest rates were no longer the biggest cause (or potential cause) of mortgage stress. But what would happen if interest rates DID start to increase on top of the current stress factors?

**Would you cope financially?**

**Many of us will experience financial stress at some stage of our lives.**

Another recent study[3] showed that 39% of Australians wouldn't have enough savings to maintain their lifestyle or meet their commitments if they lost their income for 3 to 6 months.

**In fact, the same study showed an alarming 17% would find it difficult to access $500 to $1,000 in an emergency.**

For millions of Australians, maintaining a lifestyle simply means paying the mortgage (or rent) and keeping on top of the bills. Not everyone takes an overseas holiday every year!

When taking out a mortgage – and for most of us this is the largest amount of debt we'll ever have – just 'hoping' for the best isn't likely to pay the bills or mortgage should the unexpected occur.

**What is mortgage stress?**

Mortgage stress usually affects people paying more than 30% of their pre-tax income on their home loan repayments. This is the highest level of recommended financial commitment you should incur to maintain some 'wriggle-room' in your budget and stay out of financial trouble.

Mortgage stress is a real issue for many home owners but there are ways to avoid it. And, if you do experience mortgage stress or get into financial difficulty, help is usually available.

*To check your situation, why not take our mortgage stress test over the page...*

**Not sure how you would cope with a future interest rate rise?**

Ask us for our article 'Protect yourself from future rate rises. Take our mortgage stress test!'