



07 3264 7100

NEWSLETTER

Issue # 37 October 2021



House prices surge more than 20% over the past year... Source: Michael Janda, CoreLogic 1 Oct 2021

Home prices have continued their recent surge, rising more than 20 per cent over the past year in the biggest annual boom since 1989. Regional areas continued to lead cities, with prices up 1.7 per cent over the past month and 23.1 per cent over the last year, versus 1.5 and 19.5 per cent gains for the capitals over those respective periods.

However, CoreLogic noted signs that a little heat is starting to come out of the property market.

From a peak national monthly growth rate of 2.8 per cent in March, property prices rose 1.5 per cent last month.

CoreLogic's head of research Eliza Owen said this was typical of the latter stages of a housing upswing. "The growth rate has peaked, and it's clear that now affordability constraints, or even just willingness to pay, is starting to slow those appreciation rates down," she told the ABC's Close of Business program.

Ms Owen said that first home buyers had been particularly affected as

prices soared.

"First home buyer loans have actually fallen by over 20 per cent since the start of this year," she observed. That has resulted in existing owners taking over as the main drivers of the property market.

"At the moment, the dominant participant in the market are the owner-occupier changeover buyers – in other words, people who are upsizing, downsizing, moving somewhere else," she added.

CoreLogic's research director Tim Lawless said the deposit hurdle has now become extremely high for first home buyers in the most expensive markets.

"Sydney is a prime example where the median house value is now just over \$1.3 million," he noted.

"In order to raise a 20 per cent deposit, the typical Sydney house buyer would need around \$262,300."

A NOTE FROM TRACIE

*Hi there,
I hope that you are keeping safe and well.
If I can help you or your family & friends with anything please reach out.
All the best,
Tracie*

INSIDE THIS ISSUE

House Prices Surge	1
Fixed Rate or Variable Rate.....	2
APRA increases servicing rates	3
Impossible Pie Recipe.....	3
Tips for Decluttering your home	3
Tracie's Local Update	4

Mr Lawless said lending data appeared to show that some first home buyers were responding to the surging prices by turning to property investment as a way to get a foothold in the market.

"The slowdown in first home buyers can be seen in the lending data, where the number of owner-occupier first home buyer loans has fallen by -20.5 per cent between January and July," he noted.

"Over the same period, the number of first home buyers taking out an investment housing loan has increased, albeit from a low base, by 45 per cent, suggesting more first home buyers are choosing to 'rent vest' as a way of getting their foot in the door."



Fixed rate or variable rate? How to get the best of both worlds



With interest rates at an all-time low and consumers wanting a greater sense of security during a time of uncertainty, could a split rate home loan provide the best of both worlds?

Why would you choose a split rate loan?

Fixed rate and variable rate loans each have their own advantages and drawbacks. By choosing a split loan, you may get the benefits of both sides while potentially reducing risk and the possible downsides of each.

The fixed rate portion of the loan delivers security as it allows you to lock in an interest rate for an agreed period - usually anywhere between one and five years. This protects against interest rate changes, ensuring that this portion of the mortgage loan repayment won't increase even if interest rates do.

However, the flip side of this is that you wouldn't benefit from a drop-in interest rates if they change

during your fixed term period.

The variable rate portion may offer more flexibility and may allow you to take advantage of potential decreases in interest rates. You may also be able to make extra repayments to pay off your mortgage more quickly and have access to an offset account or redraw facility which can reduce the interest you pay.

The downside of a variable rate is that loan repayments would increase if the interest rate goes up.

Right now, many of my clients are opting to split their home loan. Fixed rates are currently just below the variable rates at most banks, so it seems a good time to lock in a bigger portion while rates are so low.

It is important to understand that everyone is different and what might work well for one family may not work for another. If you are keen to see what we can do to get you a better home loan, just reach out to us at the office on 07 3264 7100.

You never know how much money you could be saving by taking the time to complete a review with me. I love saving my clients some money!

Sourced: Mortgage Business Magazine 20 September 2021

CORNERSTONE HOME LOANS

WINNER 2021
The Adviser
BETTER BUSINESS AWARDS 2021
QLD
BEST CUSTOMER SERVICE (OFFICE)

ARE YOU DUE FOR A HOME LOAN HEALTH CHECK?

SPEAK WITH A CORNERSTONE HOME LOAN SPECIALIST TODAY | **3264 7100**

APRA increases banks' loan serviceability rates...

The Australian Prudential Regulation Authority (APRA) has recently increased the minimum interest rate buffer it expects banks to use when assessing the serviceability of home loan applications.

In a letter to authorised deposit-taking institutions (ADIs), APRA has told lenders it expects they will assess new borrowers' ability to meet their loan repayments at an interest rate that is at least 3.0 percentage points above the loan product rate. This compares to a buffer of 2.5 percentage points that is commonly used by ADIs today.

The current environment of very low interest rates and rapidly rising house prices means that pressures on household indebtedness are likely to remain heightened. Household credit growth is expected to exceed household income growth in the period ahead, further adding to concerns around overall household indebtedness.

A more highly indebted household sector presents risks to future financial stability. Highly

indebted borrowers are likely to be less resilient to future shocks, such as from rising interest rates or a reduction in income. Macroeconomic impacts can be material if such risks materialise, with international studies suggesting highly indebted households are more likely to reduce their consumption in the event of a shock, amplifying the impacts of any economic downturn.

The increase in the interest rate buffer applies to all new borrowers. Across borrower cohorts, the impact of a higher serviceability buffer is likely to be larger for investors than owner-occupiers. This is because, on average, investors tend to borrow at higher levels of leverage and may have other existing debts (to which the buffer would also be applied). On the other hand, first home buyers tend to be under-represented as a share of borrowers borrowing a high multiple of their income as they tend to be more constrained by the size of their deposit.

Source: APRA Website 6/10/2021

Impossible Pie

Easy - 0:05 Prep - 1:00 Cook - 6 Servings

Ingredients

- 4 eggs
- 1/2 cup of butter, melted
- 1/2 cup plain flour
- 1 cup sugar
- 1 cup coconut
- 2 cups milk
- 2 tsp vanilla essence

Method

Combine all of the ingredients together and then pour mixture into a greased pie tin.

Bake in the oven at 170C for 1 hour or until firm.

Notes

For a passionfruit flavour use only 1 cup of milk and instead of vanilla essence add the juice from 4 passionfruit.. For a citrus flavour use only 1 cup of milk and instead of vanilla essence add the rind and juice of 1 lemon and 1 orange.

Source: Australia's best recipes October 2021



Tips for decluttering your home

Categorize Your Items in the Following Manner

Appliances: Many old appliances do not really have value if they are old. If you have old mixers or blenders, they will not hold their value.

Electronics: Most of us replace our cell phones and computers every few years. If you are not recycling your phone at the store where you are replacing it, you may have a number of cell phones, tablets, and even old computers. If you have old Apple products, the Apple store does offer a recycling program and if it is not that old and in good condition, they will often buy the phones back from you for store credit.

Clothes: If you have not worn something for a year, get rid of it! If you have growing children, you are always replacing their clothes with larger sizes. Consider selling them at a children's resale boutique. You may put a little cash in your pocket, and at the same time, possibly find something or one of your own children! Clothing and other items can be sold on apps such as Poshmark. The app is super easy, and a great way to get a little money back for items that

are no longer wanted. Getting rid of unnecessary clothing will declutter your closet.

Furniture: Old furnishings that you no longer want or need, consider getting rid of it. If it is a family heirloom, and you want to hang on to it, but not have it in your home, you can consider self-storage. You may have an old piano that no one is playing, but you don't want to sell it, consider putting that in storage. Another option with furnishings or heirlooms that are no longer wanted is to have an estate sale.



Source:
Sharon Paxson
Realty Bix News 6
October 2021



Tracie's update...

Hi all, welcome to our last newsletter for 2021. What a year we have had... Covid has continued to keep us on our toes with low interest rates and demand for property in Queensland at an all time high.

Many of our customers have enjoyed increased value in their properties throughout the year. Our clients are taking advantage of this new found equity by consolidating their personal debt or completing some home improvements. Maybe this is something that you have been considering for a while. Why not give us a call, we would love to help you achieve this goal.

This might also be a good time to speak with us about your home loan and complete a review. We may be able to do a pricing request on your current loan and see if lower interest rates are possible. If not, we can certainly see if a refinance is possible. We don't want our clients to pay any more than necessary.

I would also like to take this opportunity to thank you, our loyal customers for your continued support. I am so grateful that you trust me to look after your family and friends. Thank you for all these referrals, I appreciate you thinking of me and the team at Cornerstone.

We are heading into the festive season shortly. I want to wish you all a very safe and happy holiday period with your loved one. We will be closing the office from 18 December 2021 and will reopen on 4 January 2022.

If you want to catch up for a Home Loan Review, please reach out to us to make an appointment.

Till next time, Tracie

Tracie Palmer, Finance Specialist

Credit Representative #387282 of BLSSA Pty Ltd, ACL #391237



www.facebook.com/CornerstoneMortgageBrokers



www.instagram.com/Cornerstone_Home_Loans

CALL US TODAY FOR ALL YOUR FINANCIAL NEEDS...

Here at Cornerstone we can help you ...

- Get a Home Loan
- Review Your Current Home Loan
- Refinance your Existing Home Loan
- Consolidate Debt & Free Up Equity
- Find a Commercial or Business Loan
- Car & Equipment Finance



Get in Touch

- 07 3264 7100
- Po Box 547
Albany Creek Qld 4035
- admin@cornerstonehomeloans.com.au
- cornerstonehomeloans.com.au



Disclaimer: This Newsletter has been prepared by Tracie Palmer. Every effort has been made to ensure the contents are accurate at the time of publication. Tracie Palmer /Cornerstone Home Loans takes no responsibility for any subsequent action that may arise from the use of this Newsletter.