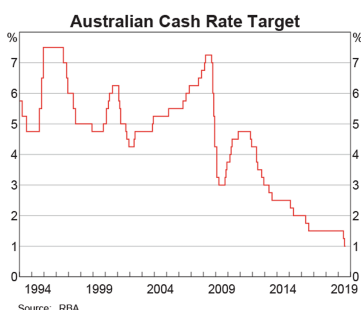




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HIGHLIGHTS

- Client Testimonial
- Reduction in Interest Rates for Owner Occupiers and Investors
- Tax Rates 2017-18
- Quotes & Wise Sayings
- Professional Services
- Responsible Lending
- Self Employed Lending
- How Can We Help You - Flakus & Associates Services
- Borrowing for Debt Consolidations
- Tax Rate 2017-18
- Professional Services



Finance for homes now one of the lowest in 60 years

CLIENT TESTIMONIAL

High on the list of criteria in choosing our broker was **flexibility**. That's the main reason we chose Paul when we decided to seek finance for our recent residential investment property purchase. Similarly, flexibility was also the key to our decision to work with Paul again to secure an investment loan for our self-managed super fund. Paul clearly has extensive experience but more importantly, he was understanding and flexible. When we needed quick advice and customer service that was willing to accommodate our busy schedules he was always available – with a smile! That made a huge difference between a stressful process and a stressless one!

We were so fortunate to have discovered Paul through his reputation - word of mouth which was both objective and credible.

Paul consistently kept us updated with the progress of our application. We never felt unprepared or anxious about the outcome. Paul navigated negotiations with potential financiers professionally and effectively.

I would not hesitate to recommend Paul to anyone because of his flexibility, competence and friendliness.

Sue & Ross

REDUCTION IN INTEREST RATES FOR OWNER OCCUPIERS AND INVESTORS

Over the past few weeks we have seen lenders in the industry reduce their variable and fixed interest rates for Owner-occupiers and Investors. Some lenders are now offering tiered interest rates on the Loan to Security ratio (LVR). An example would be that if the LVR was under 60%, this would attract a slightly lower interest rate than a loan with a LVR of 80%.

Also, we are noticing that the major banks are reducing their discounts on “package” loans. All discounts above and beyond the bank's standard tiered discounts are subject to pricing approvals. Additionally, to obtain a higher lending discount on interest rates, the borrower would need to be in the upper end for the lender to consider higher than normal pricing discounts.

With the forthcoming Spring season, real estate property listings are expected to ramp up and banks normally have their “Spring marketing campaigns” to obtain market share for borrowers.

Floor and Buffer Rate

Recently, we have seen that the Australian Prudential Regulation Authority (APRA) has reduced the benchmark that banks utilise for serviceability for borrowers.

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RESPONSIBLE LENDING

Stemming from the recent Hayne Royal Commission, a major component was the terminology “Responsible Lending Practices.” It is noted that all lenders have placed more focus on this area resulting in the bank’s further reviewing their credit assessment criteria and this has seen the lenders turnaround times increasing.

Finance brokers and mortgage brokers maintain to fully digest the borrowers needs and their financial analysis to ensure that the borrowers not only meet their current and proposed financial commitments, but that the proposed loans are NOT Unsuitable for the borrower.

It is important to note that whilst lenders are offering attractive interest rates, it still comes down to the lenders credit assessment. Too often it is seen that applicants are being enticed by lower interest rates therefore being disappointed if the application is not meeting the lenders criteria.

We are seeing that more and more borrowers are utilizing the skills of a finance and mortgage broker to navigate thru the maze of lenders and their credit assessment criteria to ensure the borrower receives the best outcome.

SELF EMPLOYED BORROWERS

Many applicants who are self employed are often refused finance or worse still all became too hard and opted out of borrowing due to their overall business structures.

Some lenders would assess the borrowers financial capability utilising the latest financial accounts, however would require last 2 years financials accounts as a guide. Other smaller lenders utilise the average of last 2 years financial accounts and whilst the earlier year could be lower than the current year, the borrower is stymied by this requirement.

When issues with the economy arise or events like the Royal Commission, the default position of the banks would be to turn away anything that is too difficult. Also, as the application process is more automated and the personal connection between the borrower and the lending person at the bank becomes all but non existent.

Again, this is why an experienced finance broker is able to assist the borrower through this ever increasing employment segment.

RBA Cash Rate as opposed to Lender’s Interest Rates

It is often interpreted that the lenders align their interest rates against the Reserve Bank Cash Rate,

The Reserve bank cash Rate is regarded as the Interbank lending rate.

Just to simplify, the RBA rate, also referred to as the discount rate, is the rate of interest which a central bank charges on the loans and advances to a commercial bank. The bank rate is known by a number of different terms depending on the country and has changed over time in some countries as the mechanism used to manage the rate have changed.

Whenever a bank has a shortage of funds, they can typically borrow from the central bank based on the monetary policy of the country.

Reduction in INTEREST RATES FOR OWNER OCCUPIERS AND INVESTORS

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The changes now effectively introduced by lenders have a “floor rate” plus a margin to assess serviceability.

Currently, lenders’ “floor rates” range between 5.25% to 5.75% with a buffer ranging from 2.50% to 2.75%.

- If the variable rate applying to the proposed loan plus the interest rate buffer of 2.50% p.a. is less than the floor rate, then the floor rate is applied as the serviceability assessment rate.
- If the variable rate applying to the proposed loan plus the interest rate buffer of 2.50% p.a. is greater than the floor rate, then the rate on the loan plus the interest rate buffer is applied as the serviceability assessment rate.

An example of the revised guidelines would be as follows :-

Say Variable rate was 3.10% Add Buffer say 2.50% equals 5.60%

Say the Floor rate was 5.75%.

The lender would utilise the “Floor rate” to assess the loan serviceability.

Paul and his fellow professionals have been integral members of the finance community addressing needs of their clients that banks cannot. Contact us today to find out how we can help you in your unique situation.

HOW CAN WE HELP YOU ?

REAL ESTATE VALUATIONS

Purchasing a property or just wanting to re-assess the value of your property? It would be wise to engage the services of an experienced, proven and trustworthy property valuer. Our associates provide valuation services for commercial, residential and industrial properties in specialised locations and industries.

Contact Paul today to help you find a suitable valuer for your situation.

COMMERCIAL PROPERTY FINANCE

Available for clients who wish to purchase commercial properties for investment or their own owner-occupied business. Lending options are available and Paul has access to various mainstream and non-mainstream lenders.

Contact Paul today to discuss.

SELF MANAGED SUPERFUND LOANS

Lenders in this space are very limited. Paul has access to funders for lending in this sector for both commercial and residential properties.

Please call Paul today to find out more.

INSURANCE PREMIUM FUNDING (IPF)

Insurance premium Funding (IPF) is a fixed-rate, full recourse loan made to business customers to finance the cost of premiums for certain types of business insurance including General Business insurances, Motor Fleet policies, Public Liability premiums, Professional Indemnity and Mortgage registration Fees and CTP Insurance.

Please contact Paul today to arrange IPF for you

EQUIPMENT FINANCE

Include motor vehicle, trucks, trailers, excavators, caravans, forklifts, office fit-outs, phone systems, audio and IT equipment, medical equipment, jet skis, helicopter, boats and machinery. This is a highly specialised area and Paul has many years of experience acquiring finance for business clients.

There are many non-mainstream lenders in the market today who only do Equipment Finance, and thereby able to provide attractive terms and excellent approval turnaround times.

BUSINESS FINANCE

Includes equipment, debtor and import finance, and cashflow funding.

Business finance is still difficult to obtain and moving your business banking from one bank to another can be a time-consuming task that may take many months and focus away from your business. The bank's appetite is also dependent on the industry and the risks of that industry. Lenders tend to review their industry risks and may sometimes withdraw facilities if the industry is considered too risky. This may be a re-finance opportunity so contact Paul today to discuss your options.

Borrowing for Debt Consolidations

Recently finance for debt consolidation and re-financing of existing loans are on the rise. Debt Consolidation Loans are similarly on the increase.

Some debts that could be considered for business and personal debt consolidation include :

- Tax liability
- Credit cards and store accounts
- Existing residential and commercial investment loans

Paul has access to lenders that would entertain any reasonable debt consolidation loan.

The 4 Cs and E

Lenders tend to utilise certain principles when assessing a personal or business loan submission :

Character - whether the customer is a good borrower, how long has the borrower been in business and if all debts are disclosed. Do they have a

good handle on day-to-day operations and systems?

Capacity - assessing if the customer can repay the loan and other existing liabilities (using the lenders assessment rate) without any financial hardship.

Credit History - ascertaining their credit history which currently provides a good summary for the lender.

Collateral - the security that is offered to the lender. This is the lender's "insurance" that if the above fail, how the lender will recoup its debt.

Exit - the applicant's exit strategy in clearing the debt on or prior to retirement. Note that drawdown on superannuation funds are not regarded as an exit strategy to clear debt.

VEDA/ CREDIT SCORE

If you are seeking credit via online applications or directly with a bank, a

credit check is conducted and your enquiry is recorded.

The more "hits" are on your Veda Credit file, the higher the possibility of your score being reduced. The majority of lenders look closely at an applicant's credit file and would note if an applicant has been seeking finance. This may have an effect on their decision making as this activity generally raises "alarm bells".

A professional finance broker should conduct a credit check prior to any finance applications and address any issues on the file prior to submissions of applications to ensure smooth passage.

Note too that from July 2017, the Australian Tax office (ATO) will now record any tax liabilities in excess of \$10,000 on the applicants credit file.

Talk to Paul today if you need more information about your home loan application.

TAX RATES 2017 - 2018

Taxable income	Tax on this income
\$0 - \$18,200	Nil
\$18,201 - \$37,000	19c for each \$1 above \$18,200
\$37,001 - \$90,000	\$3,572 plus 32.5c for each \$1 above \$37,000
\$90,001 - \$180,000	\$20,797 plus 37c for each \$1 above \$90,000
Over \$180,000	\$54,097 plus 45c for each \$1 above \$180,000

Income includes :

Salary & wages, commissions, bonuses, tips & gratuities, jury attendance fees, Centrelink payments, payouts from sickness & accident insurance policies, investment income

Medicare levy surcharge (2014-15 / 2015-16 / 2016-17 / 2017-18)

	Taxable income		Rate of surcharge
	Individual	Family	
Tier 0	Up to \$90,000	Up to 180,000	0%
Tier 1	\$90,001 - \$105,000	\$180,001 - \$210,000	1%
Tier 2	\$105,001 - \$140,000	\$210,001 - \$280,000	1.25%
Tier 3	\$140,001 and above	\$280,001 and above	1.5%

Goods & Services Tax (GST) 10%

Annual turnover threshold for registration is \$75,000.

For non-profit organisations, the threshold for registration is \$150,000.

PROFESSIONAL SERVICES

Services Required	Paul Recommends	Contact Details
Tax and Accounting	Craig J. Allen, Craig Allen & Associates	Tel : 03 9558 3716
Quantity Surveyors	Bradley Beer, Director BMT Tax Depreciation	Tel : 03 9654 2233 Mob : 0413 271 777
Accounting Services	Michelle Frey Hermann & Associates	Tel : 03 9589 3521
Law and Legal Services	Amanda Black, Quayles Law Agents	Tel : 9670 9000
	Joanne Simmonds LLB, Director Beaumaris Law Legal Practitioners	Tel : 03 9589 3205
Insurance Services	Richard Alford, Managing Director HWA Insurance Brokers	Tel : 03 9559 3302 Mob : 0403 338 306
Design & marketing services	David Cheah, Abacus Mind	Mob : 0403 979 986
Property Conveyancing services	Colleen Buck Cheltenham Conveyancing Services	Tel : 03 9585 6222 Mob : 0416 246 617
Financial Planning, Superannuation & Risk Products	Ian Henry Brenton Henry	Tel : 03 9521 0303 Mob : 0408 571 757 0433 923 669
Valuations	WPB - Greville Pabst	1300 302 581 Mob : 0419 326 361

Quotes & Wise Sayings

“While money can’t buy happiness, it certainly lets you choose your own form of misery.”

Groucho Marx

“Too many people spend money they haven’t earned, to buy things they don’t want, to impress people they don’t like.”

Will Rogers

“If you want to know what God thinks of money, just look at the people He gave it to.”

Dorothy Parker



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