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If ever there was such potential for the property market, it's now! With falling interest rates, generous first home owner grants, deposit saver incentives, strong demand coming off the back of a general decline in property values, conditions appear stacked in favour of the buyer.

We begin our newsletter with details of the \$14,000 upfront injection the Federal Government has made into the First Home Buyers market. When combined with existing state government grants, it marks a significant increase to a deposit for a first home.

The First Home Buyer Boost is part of a broader economic stimulus strategy, which we cover in the articles 'Spreading Economic Cheer' and 'Non Banks Funding Boost' on pages 2 & 3.

We follow this up with an article on the pressures of lending money to family and how to protect yourself emotionally and financially.

Enjoy this newsletter and feel free to share it with family and friends.



**HOME BUYERS
COME FIRST**



**SPREADING
ECONOMIC CHEER**



**NON-BANKS
FUNDING BOOST**



**FOR LOVE
OR MONEY**

Home Buyers Come First

Starting the New Year in a new home has become a happy reality for many Australians, thanks to the Federal Government's First Home Buyer Boost. Effective from October 2008, the First Home Owner Grant has now been doubled to \$14,000 for first home owners who purchase an established home. For those who build a new home or buy a newly constructed home, there has been a tripling of the existing grant, taking it to a whopping \$21,000.

The boost was announced as part of a package to stimulate housing activity, which is considered essential to the economy's overall performance. The Housing Industry Association predicts the move will result in an extra 15,000 houses to be built around Australia over the next 12 months.

The good news for first home owners doesn't stop there, as the grant runs on top of the government's first home saver initiative (a special-purpose savings account to which the government makes

contributions), plus first home owner grants that are administered by each state (see 'Did You Know' box on page 3). Stamp duty concessions are also available, many of which have undergone changes over the last year to encourage home buyers into the market.

As your mortgage broker we can make sense of all these rebates, so give us a call to make sure you are taking advantage of all your entitlements.



The Mortgage and Finance Association of Australia is the peak industry body for the mortgage and finance industry. Members are bound by a code of ethics to ensure the highest levels of service integrity and professionalism.

"WHAT'S HOT"

Pacific home loans has launched their website.

www.phls.com.au

Visit our website and register your details in "Contact Us" to

win a trip for TWO to Fiji.

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Spreading Economic Cheer



If a strong economy was on your Christmas wish list, let's hope the recent Federal Government's economic stimulus package does its work.

Designed to provide practical support for pensioners, families and first home buyers, the \$10.4 billion package is also expected to boost growth in the domestic economy.

Money needs to be changing hands to keep the economy alive, which makes strong consumer spending an important defence for countering the global economic crisis.

The release of the Federal Government's stimulus package in mid-October prompted an immediate increase in consumer confidence. The Westpac and Melbourne Institute consumer sentiment survey for November showed a 4.3 per cent rise in the index to 85.5, up from 82 in October. The number of people planning to buy a home rose by 21 per cent, to its highest level since March 2006.

December also saw the first improvement in housing affordability since early 2007. The Real Estate Institute of Australia Housing Affordability Report released on

1 December showed the percentage of household income required to meet loan repayments decreased by 0.7 per cent over the third quarter to 38.8 per cent.

It seems the government's spending plan coupled with the Reserve Bank's big cuts in interest rates finally gave us news we could smile about!

Pensioners were among the key beneficiaries of the government handout, with a

\$4-billion down payment set aside for long term pension reform. During December single pensioners received a lump sum payment of \$1,400, while pensioner couples received \$2,100.

First home buyers also came out on top, with a \$1.5 billion investment to help Australians gain their first keys to a new home (see page 1 article).

For the family, \$3.9-billion worth of support has been made available, with around 3.9 million children receiving a \$1,000 one-off benefit in the weeks leading up to Christmas. Recipients of Family Tax Benefit Part A, Youth Allowance, Abstudy or the Veteran Children's Education Scheme were also eligible.

The government also targeted spending on infrastructure, jobs and training. A total of \$187 million will be spent to create an extra 56,000 training places this financial year. The productivity places program will be effectively doubled from 57,000 to 113,000, taking the government's investment in training places since April to more than \$400 million.

A second economic stimulus package has been hinted at for the middle of the year, but is only expected if the global financial crisis worsens. While Reserve Bank governor Glenn Stevens acknowledges the situation is serious, he says the economy's long-term prospects belie some of the gloomy talk that is around.

Book Review



Debt Man Walking: A 10-Step Investment and Gearing Guide for Generation X

Best-selling author Bruce Brammall's latest book, *Debt Man Walking: A 10-Step Investment and Gearing Guide for Generation X*, grabs his target audience by using punchy pop culture references from the 70s and 80s to spice up the financial content. Brammall, a financial advisor, successful investor and journalist, encourages readers to follow Lou Reed's lead and Take a Walk on the Wild Side with measured investment debt to reap long-term rewards. It's easy-to-read style, combines memories, music and movies to help readers make mountains of money! *Debt Man Walking* is a practical guide, but it introduces some controversial concepts and suggests Gen Xers should take on, rather than pay down, debt as part of a recipe for success.

You can obtain a copy of *Debt Man Walking* with FREE postage & handling for the retail price of \$34.95 by clicking through to the website and ordering online (www.debtman.com.au).



Did you know?

Depending on which state you live in, you could be entitled to up to \$29,000 in government rebates when you buy your first home. Check out the table below to find out how much you could receive in combined federal and state First Home Buyer grants (this includes the recent Federal Government's First Home Owner Boost).

State	Established home	Newly constructed home
NSW	\$14,000	\$24,000
VIC	\$17,000	\$26,000 - \$29,000
QLD	\$14,000	\$21,000
ACT	\$14,000	\$21,000
WA	\$14,000	\$21,000
SA	\$18,000	\$25,000
NT	\$14,000	\$21,000
TAS	\$14,000	\$21,000

On top of this, you may also be entitled to a number of stamp duty concessions. Contact us for assistance with finding out what rebates and concessions you are eligible for, as well as a helping hand in completing the paperwork.



Non-Banks Funding Boost

A recent government injection of \$8 billion into the mortgage market has strengthened the position of non-bank lenders.

For you and I this means improved competition and the promise of more choice in home loan rates and products.

The Treasurer has announced that the Australian Office of Financial Management will purchase Australian residential mortgage-backed securities (RMBS) as part of the government's commitment to ease credit shortages in the non-banking credit market.

This is a type of security whose cash flow comes from residential debt such as mortgages, home-equity loans and subprime mortgages. This key source of funds for the non-

bank sector has been hit hard, with RMBS now being issued at a rate of around \$830 million a month, compared with \$6 billion a month before the crisis. This has weakened the capacity of mortgage lenders reliant on the primary RMBS market as a source of funding to compete.

The purchase of RMBS by the government will level the playing field and ensure that non-bank lenders now have access to funding for their operations.

For the government it means exchanging cash on their balance sheet for new prime AAA rated securities. In other words, the government will own mortgages and give a return to the taxpayer. The securities will be held by the AOFM until market conditions normalise and they can be sold.

Confidence in the non-bank sector has now returned, with a recent Mortgage Business poll showing that 50 per cent of brokers are now more open to using non-bank products compared to 12 months ago.

Non-bank lenders have an important place in the mortgage market because they have increased the choice available to borrowers. Before they came on the scene, the four big banks called the shots when it came to home loan rates and products.

Our role as your mortgage broker is to work with a large panel of lenders to find a loan that best suits your needs. As non-bank lenders recover their position to once more compete effectively with banks, we should in time see a flow-through in savings for home buyers.

For Love or Money



Steve Willey had run his own cafe for a number of years when he started having trouble paying the bills. He asked his parents, Jan and Michael, to sign a mortgage over their family home to provide him with a bank overdraft. Within a year Steve's business had gone under and the bank sold the parent's home to recoup their investment.

Already in their retirement, Jan and Michael found themselves forced out of a home that held a lifetime of memories. They felt angry and let down, while Steve felt humiliated at what he had done to the family. The once trusting relationship between parents and son was never the same again.

Unfortunately this is an all too common scenario that occurs when lending money to family. When money goes down the tube and people suffer financial consequences, relationships invariably turn sour.

While it's natural instinct to want to bail out your loved ones, there are usually better ways to deal with financial difficulties. Sometimes love is about allowing others to find

their own way, as well as to experience the full consequences of their actions. There is no guilt or shame in promoting the merits of hard work and patience when it comes to achieving monetary goals.

If you decide there is no other option but to lend to family, here are some tips to help protect yourself.

- Explore all other avenues before agreeing to lend money. Be cautious and look at the pros and cons of different lending options.
- Don't lend what you can't afford to lose. Ask yourself whether you would be comfortable giving the loan money away as a gift. If the answer is no, then you are not in a position to loan it.
- Be aware of all the risks. Go into the loan with your eyes open, knowing what the consequences could be for you down the track.
- Put everything in writing. Seek legal advice and sign a formal loan document that spells out the terms of the deal, including a repayment plan.

Profile

With over a decade of mortgage brokering experience and with over 35 lenders, we will find you the most suitable and cost effective loans. We strive to become the personal banker for life for all our customers by making the application process as hassle free as possible. We are also about facilitating your financial goals and plans for the future. We provide an efficient and honest service to all our customers.

We have a reputation for tailoring loans to all types of borrowers including newly arrived migrants, customers with no savings, Lo doc loans for self employed customers etc.

Depending on your particular situation we can usually arrange ongoing interest rate discounts between 0.5% to 0.8% off the standard variable rate.

Pacific Home Loans is a Full Member of the Mortgage and Finance Association of Australia (MFAA) and a Member of Credit Ombudsman Service Limited (COSL).

Our main strength and the reason for its continued success is loyalty to you, the client and the capacity to handle all your needs.

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