


HOME LOANS **NEWS** NOW

A smart read.

November 2006 Issue 8



Are interest rates more stable now than ever?

With the Reserve Bank keen to curb inflationary pressure in the medium term, there is a lot of talk about interest rate rises. The media has a habit of sensationalising the subject – and understandably that tends to spook homeowners and property investors. So how can you avoid feeling panicked every time you hear a news reader say the word “interest rates”?

If you're on a standard variable rate, it's important to factor into your budget the possibility of a few small interest rate rises over time. Alternatively you can fix your rate and ignore everything the media says about interest rates.

In addition to taking these practical steps, it helps to keep the bigger picture in mind. That is, the large interest rate fluctuations witnessed in previous decades should be a thing of the past.

But why is that the case?

According to the Federal Department of Treasury, “Interest rates have become less volatile than in the past as a result of the economy becoming more stable. Furthermore, as the Reserve Bank is aware that households now have more debt, it recognises that it needs smaller changes in interest rates to achieve a given effect on household spending.”

By international standards, Australian households in the 1980s had low levels of debt relative to income. However, we're now on par with several of the world's major economies.

“The increase in debt means that, despite lower interest rates, interest payments now take up a higher proportion of income compared with the past decade,” says the Department of Treasury.

These days, even with a 0.25% increase in the interest rate, the Reserve Bank is able to help curb any overheating in the property market, or in consumer spending.

Of course, it's up to each household to assess how they would be affected by even small interest rate rises. If you have any concerns at all, you can always discuss them with a Loans Manager at Home Loans Now.

In this issue...

It's November already. The Christmas decorations in the shops are telling us it's time to start our Christmas shopping. It also happens to be time for your quarterly instalment of Home Loans News Now.

This month we reflect again on the hot topic of interest rates, and look at the bigger economic picture behind the news headlines.

We also have a feature on renovating. If you are in the throes of home improvement, good luck! May your tradespeople be reliable and may your finished product look fantastic.

And of course, ‘may your days be merry and bright’ over the Christmas period.

Best wishes from the team at Home Loans Now.

Who's saying what?

Reserve Bank of Australia,
August 2006:

"...the national average (of house prices) has been pushed up by large increases in Perth, where prices rose by more than 30 per cent over the past year. Prices have been broadly flat in Sydney over the year, while rising in the other capitals. These differences have in part been a reflection of the broader regional disparities in demand and output, with the resource-rich states of Western Australia and Queensland growing more strongly than the south-eastern states."

John Edwards, Chief
Executive of Residex,
October 2006:

"The highest price areas around the country are Sydney and Perth houses, with median values of \$545,000 and \$449,000 respectively. These are the areas where interest rates will hit the hardest."

Housing Industry
Association, October 2006:

"On a city by city basis, annual headline inflation (for the September quarter 2006) was 4.9 per cent in Darwin, 4.8 per cent in Perth, 4.4 per cent in Brisbane, 4.2 per cent in Canberra, 3.8 per cent in Adelaide, 3.7 per cent in Sydney, 3.4 per cent in Melbourne, and 3.3 per cent in Hobart."

Auctions

Recent changes to the *Property Agents and Motor Dealers Act* have affected the auction process in Queensland.

1. According to the Department of Fair Trading, "Auctioneers must obtain a reserve price from vendors prior to a residential property auction, unless the vendor instructs otherwise and has been given a notice of the possible consequences of selling without a reserve (that is, the property is on the market from the first bid)... Auctioneers should also advise vendors that they cannot accept a bid from the vendor if no reserve is set or the reserve is exceeded."
2. "If an auctioneer advises or assists a vendor in choosing a reserve price, the auctioneer must provide the vendor with a 'comparative market analysis' – comparing the sale of at least three properties of similar standard or condition, sold within a 5-km radius in the last six months."
3. "Auctioneers must not disclose the reserve price to any bidder or indicate that a reserve price has been established. However, if the vendor agrees, a copy of the comparative market analysis can be provided to bidders."
4. "Auctioneers must keep a register of all bidders at an auction, ensuring all bidders are registered prior to the start of the auction. Bidders must provide suitable identification to register. Auctioneers must provide registered bidders with a marker such as a numbered card or baton to indicate when they bid."
5. "Auctioneers must acknowledge all bids made by the vendor. Vendor bids cannot be accepted after the reserve price has been reached. Auctioneers cannot disclose a bidder's identity to anyone unless it is to facilitate the sale of the property."

**For further information contact the
Office of Fair Trading on 13 13 04.**

Questions about home loans?



We're all ears.

At Home Loans Now, we listen to everything.

If we don't, we can't provide the right home loan for you. Just let us know exactly what you're after, and we'll do the rest. With two-thirds of our business coming from word-of-mouth and repeat clients, you can see we listen.

**If you want to know more
about home loans,
call Home Loans Now, now.**

HOME LOANS NOW
We hear you.

Call 1300 135 137 or visit www.homeloansnow.com.au

Tricks of the trade

We asked Senior Loans Manager Tricia Green for the low down on financing a renovation.

Q: Can you increase your existing home loan to finance home improvements?

A: Yes. There are various products around which enable this to take place. They have names such as 'top up' loans and 'home improvement' loans. The money needed for the home improvements can be added onto your existing home loan and paid off over the remaining term of this loan – usually around 25 to 30 years. With this longer loan term, the repayments are lower than some other financing options. But you end up having to pay more interest over the life of the loan.

Q: What is a supplementary home loan?

A: That is a separate, smaller loan which is paid off over a shorter term (for example, it might be 10 years). The loan is secured by the home at normal home loan rates. The benefit of this type of loan is that there is a lower interest cost. The disadvantage is you are paying higher loan repayments because of the shorter loan term.

Q: Can you use a personal loan to fund a renovation?

A: Yes. A personal loan is "unsecured" lending, that is, the loan won't be secured against your property. Higher interest rates apply for these loans, and there is a shorter loan term than for a standard home loan. So that results in higher loan installments.

Q: When you're buying a property, can your home loan include the estimated cost of a renovation, as well as the property's purchase price?

A: The majority of lenders will lend up to 95% of the value or purchase price of the property (whichever is lower). If the purchaser intends to make immediate improvements, that will increase the property's value. If the purchaser supplies the purchase contract along with quotes for the improvements, the bank's valuer can give an 'on completion' valuation. The bank will lend 95% against this valuation. Keep in mind that not all improvements will increase the value of the property (for example, some structural work or items such as

replumbing), and the borrower may need to contribute some of their own funds to meet any shortfall.

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



Median house prices - June quarter Continued on page 4

Suburb	June 2005 Median	June 2006 Median	June 05-06 Yearly Growth
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Suburb	June 2005 Median	June 2006 Median	June 05-06 Yearly Growth
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Brisbane Area <small>Continued on page 4</small>			
ACACIA RIDGE	\$231,000	\$247,000	6%
ALBION	\$410,000	\$439,000	7%
ALDERLEY	\$420,000	\$400,000	-5%
ALGESTER	\$289,000	\$319,000	9%
ANNERLEY	\$370,000	\$380,000	3%
ANSTEAD	\$523,500	\$650,000	19%
ASCOT	\$765,000	\$852,500	10%
ASHGROVE	\$435,000	\$454,000	4%
ASPLEY	\$315,000	\$337,500	7%
AUCHENFLOWER	\$545,000	\$505,000	-8%
BALD HILLS	\$265,000	\$272,500	3%
BALMORAL	\$457,000	\$490,000	7%
BANYO	\$276,000	\$295,000	6%
BARDON	\$495,000	\$500,000	1%
BELBOWRIE	\$343,500	\$353,500	3%
BELMONT	\$407,500	\$396,000	-3%
BOONDALL	\$317,500	\$320,000	1%
BRACKEN RIDGE	\$305,000	\$308,500	1%
BRIDGEMAN DOWNS	\$535,000	\$580,000	8%
BRIGHTON	\$280,000	\$290,000	3%
BRISBANE CITY	\$486,000	\$452,000	-8%
BROOKFIELD	\$658,000	\$750,000	12%
BULIMBA	\$677,500	\$699,000	3%
CALAMVALE	\$361,000	\$370,000	2%
CAMP HILL	\$440,000	\$415,500	-6%
CANNON HILL	\$376,000	\$352,500	-7%
CARINA	\$352,500	\$350,000	-1%
CARINA HEIGHTS	\$348,250	\$361,250	4%
CARINDALE	\$475,000	\$520,000	9%
CAROLE PARK	\$160,750	\$153,250	-5%
CARSELDINE	\$361,400	\$370,505	2%
CHAPEL HILL	\$450,000	\$487,500	8%
CHELMER	\$592,000	\$660,000	10%
CHERMSIDE	\$312,000	\$335,000	7%
CHERMSIDE WEST	\$322,000	\$350,000	8%
CLAYFIELD	\$550,000	\$697,500	21%
COOPERS PLAINS	\$260,000	\$293,500	11%
COORPAROO	\$459,000	\$450,000	-2%
CORINDA	\$380,000	\$412,750	8%
DARRA	\$222,500	\$237,000	6%
DEAGON	\$270,000	\$260,000	-4%
DOOLANDELLA	\$275,000	\$260,000	-6%
DREWVALE	\$335,000	\$371,500	10%
DURACK	\$258,500	\$250,000	-3%
EAST BRISBANE	\$425,000	\$430,000	1%
EIGHT MILE PLAINS	\$405,000	\$435,000	7%

Handy Renovation Websites

www.bangitup.com.au
www.infotile.com.au
www.paintquality.com.au

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Median house prices - June quarter Continued from page 3

Suburb	June 2005 Median	June 2006 Median	June 05-06 Yearly Growth
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Suburb	June 2005 Median	June 2006 Median	June 05-06 Yearly Growth
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Suburb	June 2005 Median	June 2006 Median	June 05-06 Yearly Growth
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Brisbane Area

ENOGERA	\$367,500	\$371,250	1%
EVERTON PARK	\$335,000	\$320,000	-5%
FAIRFIELD	\$375,000	\$410,000	9%
FERNY GROVE	\$375,000	\$355,000	-6%
FIG TREE POCKET	\$561,500	\$532,500	-5%
FITZGIBBON	\$287,500	\$292,500	2%
FOREST LAKE	\$278,750	\$304,750	9%
GAYTHORNE	\$346,500	\$399,750	13%
GEEBUNG	\$295,000	\$300,000	2%
GORDON PARK	\$415,000	\$502,000	17%
GRACEVILLE	\$422,000	\$425,000	1%
GRANGE	\$409,000	\$445,000	8%
GREENSLOPES	\$369,000	\$410,000	10%
HAMILTON	\$597,500	\$752,500	21%
HAWTHORNE	\$585,500	\$570,000	-3%
HEMMANT	\$300,000	\$320,000	6%
HENDRA	\$481,000	\$516,000	7%
HIGHGATE HILL	\$600,000	\$612,000	2%
HOLLAND PARK	\$351,000	\$375,000	6%
HOLLAND PARK WEST	\$347,250	\$368,000	6%
INALA	\$190,000	\$195,000	3%
INDOOROOPILLY	\$525,000	\$555,000	5%
JAMBOREE HEIGHTS	\$295,000	\$315,000	6%
JINDALEE	\$347,500	\$348,000	0%
KANGAROO POINT	\$438,000	\$450,000	3%
KARANA DOWNS	\$335,000	\$296,000	-13%
KEDRON	\$357,000	\$359,500	1%
KELVIN GROVE	\$423,750	\$418,750	-1%
KENMORE	\$370,000	\$395,500	6%
KENMORE HILLS	\$529,000	\$601,135	12%
KEPERRA	\$290,000	\$302,000	4%
KURABY	\$395,000	\$410,000	4%
LOTA	\$395,000	\$345,000	-14%
LUTWYCHE	\$361,700	\$402,500	10%
MACGREGOR	\$377,500	\$380,000	1%
MANLY	\$497,000	\$431,000	-15%
MANLY WEST	\$352,500	\$360,000	2%
MANSFIELD	\$340,000	\$351,000	3%
MCDOWALL	\$405,000	\$425,000	5%
MIDDLE PARK	\$365,000	\$378,000	3%
MILTON	\$430,000	\$446,250	4%
MITCHELTON	\$318,750	\$337,500	6%
MOGGILL	\$387,500	\$361,250	-7%
MOOROOKA	\$339,000	\$335,000	-1%
MORNINGSIDE	\$377,000	\$380,750	1%
MOUNT CROSBY	\$350,000	\$382,750	9%
MOUNT GRAVATT	\$330,000	\$350,000	6%
MOUNT GRAVATT EAST	\$335,000	\$330,500	-1%
MOUNT OMMANEY	\$550,000	\$701,500	22%

MURARRIE	\$330,000	\$329,000	0%
NEW FARM	\$890,000	\$830,000	-7%
NEWMARKET	\$420,000	\$403,250	-4%
NEWSTEAD	\$710,000	\$732,500	3%
NORMAN PARK	\$430,000	\$474,500	9%
NORTHGATE	\$347,500	\$310,000	-12%
NUDGEE	\$282,500	\$272,500	-4%
NUNDAH	\$365,000	\$390,000	6%
OXLEY	\$295,000	\$310,000	5%
PADDINGTON	\$475,000	\$528,000	10%
PARKINSON	\$374,750	\$379,000	1%
PULLENVALE	\$760,000	\$832,500	9%
RED HILL	\$474,000	\$490,000	3%
RICHLANDS	\$237,500	\$299,625	21%
RIVERHILLS	\$299,500	\$315,000	5%
ROBERTSON	\$512,450	\$535,500	4%
ROCKLEA	\$222,500	\$245,000	9%
RUNCORN	\$285,000	\$305,000	7%
SALISBURY	\$300,000	\$321,000	7%
SANDGATE	\$362,500	\$345,000	-5%
SEVEN HILLS	\$370,000	\$427,500	13%
SEVENTEEN MILE ROCKS	\$384,500	\$490,000	22%
SHERWOOD	\$445,000	\$488,500	9%
SHORNCLIFFE	\$399,500	\$394,000	-1%
SINNAMON PARK	\$420,000	\$425,000	1%
SPRING HILL	\$495,000	\$662,500	25%
ST LUCIA	\$675,000	\$665,000	-2%

STAFFORD	\$297,000	\$315,000	6%
STAFFORD HEIGHTS	\$320,000	\$336,000	5%
STRETTON	\$510,000	\$488,000	-5%
SUNNYBANK	\$379,500	\$366,500	-4%
SUNNYBANK HILLS	\$330,500	\$346,500	5%
TAIGUM	\$337,500	\$350,000	4%
TARINGA	\$534,000	\$594,000	10%
TARRAGINDI	\$372,500	\$390,000	4%
THE GAP	\$381,000	\$390,500	2%
TINGALPA	\$302,500	\$315,000	4%
TOOWONG	\$470,000	\$465,000	-1%
UPPER KEDRON	\$415,000	\$420,000	1%
UPPER MOUNT GRAVATT	\$303,500	\$320,000	5%
VIRGINIA	\$310,000	\$307,500	-1%
WACOL	\$161,500	\$237,250	32%
WAKERLEY	\$435,000	\$432,000	-1%
WAVELL HEIGHTS	\$337,500	\$365,000	8%
WEST END	\$487,500	\$550,000	11%
WESTLAKE	\$421,500	\$444,000	5%
WILSTON	\$490,000	\$542,000	10%
WINDSOR	\$370,000	\$425,000	13%
WISHART	\$355,000	\$367,000	3%
WOOLLOONGABBA	\$350,500	\$420,500	17%
WOOLOOWIN	\$471,500	\$475,500	1%
WYNNUM	\$365,000	\$380,000	4%
WYNNUM WEST	\$315,000	\$325,000	3%
YERONGA	\$496,250	\$504,000	2%
ZILLMERE	\$248,000	\$276,250	10%

Caboolture Area

BANKSIA BEACH	\$450,000	\$400,000	-13%
BEACHMERE	\$267,500	\$266,500	0%
BELLARA	\$270,000	\$275,000	2%
BELLMERE	\$281,000	\$318,000	12%
BONGAREE	\$345,000	\$330,000	-5%
BURPENGARY	\$320,000	\$330,000	3%
CABOOLTURE	\$235,000	\$235,750	0%
CABOOLTURE SOUTH	\$203,000	\$208,500	3%
DECEPTION BAY	\$230,000	\$240,000	4%
ELIMBAH	\$385,000	\$330,000	-17%
MORAYFIELD	\$280,000	\$280,000	0%
NARANGBA	\$335,000	\$328,000	-2%
NINGI	\$312,000	\$325,500	4%
SANDSTONE POINT	\$329,500	\$325,950	-1%
UPPER CABOOLTURE	\$290,000	\$308,000	6%
WAMURAN	\$370,000	\$440,000	16%
WOODFORD	\$314,500	\$245,500	-28%
WOORIM	\$362,500	\$455,000	20%

Pine Rivers Area

ALBANY CREEK	\$357,000	\$357,500	0%
ARANA HILLS	\$310,000	\$333,500	7%
BRAY PARK	\$250,000	\$268,000	7%
CASHMERE	\$437,500	\$441,500	1%
DAKABIN	\$321,000	\$342,000	6%
EATONS HILL	\$411,000	\$409,000	0%
EVERTON HILLS	\$312,250	\$325,000	4%
FERNY HILLS	\$311,500	\$329,500	5%
GRIFFIN	\$307,900	\$312,500	1%
HIGHVALE	\$582,500	\$580,000	0%
JOYNER	\$395,000	\$466,000	15%
KALLANGUR	\$250,000	\$263,000	5%
KURWONGBAH	\$380,000	\$375,000	-1%
LAWNTON	\$251,000	\$257,500	3%
MANGO HILL	\$327,500	\$360,000	9%
MURRUMBA DOWNS	\$320,000	\$331,573	3%
PETRIE	\$264,000	\$277,000	5%
SAMFORD VALLEY	\$597,000	\$640,000	7%
STRATHPINE	\$245,000	\$255,000	4%
WARNER	\$360,000	\$360,000	0%

Source: PRDnationwide

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