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Finance and Management

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WISDOM WATCH

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Brian Hastings welcomes you to the latest edition of Wisdom Watch. The aim of our newsletter is to provide clients of Mortgage Wisdom with information on what is happening in the home loan and residential property market. We hope you find the contents of Wisdom Watch both informative and helpful. Please feel free to share our newsletter with your friends, relatives and work colleagues. If you have any lending questions or need assistance with a lending matter please call us.

MORTGAGE WISDOM + PRESTIGE MORTGAGES + MPSC



David Smith

Mortgage Wisdom found itself in the news again in early September with the announcement that it had extended its market presence and continued its growth strategy by way of a merger with boutique mortgage manager, MPSC. The merger, announced at the company's annual

general meeting, sees the Managing Director of MPSC, David Smith, become Chief Executive Officer of Mortgage Wisdom succeeding the company's founder, Steve Troughton.

Mr. Troughton stepped aside to resume his preferred role of consultant, focusing on mergers and acquisitions aimed at further enhancing the group's profitability and national representation. The MPSC transaction represents Mortgage Wisdom's second acquisition in less than a year with the company in late December, merging with Prestige Mortgages.

Commenting on the merger, Mortgage Wisdom's Chairman, Brian Hastings said it reflected the board's on-going strategy of "growth through acquisition".

He said that because the transaction was largely funded by way of a share issue to existing brokers and shareholders, it fulfilled the company's commitment to provide Prestige Mortgages' brokers the opportunity to become shareholders. "Mortgage Wisdom's enhanced profitability and superior structure ensures it is well positioned for growth and MPSC not only represented a good fit with our company's model, but enabled us to draw on the skills and experience of David Smith," he said.

"David brings with him considerable skills and experience gained over 20 years in the banking and finance industry," he said. "He has held a variety of executive positions and was instrumental in the early development of the St. George Bank third party broker division and has spent the last six years in mortgage management with MPSC."

Mr. Smith said he was delighted to be joining Mortgage Wisdom not only because of the respect it commanded in the industry but because it offered a unique aggregation model.

"Mortgage Wisdom offers its brokers the opportunity to become shareholders and have a say in how their aggregator is operated," he said. "They benefit from the level of support on offer, while sharing in the rewards they have contributed towards."

Hastings said that with last year's Prestige Mortgages merger having been bedded down and with the MPSC acquisition having been completed, Mortgage Wisdom remained well positioned for further growth. "We will be looking at further opportunities as they arise," he said.

In other news from the AGM, Garry Pinch, who is a Chartered Accountant and Managing Partner of Accounting Professionals, was elected as an additional independent director.

"Garry has been the external accountant for Mortgage Wisdom since 1996 and brings to the board additional skills and experience that will prove valuable in assisting the decision making and direction adopted by the board," Hastings said.



Garry Pinch

WOMEN GOING IT ALONE ON HOME PURCHASES

Who are the prime decision-makers when it comes to buying a house?

Well, according to data released in early September it is women.

The data is the result of a survey conducted by First National Real Estate which said that while women have always been the dominant shoppers they are now leading the way when it comes to the property market with single women now the fastest growing component of home buyers.

The data claims that as many as 18 per cent of

female home owners are going it alone with respect to property purchases.



The survey data has been cited by Successful Ways Education and Training, a company specialising in providing first home buyers and others with the information they require when purchasing a new home.

The company claims that a lot of factors have contributed to the growth in women buying and owning homes including wage increases, the closing of the gender gap and the increase in financing for women.

THE INTEREST RATE DEBATE

Initial data from the Australian Bureau of Statistics indicates that the Reserve Bank's decision in May to lift interest rates by 0.25 per cent was beginning to bite on building activity ahead of the second 0.25 per cent increase imposed in August.

While data associated with building approvals in June and July suggested that residential building activity had been largely unaffected by the May rate rise, the housing finance figures told a very different story.

The housing finance figures for July revealed a 1.4 per cent national seasonally adjusted decline revealing a much more accurate reflection of prevailing consumer sentiment than the building approvals figures.

What was significant about the July Housing Finance figures was that they not only revealed a 1.4 per cent national seasonally adjusted decline but a 7.2 per cent decline in investment housing commitments with purchases of dwellings for rent and resale down by 10.5 per cent.

The July figures have prompted a number of building industry spokesmen to suggest that the Reserve Bank moved too quickly in imposing a second rate rise and that the impact of the May rate is now going to be severely magnified over the closing months of the year.



In the meantime, a number of economic commentators are suggesting that a further rate rise is likely before the end of the year, probably in November.

The new Reserve Bank Governor, Glenn Stevens has refrained from suggesting that a further rate rise is in the offing this year, however his predecessor, Ian Macfarlane used one of his final statements to suggest that the May rate rise had not significantly slowed the Australian economy.

He used a statement to the Parliament to say that, domestically, there had been a pick up in the pace of economic growth after a mild slowing in the second half of last year.

"While the pick up has not been excessive, the general message from the growth of employment and consumer spending was that the household sector is still in good shape, and has not retreated into its shell as a result of the rises in petrol prices and the May interest rate increase," Macfarlane said.

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DECREASING INTEREST RATES ON FIXED RATE MORTGAGES

Despite continuing conjecture about further interest rate rises before the end of the year, financial services research group, Cannex in early October reported that institutions were cutting their fixed rate mortgages.

Cannex mortgage expert, Harry Senlitonga said that in the first 10 days of October

financial institutions had reported cuts to 46 fixed rate mortgages.

"Rate decreases in the most popular three year category averaged a significant 0.12 per cent," he said. "In the five year fixed rate category and even larger average reduction of 0.17 per cent occurred."

"Competition in fixed rate

mortgages is clearly on the rise with some recent rate cuts having been quite significant," Senlitonga said. "We are expecting to see more lenders follow the trend as we have seen a significant decrease on the three-year money market cash rate."

He said that over the past 12 months, major bank fixed

rates had tracked cash rates but that in October they had cut the three year fixed products despite a flat cash rate with other lenders following suit.

Senlitonga attributed the phenomenon to fixed rates following money market rates and faltering consumer interest in fixed rate loans.

ATTENDING TO ESTATE PLANNING

The recent deaths of two high profile Australians highlights the importance of people attending to estate planning, according to legal firm, Hunt and Hunt.

A lawyer with the firm, Luke Sessions said the complexity of modern-day families arising from multiple marriages, same sex unions and de facto partners had put pressure on controlling and protecting family assets. "The birth of a child, a death, divorce and marriage could all impact a family trust or will," Sessions said. In these circumstances trusts & wills needed to be periodically reviewed to take account of the circle of life.

"Not attending to estate planning matters could jeopardise the intention of existing trusts or wills, have negative financial consequences and cause unnecessary tension, conflict and even rifts to form in the family unit."

He said family trusts were a popular vehicle for people who had accumulated wealth, including business owners, investors and other high net worth individuals, including celebrities and accomplished professional sports personalities.

Sessions said a trust allowed property to

be retained from generation to generation without the need for costly transfer and the impost of stamp duty.



"The rise in residential property values over the last decade has seen the average person's wealth increase, and as a result, the average estate now contains significant assets," he said.

"Therefore, the importance of a valid will is essential to effectively deal with those assets, and help prevent family feuding after a death."