



### What is offset?



**You may have heard the term 'offset' or 'offset account' but do you know what it means?**

An offset account allows a home owner or investment property owner to place an amount of money on deposit with the lender. Instead of receiving interest on the deposit as would be usual, the interest is offset against the interest accruing on the mortgage.

Let's take a simple example. You become a beneficiary of a will and gain \$100,000 as a cash amount. You decide that you do not want to pay that money into your loan account as a capital reduction because you have it earmarked for another purpose later on. You may simply want to keep it as a future reserve.

If you establish an offset account with your mortgage lender, and place that \$100,000 on deposit, the lender will waive the interest due on the first \$100,000 of your mortgage loan. Various conditions and terms apply which we can explain. This means that a much higher proportion of your normal monthly repayments will go to the repayment of principal rather than interest. Consequently your mortgage is reducing faster.

There are a number of other benefits to using this financial tool. There are also conditions, for example it must be your own money in the offset account.

At the start of a loan contract, buyers are usually looking for every dollar they can find to establish their own equity, limit their total borrowing and ensure they have sufficient cash flow to meet repayments.

The benefits of offset do not usually come into play at this stage because an offset account requires that you have excess liquidity.

The concept of offset usually becomes relevant at a later stage when the loan has been running for a while and when the borrower's financial circumstances improve.

If you would like to learn about how an offset account works, and about how it could be organised in your case, please give us a call.

### Also in this issue:

- Refer a friend & Win an accommodation & show package
- Single point of contact
- Auctions – The finance must knows!
- What is Joint Tenancy?





## **Auctions - The finance must knows!**

**From time to time we are asked how people can make sure that finance will be available if they make a successful bid at an auction.**

When the hammer goes down on the final bid at an auction, the offer is final and there is no cooling off period. This contrasts with the situation where you purchase a property 'through the Real Estate Agent's window' because the offer in this type of purchase can be made 'subject to finance' and it also includes a cooling off period (except in WA). In an auction you cannot afford to bid more than you can borrow. It is good to attend an auction in the security that you know your borrowing limits.

The process of acquiring the comfort of knowing how much you can borrow is called pre-approval and we can help you with this.

At its simplest level pre-approval means the lender will assess your income and calculate the size of loan you can service. The lender will issue you with a conditional approval to borrow that amount of money subject to the valuation. We recommend you go one step further and have the property valued by your lender prior to the auction to obtain your unconditional approval. This will involve a small cost whether or not you are successful at auction but we believe it is worth it for the peace of mind.

With these two aspects of your purchase guaranteed, you can then attend the auction and bid to your limit with a confidence that the lender will advance you the amount you require to purchase the asset.

Pre-approval means that you can be sure the finance package will be here when you need it.

A condition of the auction process is that a deposit - usually 10% of the successful bid - is payable at the completion of the auction. As this amount can be as much as \$50,000 it is essential that you have pre-arranged this finance and this can all be a part of the pre-approval process.

We are well experienced in arranging pre-approvals for prospective buyers attending auctions. If you are considering buying at an auction, please call us so we can help you with a pre-approval.

### **Did you know?**

In most auctions a non-refundable deposit is payable at the fall of the hammer. This is usually 10% of the full bid. The meaning of the term non-refundable is that if you fail to go through with the remainder of the purchase, you will forfeit the deposit. In the purchase of an ordinary suburban home the deposit may be from \$30,000 to over \$100,000.

The common settlement terms in auction contracts vary between 42 days and 65 days. It is important to read the contract prior to the auction to ensure you can arrange finance within the settlement period.

If you fail to settle the full purchase price by the end of the time period, the vendor usually have options which may result in loss of your deposit or he may proceed with another sale and attempt to recover any losses he may incur if he sells the property for less than you bid for.

To ensure your pre-approval finance is processed as a priority, please contact us early if you are looking at purchase at auction.

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## **Competition Winner Announcement**

The **WINNER** of our Autumn Edition 2008 Newsletter 'Win an Overnight Stay and Show Package' competition is:

**Congratulations!** You have won an overnight stay and show package in your Capital City valued at up to \$500.00.

**Jose and Rachel Rancudo of Auburn NSW**

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***A single point of contact for your borrowing needs creates benefits in terms of time, convenience, choice and trust.***

The role we can play in meeting your borrowing needs is now being extended to a much wider field than before.

Over recent decades independent mortgage brokers and finance businesses such as ours have changed the face of home loan lending in Australia. Twenty years ago independent mortgage businesses were a factor in only a small proportion of all mortgages arranged. Now they play a part in a growing proportion of the market and this shows that brokers have something real to offer. Success has not been an accident and the personal relationships between brokers and home buyers have been an important element. The knowledge that the broker has access to a wide range of products from a wide range of lenders has also been important.

In the past you may have been happy with your home loan or investment loan but when it came to the need to purchase a motor vehicle, for example, you had to go off and find another lender. Similarly if you had other borrowing needs such as personal loans, commercial finance, factoring and other business borrowing needs, you had to deal with a number of different people to meet all these finance needs. With the changing situation, your choice and convenience are both improved. Rather than facing the task of flicking through the yellow pages every time you have a new borrowing need, it is more convenient to come to a person you already know - and who already knows you.

Your choice is boosted because our panel of lenders is increased to include companies that specialise in various other forms of finance. If the financial product or service is not one we offer in house, we are sure to have a trusted industry professional we can refer you to for assistance.

One of the exciting things about our business is seeing our clients grow and the privilege of growing with them. If your financial needs are growing and becoming more sophisticated, it might be an opportune time to contact us for a conversation about this.



## **What is joint tenancy?**

*It has nothing to do with renting a property, but is a decision that needs to be made when two or more people are buying a property together. It refers to how they own the property. This will ultimately determine how the property is dealt with if one of the owners passes away.*

It is important to know the two types of ownership.

Joint Tenancy is based on the principles of survivorship or how one's property is to be dealt with if one of the owners dies. This means that on the death of one of the owners the surviving owner(s) automatically receive the deceased person's share of the property.

Usually a death certificate is required to be lodged, with a Notice of Death to bring this about. However, it is automatic and occurs regardless of what their individual last will and testament may say.

Tenants in Common on the other hand, is where the owners may possibly want an individual share in the property with that share being disposed of by their will rather than that share automatically going to the survivors.

Under a joint tenancy, each owner has the same rights with the others regarding legal ownership, enjoyment, possession and sale of the property; in other words they all share together in the whole of the property equally, not in separate shares. Under a tenancy in common on the other hand, each owner has a separate and distinct share, and these shares may be different in size or percentage.

So, this is obviously an important decision to make. When the time comes for you to decide what's best for you, make sure you talk to your solicitor or conveyancer and accountant to get further advice based on your individual needs and circumstances.

## Thank You.....

A note to say thank you for your business and some helpful hints to help you explain how we as finance brokers can help your friends, relatives etc, get their finances in order and find the best deal to match their current financial arrangements.

If they are serious about finding a professional to help them with their finances, particularly if they are looking to borrow money, then finding a broker that is reputable, experienced and well connected is the key.

One thing when comparing other brokers to us, is that we do not charge. We are paid on a commission basis by lenders and providers on a per transaction basis, so as a result both you and your referrals do not need to pay any brokerage fees.

But why use a broker in the first place? Well you know the answer to that - because we can save time and money - and we all want to do that don't we! As finance brokers we know a lot about the products that are available in the marketplace.

This means that we can save them the time and hassle of having to do the research - after all we have it all at our fingertips.

If your friends & relatives are prepared to take the time to share the details of their current financial situation with us, we will be able to not only find them a product, but find one that meets their financial and lifestyle needs.

Call us today or visit our web site to see how we may be able to help them as we have helped you, for which we say, thank you again for your valued business.

Regards

*Theresa Lonergan*

## Your Finance Made Easy



### Success Mortgage Specialists

Kanwal NSW 2259

PH: 1300 01 5626

FAX: 02 4393 1164

[success@01loan.com.au](mailto:success@01loan.com.au)

[www.01loan.com.au](http://www.01loan.com.au)

#### Member of:



If you have received this Newsletter via the mail and would prefer to receive it via email, please email us:

[success@01loan.com.au](mailto:success@01loan.com.au)

### WIN an Overnight Stay and Show package in your Capital City to the value of up to \$500.

For full details of prize contents, please go to: [www.nationalbrokersgroup.com.au/prizelinfo.htm](http://www.nationalbrokersgroup.com.au/prizelinfo.htm)

#### How to Enter:

Refer a friend, family member or acquaintance to:

Receive a copy of this Newsletter and receive one entry per referral. Make an appointment with someone from our office and receive one entry. Refer a friend, family member or acquaintance for a consultation with someone from our office and receive one entry per referral. Note: for full details of the terms and conditions of this competition, please go to [www.nationalbrokersgroup.com.au/termsandconditions.pdf](http://www.nationalbrokersgroup.com.au/termsandconditions.pdf)

Authorised under NSW LTPS/08/00750, ACT TP 08/00397, SA T08/424

#### Conditions:

1. All travel is subject to availability at all times and maybe dependent on specific room category availability with accommodation partner. Travel must be completed by the 30th April 2009. Blocked out for travel periods will apply including but not limited to Easter Long Weekend, Christmas School Holiday period and during special event periods. All bookings and documentation regarding the prize must be made via Free-2-Travel Holidays Pty Ltd or their agents. Redeeming the prize is conditional on acceptance of the terms and conditions of travel as detailed by Free-2-Travel Holidays Pty Ltd in accordance with normal travel practices. No portion of the prize is redeemable for cash. The prize is not refundable or transferable. In the event the winner is under the age of 18 years, they must be accompanied by a parent/guardian. Winner is responsible for any amendment fees issued by suppliers once booking is confirmed and ticketed. Additional spending money, meals (other than those included), transfers and any other ancillary costs, including but not limited to insurance and any applicable insurance excesses, not listed in the prize package descriptions above are the responsibility of the prize winner and his/her nominated.
2. Staff & Members of National Brokers Group Pty Ltd are not permitted to enter this competition.