

RealEstateNews

INFORMATION TO HELP YOU WHEN BUYING OR SELLING | March 2011 |

Mortgage Stress - Don't Despair

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Recent rises in official interest rates and other factors such as changes in personal circumstances can lead to Mortgage Stress. A loan taken out when interest rates were low combined with the loss of a job, a partner ceasing work to start a family or the scaling back of overtime can sometimes place a borrower in a situation where they begin to fall behind in their home loan payments.

A recent report from the National Centre for Social and Economic Modelling claims that in Melbourne, 53% of first home owners are now paying more than 30% of their income towards housing payments, compared to 36% ten years ago. And the situation is similar all over Australia. Mortgage Stress is generally defined as 30% of income being spent on mortgage repayments. With official interest rates predicted to continue to rise over the next two years, the number of borrowers affected by Mortgage Stress is expected to rise.

In the event that a home-owner falls behind in their loan payments and they do not make any attempt to address the situation, their finance provider (Mortgagee) has the legal right to take action to evict them from the property and then sell it at a Mortgagee Auction to recover the monies owed to them by the borrower. Mortgagee sales are unpleasant occurrences at the best of times and one of the worst jobs that a real estate agent is called upon to do.



Borrowers who have mortgage insurance may think that they are covered for any shortfall, but the truth is that the mortgage insurance is there to cover the Lender and when the sale is over the Borrower may still find themselves liable to the Insurer for any difference between what their house sold for at Auction and any monies plus costs still owed to the Mortgagee.

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Your Best Investment

What kind of property makes for a good investment? PAUL KOUNNAS



Well, that would depend on whether you are active or passive as an investor.

Some don't have the time or desire to do anything but buy a low maintenance property, authorise an agent to find a tenant and collect the rent. Such investors are relying on the market to determine when and by how much their property increases in value.

An active investor generally has the time and often the skill to identify the right properties which, with a little work or creativity, can improve their value. If you fall into this category, that's excellent, because you know how to add value to a property, over and above any market increase.

There is another type of property, however, that many never consider to be an investment - the family home!

Your principal place of residence, in effect is your perfect legal 'tax haven', because, you DON'T pay capital gains tax or land tax on the family home as you do with an investment property.

There is another type of property, however, that many never consider to be an investment - the family home!

If you are contemplating buying an investment property, why not consider trading up on your family home instead. It

could offer the added bonus of having the whole family enjoy an improved lifestyle.

To insure your family home is a great investment, make sure it provides you with the desired lifestyle and ticks all the boxes of a sound investment. It should be positioned close to all amenities, have a good floor plan as well as an outdoor living and entertainment area, to meet today's lifestyle needs.

Then once the kids have moved out, you can cash up, by selling the property and downsizing. You benefit from the increase in value and it's all free of capital gains tax.

The family home can be a great nest egg and your building block for wealth creation for retirement. ■

Renovate to Sell

Adding Value vs Overcapitalising

Many people make the mistake of renovating but not adding value



When it comes time to sell, many face the difficult to answer question - what should we do before putting the home on the market?

It is a challenge trying to work out what improvements will add value above and beyond the cost of the improvements. Will the buyers respond favourably to the proposed improvements? What is it that buyers are looking for?

When it comes to preparing a property for the market, there is not one right answer on what works are appropriate. It is very much a case by case basis. However, it pays handsomely to be aware of some certain facts.

For further assistance on what renovations and works would be worthwhile to your property prior to going on the market, or a FREE property appraisal contact

Cate Killiner Real Estate on (08) 8942 2283. ■

Mortgage Stress - Don't Despair

(continued from page 1)

But don't despair - reputable lenders such as the banks do not like having to sell a property by Mortgagee Auction if they can avoid it. They will do whatever they can to assist their borrowers if they find themselves falling behind in their mortgage payments.

The advice which all of the banks give to borrowers who may find themselves falling into arrears is, "Don't panic and above all don't ignore your situation." The longer you delay addressing your arrears, the more serious your situation will become and the harder it will be to try to find a solution. There are a number of actions you can take to possibly help your circumstances.

THE FIRST ACTION is to obtain some professional independent advice from a financial counsellor, specialist community legal centre or legal aid office as soon as possible, to discuss your options. They will assess your situation and identify which debts you should pay first, whilst helping you to formulate a budget and help you to explore ways to reduce your expenses and increase your income. They will be able to advise you if you are eligible to apply for a short term, interest-free mortgage relief loan available from some State Governments to cover temporary shortfalls.

The Australian Competition and Consumer Commission (ACCC) website lists details of financial counsellors, community legal centres and legal aid offices in their Consumer and Business Directory under the "For Consumers" tab at: <http://www.accc.gov.au>

**"Don't panic
and above all
don't ignore
your situation."**

THE SECOND ACTION is to talk to your lender as soon as you realise that you might miss a payment. They will help you assess your available options. They may allow you to restructure your loan to reduce your payments by extending the term of the loan or even suspend payments or make lower payments for a period of time until your circumstances improve. It is important that you are completely honest with your lender about your true circumstances so they can work out the best way to help you. Some banks employ specialised teams to assist their customers who are experiencing financial stress.

If you are not happy with the response you receive from your Lender, you can lodge a complaint with the Ombudsman or an independent dispute resolution scheme. (Refer to the ACCC website for further information.)

A THIRD OPTION may be to investigate refinancing your loan to consolidate your debts and reduce your overall payments. If you are looking at an alternative finance source, thoroughly investigate all of the factors including fees and charges payable and any termination fees which your current lender may charge to terminate your current loan arrangements. Be cautious of high pressure sales tactics by a broker or lender promising to solve all of your financial woes in one move.

Under certain compassionate grounds, it may be possible to apply for the early release of a lump sum from your superannuation to pay outstanding mortgage payments.

A FOURTH OPTION which would be one of the hardest things to do would be to consider selling your home. This could mean you walking away with more money to enable you to start again, than if you delay and ultimately end up with less. If you do decide to sell - shop around to find the agent who you believe will act in your best interests and get you the highest sale price in order to optimise your position.

At Cate Killiner Real Estate our professional and understanding team have dealt with many, many sellers over the years and are highly experienced in advising sellers of all their available options. They will always strive to achieve the best possible financial outcome for you no matter what your situation may be. Give us a call on 8942 2283 today. ■

How much should you pay an agent?

NOTHING...

if they sell your home for less than they quote you.

Contact Cate Killiner Real Estate today
for a guaranteed price quote on your home.

RECENT SALES

29 Matthews Road, Anula	\$495,375	42 May Street, Parap	\$901,250
9/1 Tabletop Place, Malak	\$379,429	49 Charles Street, Stuart Park	\$650,000
6/169 Dick Ward Drive, Coconut Grove	\$280,000	355 McMillans Road, Anula	Under Contract
43 Claymore Circuit, Brinkin	\$970,000	6/27 Parap Road, Parap	Under Contract
32 Marrakai Street, Tiwi	\$640,000	18/8 Giuseppe Court, Coconut Grove	Under Contract



“Thanks for a great job. We were genuinely very pleased with and grateful for the services you and your team provided. You ensured we got the price we wanted, in good time and without any hassles. Who said selling a house is stressful? It certainly wasn't for us!”

Ian Ford and Jodie Lew Fatt

Real Estate Careers

Great people.

Satisfying.

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Winning agency.

Free Training to the Right People

**Are you bored with your present job?
Consider a career in real estate sales.**

A base salary package of \$75,000 and bonuses based on sales performance can easily give you an income of \$100,000 annually, with many earning well over \$150,000 per annum.

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8942 2283



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