

# MORTGAGE & FINANCE



## - UPDATE -

### BUDGET 2021 AND WHAT IT MEANS FOR PROPERTY

**The landmark 2021 federal budget is all about business productivity and jobs to drive the post-pandemic economic recovery.**

In terms of the headline numbers, the Treasurer announced a budget deficit of \$106.6B for 2021-22, which was little changed from the \$108.5 billion deficit the federal government forecast at the December 2020 mid-year economic and fiscal outlook.

*A huge emphasis on infrastructure spending is set to buoy property development while funds allocated to the aged sector are likely to spearhead investment in aged care homes.*

**Budget measures are likely to change the dynamic in the residential property market.**

These measures are designed to give first-home buyers a leg up into the booming property market.

#### FIRST HOME SUPER SAVER SCHEME

On 11 May 21, as part of the 2021-22 federal budget, the Australian government announced it will improve the operation of the First Home Super Saver (FHSS) scheme and increase the maximum releasable amount up to \$50,000. These measures are not yet law.

From July 1 2021, eligible individuals will be able to release up to \$50,000 (currently \$30,000) under the scheme to assist with the purchase of their first home. Voluntary contributions made from 1 July 2017 can count towards the total amount released.

#### FIRST HOME LOAN DEPOSIT SCHEME

An extra 10,000 places will also be added to the scheme - so first home buyers who are approved for the scheme can buy or build a new home with a deposit of just 5% plus costs.

#### FAMILY HOME GUARANTEE

Single parents will be backed to buy their own home with a 2% deposit under the new Family Home Guarantee which will support up to 10,000 single parents over a 4 year period commencing 1 July 2021.

*The federal government is also continuing its incentive to underwrite lenders' mortgage insurance for this*

*group of borrowers.*

Treasurer Josh Frydenberg has also indicated he's open to the idea in the future of people using their super to buy a home.

**At the other end of the spectrum, the age at which retirees can access the downsizer scheme has been lowered from 65 to 60.**

The measure allows people older than 60 and are in retirement who sell the family home to contribute \$300,000 from the sale proceeds to their super fund over and above other contribution rules.

Couples are able to add \$600,000 to their super savings from this scheme.

### WELCOME TO OUR WINTER EDITION

The last quarter has been one of the busiest on record with our office running at full capacity. Demand for house purchases, refinance and upgrading home and investment property has been at record levels.

We have noticed an upturn in the longer-term fixed rates in the past two months, with many lenders increasing their 3-to-5-year fixed rates, and clients taking up the option to rate lock their fixed rate loans.

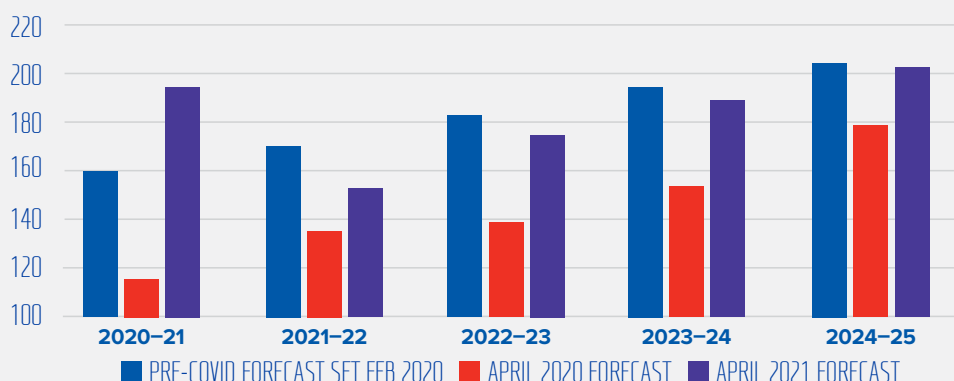
Cash back offers have continued to be strong, primarily for those seeking to refinance. Clients who have come to us have appreciated our ability to be able to provide multiple free valuations on their property in order to maximize their equity for either debt consolidations or new purchases. This can minimise or avoid the cost of lenders mortgage insurance when seeking to buy a new home or investment property. In many cases they have been able to do both and obtain a cash back of up to \$4000 for a refinance and improve rates so at the same time saving money in the process.

The WA economy has been growing at a fast pace. The WA government is set to announce the nations only budget surplus on September 9th tipped to be in the vicinity of \$5 billion.

The Chamber of commerce and industry has indicated the current WA skills shortage has been a challenge for the economy and that access to qualified staff is needed to broaden our industry and economic base.

We thank everyone for their continued support and referral of friends, family, and associates. Please contact us should you wish to review your lending.

### FORECASTS FOR TOTAL NEW HOME STARTS ('000'S)



Source: Master Builders Australia

#### CONTACT US FOR FURTHER INFORMATION & GUIDANCE

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## HOME BUILDING TO SURGE IN SURPRISE TURNAROUND

**Residential construction across Australia will surge above 194,000 new homes this year and continue at a rapid pace into the middle of 2022, countering a 10.6% fall in commercial activity driven by a slowdown in hotel and agedcare construction.**

Forecasts released by the Master Builders Association on Monday reveal residential construction will soar to 194,257 homes by July 1, reflecting the success of the Morrison government's HomeBuilder scheme that also drove a 12.4% increase in major home renovations.

The MBA, which has updated its forecasts 4x through the pandemic, predicts strong residential construction activity across 2021-22 with 151,754 new builds,

The lobby group, representing the \$200bn building and construction sector, had painted a gloomy picture for the sector at the height of the pandemic last year, suggesting only 115,822 builds. The MBA's final prediction is now expected to exceed pre-COVID residential construction levels in 2019-20 by 13.4%.

*It expects the number of HomeBuilder applications will come in at 130,000 when the final numbers are released. If it reaches that level, the value of residential construction work directly supported by HomeBuilder is expected to peak at \$39.36bn and 355,145 full-time jobs.*

**HomeBuilder will have pumped \$114.4bn into the economy, boosting GDPs 8%.**

Commercial construction is expected to be down 10.6%, linked with a sharp drop in hotel and aged-care construction, as well as falling demand for office blocks and shopping centres.

MBA chief executive Denita Wawn said federal and state governments must now move to managing the economic transition

**"from being on life support to one that is growing strongly to support business success, jobs and people's aspirations".**

Kate Colvin, national spokeswoman for the Everybody's Home campaign to end homelessness, said the government's plan to encourage home ownership for single parents was "entirely legitimate" but suggested it would support those earning between \$80,000 to \$125,000.

*"Housing need is greatest among people on lower incomes, especially older women and those escaping family violence," Ms Colvin said.*



- THE AUSTRALIAN -

## MORTGAGE RATES SET TO RISE IN MONTHS – ANZ

**With property prices continuing to soar, and bank after bank predicting double digit increases, ANZ Senior Economist Felicity Emmett is expecting momentum to slow later in the year – and for fixed interest rates to start creeping up. "We think fixed rate mortgage rates will rise in the second half of the year due to the end of the term funding facility and the likelihood that the RBA chooses not to roll the yield curve control," she told AFR.**

"So even without a lift in the cash rate, the housing market will face higher rates as early as the second half of 2021, with a more significant tightening in 2023."

*"We're expecting the regulator to step in with macroprudential controls later this year, which could see price growth slow in 2022," she said*

"The exact measures likely depend on how the market develops over the next six months, but we could see the regulator focusing on high debt-to-income loans and there's also a possibility that they revert back to changing the buffers around mortgage serviceability."

In its quarterly meeting, the Council of Financial Regulators has already flagged that it is keeping an eye on housing saying "The council places a high emphasis on lending standards remaining sound, particularly in an environment of rising housing prices and low interest rates."

*"It will continue to closely monitor developments and consider possible responses should lending standards deteriorate and financial risks increase."*



### WHAT THE BANKS ARE PREDICTING FOR HOUSE PRICE RISES:

#### ANZ

SYDNEY	19.0%
MELBOURNE	16.0%
PERTH	19.0%
BRISBANE	16.0%
ADELAIDE	13.0%
HOBART	18.0%

#### CBA

SYDNEY	12.0%+
MELBOURNE	12.0%+
PERTH	17.7%
BRISBANE	16.6%
ADELAIDE	14.5%
HOBART	15.0%
DARWIN	18.0%

#### Westpac

SYDNEY	10.0%
MELBOURNE	8.0%
PERTH	12.0%
BRISBANE	10.0%
ADELAIDE	10.0%
HOBART	8.0%

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## SMALLER BANKS WIN CUSTOMER TRUST

Aussies are increasingly putting their trust in smaller banks, according to the latest quarterly Banking Brand and Trust Index published by research platform Glow.

*"The study was designed to make it easier to obtain this competitor information and measure and track key metrics of brand success, including brand awareness, trust and customer engagement," says Glow chief executive Tim Clover.*

The study, which looked at 31 banks, found that small institutions such as Bendigo Bank, P&N Bank and Greater Bank lead the way when it comes to winning the trust of customers.

Bank of Sydney enjoyed the greatest improvement during October, but the same cannot be said for Bank of China, which trails its peers with a negative score of 23.

*However, when it comes to brand awareness, the big players still dominated the space.*

### OUR MOST TRUSTED BANKS

	RANK	SWITCHING*
BENDIGO BANK	1	17%
GREATER BANK	1	2%
P&N BANK	3	2%
BANK OF SYDNEY	4	2%
HERITAGE BANK	5	4%
ING	6	18%
RACQ BANK	6	3%
UP BANK	8	2%
CUA	9	5%
BEYOND BANK	10	3%

\*Survey question: Which of these banks would you consider if you were looking to switch your main bank?

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29% of Aussies would like to see the superannuation guarantee increase to 12% according to a survey of 1375 Australians commissioned by the Association of Superannuation Funds of Australia. By contrast, only 12% of respondents wanted the rate to remain at the current 9.5%.

## SIX WAYS TO SIMPLIFY TOUGH DECISIONS

The typical adult makes 35,000 decisions each day. If you do the math (and account for seven hours of sleep), that's about 2,000 decisions every hour – or one choice every two seconds.

Here are six methods to consider when losing sleep over a challenging decision.

### 1 MAKE A VALUE-BASED PROS & CONS LIST

Imagine that you're considering relocating to a new city. Pull out a piece of paper and write a classic pros and cons list for the move. Now, here's where science has added a helpful twist. Assign every list entry a number from 0 to 1, based on your personal values.

For example, if being closer to your family is a pro that's extremely high on your list, you might score it at 0.9 or 0.95. If you listed 'near the mountains' as another pro, but you're more of a culture hound than an alpine hiker, then it might only rate 0.2 or 0.3.

Do the same for the con side. Leaving a job you love could score 0.8, for example, if your career is an essential part of your life.

Add up each side, multiply by 100, and see whether the pro or con side wins out. You can also make a separate pro and con list for staying where you are. Compare the final values and see how you feel about the outcome.

Often, confronting a 'logical' number [which is actually weighted with emotions] can illuminate subconscious feelings. If you see the numbers but still feel pulled in the opposite direction, it's worth doing some deeper exploration. You can also use this technique for smaller, less personal decisions, like which project or feature to tackle next.

### 2 EXPLORE FUTURE SCENARIOS

Considering the best- and worst-case scenarios is a common way to make tough choices. What's the very best future you can imagine? The worst? How would you feel if that disastrous scenario became reality?

To expand on this technique, imagine that your decision was terrible. Now, explore every possible reason for the failure. Once you address this worst-case scenario, you can take steps to prevent it – and make a better decision in the first place.

On the flip side, try to visualise that epic, best-case future scenario and gauge how you feel. If you're not happy or excited, it's worth considering why.

### 3 AVOID BINARY CHOICES

It's easy to see the world in black and white, but there's typically a grey option in the middle – or several shades of grey.

Sometimes the right choice is not one of two opposites – it's a more creative, nuanced or flexible solution.

### 4 CONSULT WITH OTHERS

Sharing your dilemma with others can justify or reinforce a choice, but, more importantly, it's a valuable way to gather important information. If you can't decide whether to move, for example, don't just survey your friends and family; talk to someone who made the same move. Ask how they feel now about their decision.

If you need help to make professional or business decisions, try hiring a consultant. Find people who have deep, niche expertise and learn as much from them as you can. The extra information will almost inevitably help you make better choices in the future.

### 5 GIVE YOURSELF ENOUGH TIME

Taking time to choose can be empowering to make great decisions in your life. Think it through, get your ducks in a line and move forward with confidence.

### 6 AVOID HIDDEN DECISIONS

When you procrastinate or delay an important choice, you're still making a decision – to delay which can have negative consequences.

Our 35,000 daily choices can be daunting, but quick action is the enemy of

decision fatigue. Choose fast and, whenever possible, tackle your choices head-on. Use as many methods as you need to pick the best solution. Choose what's best for you – and then stand firm in your decisions.

If you've started a business or launched a product and you're feeling overwhelmed by all of the decisions, please know that it does get easier. Once your business is stable, and many of the big, foundational choices are done, you will reach equilibrium.

Then it's time to focus on the constraints. Determine where you can make the most important, impactful decisions, and use them to grow or refine your business.

Remember, decision-making gets easier with practice, and a new choice is always just seconds away.

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## MORE WA RESIDENTS KEEN TO BUY HOMES

An increasing number of Western Australians are saving to buy a home, according to Bankwest.

The second-tier bank's study, which analysed savings goals over the six months to January 2021, showed

**49%** growth in homebuying intentions among Western Australians.

This growth was apparent across generations, with millennials and baby boomers ranking homebuying as their second top priority next to big purchases. Millennials made up the majority of those saving for a home – around 20% are putting their money towards a home loan deposit.

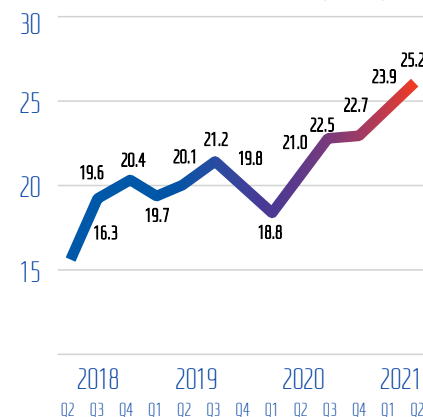


- THE ADVISOR -

## TURNAROUND TIMES CONTINUE TO BLOWOUT

Reflecting the level of activity in the mortgage market lender turnaround times sat at 25 days in the second quarter of FY21- the longest average response time seen at any point in the past three years.

### UNCONDITIONAL APPROVAL TURNAROUND TIMES (DAYS)



- MPA MAGAZINE -

## MORTGAGE BROKER MARKET SHARE

**55.3%**  
OCTOBER-DECEMBER 2019

**59.4%**  
OCTOBER-DECEMBER 2020

(0.7% lower in December 2020 quarter than the all-time record of 60.1% set in September 2019)

- AUSTRALIAN BROKER -



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LOANS**



**BUSINESS  
LOANS**



**CAR AND  
EQUIPMENT  
LOANS**

## INTEREST RATES

**OWNER OCCUPIER**

**1.89%**

**2 YRS FIXED RATE**  
(LOAN TO VALUE RATIO <95%)

\*CONDITIONS APPLY

## COMPARISON RATE

**3.46%**

WARNING: This comparison rate is true only for the examples given and may not include all fees and charges. Different terms, fees or other loan amounts might result in a different comparison.

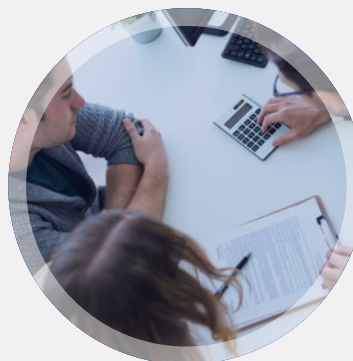
## DO HOMEOWNERS PREFER BROKERS OR BANKS WHEN REFINANCING?



**Most homeowners looking to refinance their mortgage think they can get a better deal by speaking to a broker than a bank, according to a recent Mortgage Choice survey.**

The survey, conducted by CoreData between October 14 and 27, 2020, gathered a total of 1,023 responses from Australians across the country aged between 21 and 60 years old who are either a "first home buyer" (494 respondents) or a "homeowner/investor" (529 respondents).

Data from the survey revealed that, while two out of five (38%) respondents are either in the process of refinancing or are considering switching to a new loan, one in two (53%) is reluctant to speak with a bank for refinancing advice out of concern they won't be advised if there is a better deal elsewhere.



*"Faced with what can be an overwhelming choice of home loans, homeowners want to be confident they are making the move to a loan that will improve their financial wellbeing through a lower rate, improved loan features, or both," said Susan Mitchell, chief executive officer of Mortgage Choice.*

*"While banks can provide information on their own product suite, they do not have an in-depth understanding of competitors' products. That is why I urge borrowers in the market for a better deal to engage the help of an experienced mortgage broker to learn what other options they have."*

According to Mitchell, mortgage brokers "not only provide a broad selection of loans across a variety of lenders, they also take the time to explain why a particular loan is being recommended."

*"This is very reassuring for consumers and demonstrates that mortgage brokers work in the homeowners' best interests at all times," said Mitchell. "This important combination underpins the exceptional level of trust that homeowners place in their mortgage broker."*

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## GLOBAL WATCH: U.S. MORTGAGE LENDING HITS RECORD-BREAKING \$4.3TRN



Mortgage originations in the United States totalled a record-breaking US\$4.3trn in 2020, according to Black Knight's latest Mortgage Monitor Report, released on 8 March.

*For the first time ever, loan originations surpassed US\$4trn, with refinances reaching an all-time high of US\$2.8trn and purchases skyrocketing to US\$1.5trn - the largest annual volume since 2005.*

In the fourth quarter alone, mortgage lending broke records across the board, with all-time single-quarter highs for purchase lending (US\$346bn), refi lending (US\$869bn) and total lending (US\$1.3trn).

According to Black Knight's rate lock data, the momentum continued for 2021 despite interest rates rising to a nine-month high. Q1 2021 refi lending continued for the first quarter previous quarter's record high. Refi activity is expected to remain steady.

- **NEWSWIRE** -

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