

HOME LOANS NEWS NOW

A smart read.

February 2006 Issue 5

Consumer beware!

Read the fine print before signing anything!

Interest-free credit is alluring at this time of year, when Christmas has left you a little out of pocket. There are plenty of ads around, exclaiming: "Buy today – 24 months interest free!"

You take home your new couch or fridge now; you pay for it over a set time frame; the store charges you no interest. Sounds great. But before you go shopping – read this.

As a general rule, these interest-free deals tend to have hidden conditions that can really sting you down the track. It's vital that you read and understand the terms of any contract or application form you sign. The same goes when you sign up for a credit card from a major retailer.

Once the interest-free period expires, there's a chance you'll have to pay the backlog of interest for the entire "interest-free" period, in addition to ongoing interest payments. And the interest rates are anywhere from 16% to 27.5% per annum!

The main issues you need to work out are:

- (1) Is the interest-free period subject to any conditions?
- (2) When will interest payments kick in?
- (3) What is the interest rate?
- (4) Will interest be charged retrospectively?
- (5) What other fees and charges can apply?

It's natural to feel optimistic about your ability to pay off the debt within a 12 or 24-month period. But retailers make huge profits out of people who fall behind in their payments, which indicates that plenty of people are being caught out.

And don't assume that you'll be OK if you make the minimum repayments. These generally won't clear your debt within the interest-free period.

In order to take advantage of interest-free deals, big retailers will often sign you up for their store credit card. Using the card, you might be offered, for example, 12 months interest free on items over \$500. But look for the catch. If you miss a monthly

payment in that period, you will probably be hit with a fee, and you'll suddenly be required to pay interest (at an exorbitant rate).

Even if you make regular card payments on time, some stores will still charge monthly account keeping fees.

The moral of this story is to read the fine print before signing anything! Or even better, make a budget and save up for any big-ticket items – and buy them when you really can afford them. Just think, in the meantime that money could be sitting in an offset account, saving you interest on your home loan.

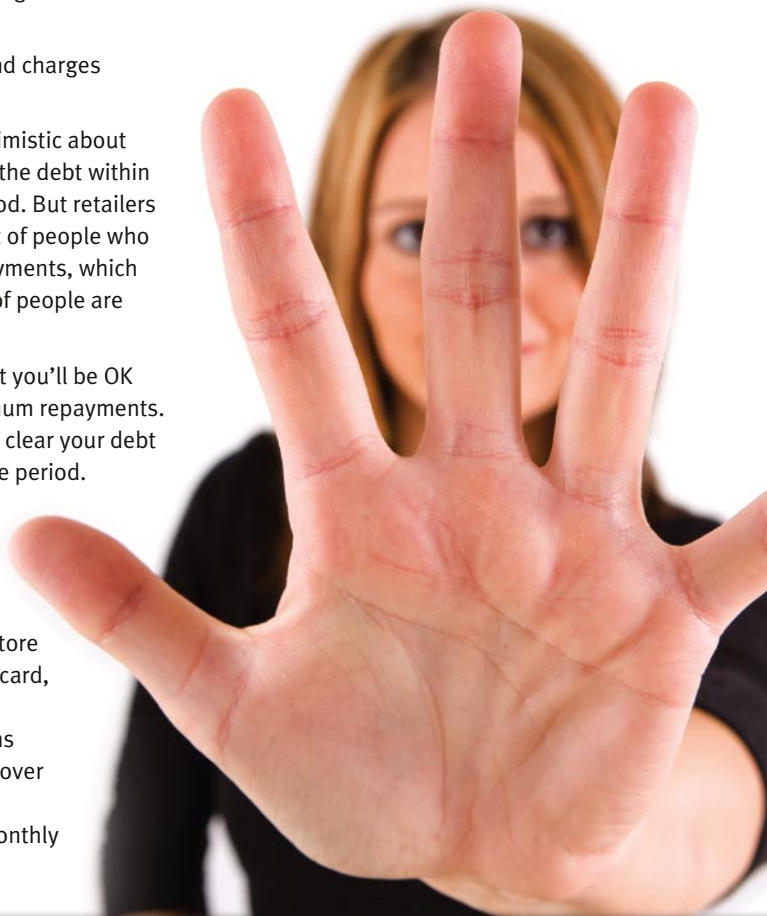
In this issue...

Happy new year! Now is the time to look at your budget, financial and investment goals for 2006.

If you'll be buying a home or investment property this year, have a look at our suggested check list for property inspections, as well as our negotiation tips.

You might also be interested to see how well your suburb has performed over the last ten years – check out our table of house prices.

Best wishes from the team at Home Loans Now.



Who's saying what?

Simon Tennent, HIA Executive Director of Housing and Economics, January 2006:

"It is highly likely that the worst of the affordability crisis has passed, as the favourable combination of stable interest rates, higher incomes and soft house prices will most likely continue throughout 2006."

Fiona Bergin, REIQ Research Manager, December 2005:

"Brisbane suburbs like Bald Hills, Darra, Runcorn, Upper Mt Gravatt and Chermide saw strong price growth over the [September] quarter and the past 12 months largely due to their comparative affordability. Each one of these suburbs still retains a median house price under the current Brisbane median of \$356,000."

Brisbane City Council, January 2006:

"Mulching your garden can slash evaporation loss by up to 70%. It will also help stop weeds growing."

Mal Brough, Assistant Treasurer, December 2005:

"The splitting of superannuation contributions [from 1 January 2006] will assist many families... Splitting will allow non-working spouses to have superannuation assets under their own control and to have their own income in retirement."

Australian Consumers' Association, November 2005:

"Consumers who pay interest on their credit cards should not bother with a rewards scheme. Those who spend \$1000 or less a month also will not get much benefit from the programs..."

Tricks of the trade

This month, Senior Loans Manager Tricia Green explains lines of credit. Tricia has been working in finance for 25 years, and is an avid property investor. She has an Associate Diploma of Business – Accounting, a Certificate IV in financial services, and is a certified mortgage consultant with MIAA.

Q: What is a line of credit?

A: It's like an overdraft, or large credit card, secured against residential property, where the customer can draw funds up to a pre-established limit. Traditionally interest-only repayments are required, providing the limit isn't exceeded.

Q: Why would you use a line of credit?

A: To enable you to access equity in your home for a variety of things, such as home improvements, investments, household goods, holidays.

Q: What do clients most commonly use lines of credit for?

A: The majority of people use their LOC as an investment tool, either as a deposit on an investment property or to purchase shares or other investment instruments. Some use it as a mortgage reduction tool, where all bills are paid via their credit card and cleared monthly from the LOC – this enables their pay/income to sit longer in their LOC, saving interest, and in theory helping them to pay off their loan sooner.

Q: Any advice for people who are thinking of using a line of credit?

A: You must be very budget conscious – as you can easily keep spending up to the limit and find in 10 years time you haven't paid anything off your loan. Also it's advisable not to have the limit higher than you need, just to avoid that temptation to spend.

Tricia works at our Toowong office. She can be contacted on 1300 135 137 or mobile 0412 664 390.

Create your own Checklist

If you've ever inspected a few properties on the same weekend, you'll know that at the end of the day it can be very hard to recall what each of the properties looked like, let alone which ones had built-in robes. One way to keep on track is to print out a checklist to fill out at every inspection.

Tailor-make your own checklist with items that are important to you. However, here are some suggested items:

- Overall impression
- How many bedrooms?
- Size of bedrooms
- Built-in robes?
- How many bathrooms?
- Sleep out / study?
- Condition of floorings
- Condition of walls / ceiling
- Exterior condition
- Outdoor entertaining area?
- Low-maintenance garden?
- Dishwasher?
- Air conditioning?
- Ceiling fans?
- Water pressure
- Possible renovations / repairs
- How long has it been on the market?
- Vendors reason for selling
- Have there been previous offers?

Tip: Remember to ask if items such as dishwashers and air-con are included in the sale of the house. And then have those items mentioned in the contract of sale, just to be sure.

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for a
quote
today**

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House Prices Over the Past 10 Years

SUBURB	Sep 1995 Median house price	Sep 2005 Median house price	Avg. growth per annum
Acacia Ridge	\$88,000	\$232,000	10.2%
Albion	\$146,000	\$387,500	10.3%
Alderley	\$152,000	\$410,000	10.4%
Algester	\$134,750	\$290,000	8.0%
Annerley	\$136,250	\$375,000	10.7%
Anstead	\$203,000	\$542,000	na
Archerfield	\$80,750	na	na
Ascot	\$380,000	\$850,000	8.4%
Ashgrove	\$174,500	\$454,200	10.0%
Aspley	\$139,500	\$347,500	9.6%
Auchenflower	na	\$541,000	na
Bald Hills	\$115,000	\$265,375	8.7%
Balmoral	\$155,000	\$442,000	11.0%
Banyo	\$110,000	\$275,000	9.6%
Bardon	\$172,500	\$490,000	11.0%
Bellbowrie	\$151,500	\$365,000	9.2%
Belmont	\$190,000	\$376,250	7.1%
Boondall	\$136,900	\$315,000	8.7%
Bracken Ridge	\$130,000	\$305,000	8.9%
Bridgeman Downs	\$238,000	\$533,500	8.4%
Brighton	\$101,000	\$291,000	11.2%
Brisbane City	\$200,000	\$420,000	7.7%
Brookfield	\$315,500	\$725,000	8.7%
Bulimba	\$145,000	\$667,500	16.5%
Burbank	na	na	na
Calamvale	\$158,900	\$365,000	8.7%
Camp Hill	\$136,750	\$419,000	11.8%
Cannon Hill	\$118,300	\$350,000	11.5%
Carina	\$134,250	\$350,000	10.1%
Carina Heights	\$141,323	\$351,000	9.5%
Carindale	\$216,250	\$475,000	8.2%
Carole Park	\$64,500	\$156,500	na
Carseldine	\$190,000	\$363,900	6.7%
Chandler	\$277,500	na	na
Chapel Hill	\$215,000	\$450,000	7.7%
Chelmer	\$257,500	\$485,000	6.5%
Chermside	\$114,500	\$340,000	11.5%
Chermside West	\$130,000	\$310,625	9.1%
Clayfield	\$232,750	\$547,500	8.9%
Coopers Plains	\$119,500	\$267,000	8.4%
Coorparoo	\$141,250	\$450,000	12.3%
Corinda	\$163,000	\$397,500	9.3%
Darra	\$89,000	\$240,000	10.4%
Deagon	\$94,500	\$262,000	10.7%
Doolandella	\$118,000	\$265,000	8.4%
Drewvale	\$184,000	\$320,000	na
Durack	\$111,450	\$250,000	8.4%
Dutton Park	\$163,750	\$433,750	na
East Brisbane	\$150,000	\$425,000	11.0%
Eight Mile Plains	\$165,000	\$402,000	9.3%
Ellen Grove	\$145,750	\$305,000	7.7%
Enoggera	\$125,000	\$347,000	10.7%
Everton Park	\$134,500	\$345,750	9.9%
Fairfield	\$150,000	\$380,000	9.7%
Ferry Grove	\$165,500	\$353,000	7.9%
Fig Tree Pocket	\$215,000	\$465,015	8.0%
Fitzgibbon	\$125,388	\$295,000	na
Forest Lake	\$136,200	\$280,000	7.5%
Fortitude Valley	na	\$499,500	na
Gaythorne	na	\$369,000	na
Geebung	\$125,000	\$309,650	9.5%
Gordon Park	\$145,000	\$450,000	12.0%
Graceville	\$165,000	\$442,500	10.4%
Grange	\$158,750	\$435,000	10.6%
Greenslopes	\$144,000	\$377,500	10.1%
Gumdale	na	\$822,500	na

SUBURB	Sep 1995 Median house price	Sep 2005 Median house price	Avg. growth per annum
Hamilton	\$176,000	\$650,000	14.0%
Hawthorne	\$164,000	\$630,000	14.4%
Heathwood	na	\$305,000	na
Hemmant	\$120,000	\$300,000	9.6%
Hendra	\$150,000	\$465,000	12.0%
Herston	\$175,000	\$435,000	na
Highgate Hill	\$173,500	\$530,000	11.8%
Holland Park	\$135,000	\$365,000	10.5%
Holland Park West	\$132,750	\$337,000	9.8%
Inala	\$71,000	\$195,000	10.6%
Indooroopilly	\$190,000	\$506,000	10.3%
Jamboree Heights	\$129,500	\$310,000	9.1%
Jindalee	\$148,000	\$323,000	8.1%
Kangaroo Point	\$168,000	\$441,500	10.1%
Karana Downs	\$150,000	\$335,000	8.4%
Kedron	\$125,500	\$330,000	10.2%
Kelvin Grove	\$160,000	\$425,000	10.3%
Kenmore	\$176,500	\$377,000	7.9%
Kenmore Hills	\$285,000	\$550,000	6.8%
Keperra	\$120,000	\$290,000	9.2%
Kuraby	\$91,000	\$400,500	16.0%
Lota	\$112,000	\$346,500	12.0%
Lutwyche	\$152,250	\$366,000	9.2%
Macgregor	\$164,000	\$358,450	8.1%
Mackenzie	\$162,900	\$485,000	11.5%
Manly	\$157,000	\$466,500	11.5%
Manly West	\$133,500	\$338,000	9.7%
Mansfield	\$146,750	\$325,000	8.3%
Mcdowall	\$183,000	\$408,000	8.3%
Middle Park	\$181,000	\$385,000	7.8%
Milton	\$152,500	\$515,000	12.9%
Mitchelton	\$123,500	\$310,775	9.7%
Moggill	na	\$383,850	na
Moorooka	\$133,000	\$328,250	9.5%
Morningside	\$140,000	\$365,000	10.1%
Mount Crosby	na	\$350,000	na
Mount Gravatt	\$127,000	\$323,750	9.8%
Mount Gravatt East	\$118,000	\$317,000	10.4%
Mount Ommaney	na	\$513,000	na
Murarie	\$108,000	\$345,375	12.3%
Nathan	\$123,000	\$320,000	na
New Farm	\$185,000	\$737,000	14.8%
Newmarket	\$148,000	\$425,000	11.1%
Newstead	\$200,500	\$737,500	na
Norman Park	\$150,000	\$424,250	11.0%
Northgate	\$105,000	\$345,000	12.6%
Nudgee	\$120,000	\$285,000	9.0%
Nudgee Beach	na	na	na
Nundah	\$136,500	\$377,500	10.7%
Oxley	\$116,250	\$289,000	9.5%
Paddington	\$176,750	\$525,000	11.5%
Pallara	\$163,250	na	na
Parkinson	\$207,500	\$365,000	5.8%
Pinjarra Hills	\$320,000	na	na
Pinkenba	na	na	na
Pullenvale	\$360,000	\$780,000	8.0%
Ransome	na	na	na
Red Hill	\$177,500	\$462,500	10.1%
Richlands	\$120,250	\$285,000	9.0%
Riverhills	\$142,750	\$287,500	7.3%
Robertson	\$213,750	\$494,450	8.7%
Rochedale	\$771,000	\$740,000	na
Rocklea	\$79,000	\$225,000	11.0%
Runcorn	\$137,489	\$293,000	7.9%
Salisbury	\$114,000	\$310,000	10.5%
Sandgate	\$127,250	\$350,000	10.6%

SUBURB	Sep 1995 Median house price	Sep 2005 Median house price	Avg. growth per annum
Seven Hills	na	\$412,500	na
Seventeen Mile Rocks	\$136,000	\$335,000	9.4%
Sherwood	\$168,750	\$420,500	9.6%
Shorncliffe	na	\$375,000	na
Sinnamon Park	\$168,000	\$435,000	10.0%
South Brisbane	na	na	na
Spring Hill	\$170,000	\$511,000	11.6%
St Lucia	\$262,000	\$690,000	10.2%
Stafford	\$113,000	\$297,000	10.1%
Stafford Heights	\$135,000	\$316,000	8.9%
Stretton	\$271,500	\$474,750	5.7%
Sumner	\$135,250	\$136,000	na
Sunnybank	\$140,500	\$374,500	10.3%
Sunnybank Hills	\$162,000	\$333,500	7.5%
Taigum	\$147,500	\$335,500	8.6%
Taringa	\$214,000	\$510,000	9.1%
Tarragindi	\$148,500	\$375,000	9.7%
Tennyson	na	\$425,500	na
The Gap	\$173,500	\$378,750	8.1%
Tingalpa	\$155,500	\$296,000	6.6%
Toowong	\$193,000	\$417,167	8.0%
Upper Brookfield	na	\$577,500	na
Upper Kedron	na	\$409,000	na
Upper Mount Gravatt	\$119,000	\$299,000	9.7%
Virginia	\$117,000	\$310,000	10.2%
Wacol	\$135,000	\$190,000	3.5%
Wakerley	na	\$421,500	na
Wavell Heights	\$129,000	\$340,000	10.2%
West End Brisbane	\$172,500	\$484,500	10.9%
Westlake	\$225,375	\$429,500	6.7%
Wilston	\$169,250	\$568,000	12.9%
Windsor	\$140,000	\$370,000	10.2%
Wishart	\$156,000	\$369,000	9.0%
Woolloongabba	\$129,750	\$341,000	10.1%
Woolloowin	\$165,000	\$435,000	10.2%
Wynnum	\$130,000	\$350,000	10.4%
Wynnum West	\$125,000	\$313,000	9.6%
Yeerongpilly	\$130,500	\$435,000	12.8%
Yeronga	\$174,500	\$482,500	10.7%
Zillmere	\$107,000	\$250,000	8.9%

Continued overleaf on page 4.

Prepared by PRDNationwide Research.
Source: RP Data

House Prices Over the Past 10 Years

Continued from page 3.

SUBURB	Sep 1995 Median house price	Sep 2005 Median house price	Avg. growth per annum
CABOOLTURE			
Banksia Beach	\$151,500	\$450,000	11.5%
Beachmere	\$110,000	\$266,000	9.2%
Bellara	\$115,000	\$290,000	9.7%
Bellmere	\$120,750	\$300,500	9.5%
Bongaree	\$125,000	\$300,000	9.1%
Burpengary	\$119,000	\$327,500	10.7%
Caboolture	\$90,500	\$229,000	9.7%
Caboolture South	na	\$207,500	na
Deception Bay	\$95,000	\$236,000	9.5%
Delaneys Creek	\$145,000	\$295,000	na
Donnybrook	\$85,000	\$360,000	na
Elimbah	\$160,000	\$372,500	8.8%
Morayfield	\$112,000	\$280,000	9.6%
Mount Mee	\$100,000	na	na
Narangba	\$152,000	\$331,000	8.1%
Ningi	\$80,000	\$290,000	13.7%
Sandstone Point	na	\$310,000	na
Toorbul	\$85,000	\$650,000	na

SUBURB	Sep 1995 Median house price	Sep 2005 Median house price	Avg. growth per annum
Toorbul Point	\$122,000	na	na
Upper Caboolture	\$205,000	\$300,000	na
Wamuran	\$130,000	\$350,000	na
Woodford	\$105,000	\$273,000	10.0%
Woorim	\$133,000	\$372,500	10.8%
PINE RIVERS			
Albany Creek	\$147,000	\$358,750	9.3%
Arana Hills	\$125,000	\$330,000	10.2%
Bray Park	\$111,500	\$250,000	8.4%
Brendale	\$108,000	\$263,000	9.3%
Bunya	\$250,000	\$620,000	9.5%
Cashmere	na	\$470,000	na
Closeburn	na	\$608,750	na
Dakabin	na	\$317,000	na
Dayboro	\$145,000	\$372,000	9.9%
Eatons Hill	\$155,135	\$392,500	9.7%
Everton Hills	\$133,250	\$310,000	8.8%
Ferry Hills	\$130,000	\$306,113	8.9%
Griffin	na	\$306,900	na

SUBURB	Sep 1995 Median house price	Sep 2005 Median house price	Avg. growth per annum
Highvale	na	\$591,000	na
Joyner	\$152,500	\$447,000	11.4%
Kallangur	\$105,000	\$248,500	9.0%
Kurwongbah	\$197,500	\$369,000	na
Lawnton	\$106,000	\$245,000	8.7%
Mango Hill	\$89,000	\$333,500	14.1%
Mount Nebo	\$150,000	\$325,000	na
Murrumba Downs	\$134,000	\$308,500	8.7%
Ocean View	na	\$430,000	na
Petrie	\$120,000	\$263,750	8.2%
Samford Valley	\$285,000	\$606,000	7.8%
Samford Village	\$150,500	\$390,000	10.0%
Samsonvale	na	\$444,000	na
Strathpine	\$109,750	\$242,500	8.3%
Warner	\$164,000	\$351,500	7.9%
Whiteside	na	\$550,000	na
Wights Mountain	\$292,500	\$520,500	na

Note: Statistics are based on the half year period ending September. Where less than seven sales have taken place during a half year period, the growth rate has not been calculated. Prepared by PRDnationwide Research. **Source:** RP Data

Negotiating Tactics

1. Keep your cards close to your chest

The real estate agent is there for the vendor. The agent isn't there to do you any favours – so be careful not to reveal too much.

For example, don't ever indicate to the agent that you might be willing to make an offer higher than the one you are currently putting in. (Sounds obvious – but it has happened before!)

2. Don't feel bullied

The agent will try to give you the sense that there is a bit of competition for the property you're interested in. That way, s/he hopes you'll feel some urgency to get your offer in.

The "competition" might genuinely be there – especially for a property in a popular area. But as a general rule, if the agent says there are lots of people interested in the property, take it with a grain of salt.

Do your research to find out how much you think the property is worth, and make the offer you think is appropriate. Don't let a sense of urgency push you into making an offer higher, or earlier, than you otherwise would.

(You can research market values using sources such as RP Data, Australian Property Monitors and Residex).

If you really have found your "dream" property you might be willing to do what it takes to secure the purchase.

But it might be helpful to remember the saying: "The deal of a lifetime comes around twice a week."

3. Play the game

Just as the agent will try to play games with you, you can play a few games back.

Put an expiry date and time on any offer you put in. This way you will put the vendors under pressure to make a decision rather than waiting around to see if any better offers come in.

If you are up against another interested purchaser, here's another tactic.

If you meet the vendor in person while inspecting the home, it sometimes pays to have a chat to them. If they are "house proud", as many vendors are, it might soften them a bit if you tell them how much you just love what they've done with the place. If they like the idea of a young family / old couple etc. just like you moving into their home, it might swing any bidding war in your favour.

Always ask the agent why the vendor is selling, and how long the property has been on the market. If they need a quick sale for some reason, or if the house has been sitting on the market for a while, you might be a bit cheeky with the offer you put in.

"The deal of a lifetime comes around twice a week."

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