

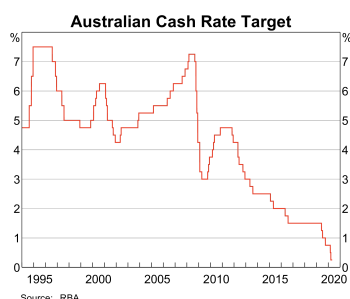


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HIGHLIGHTS

- Testimonial
- COVID-19 & Federal Government Assistance
- COVID-19 Business Loans
- VEDA/Credit Score and Comprehensive Credit Reporting (CCR) - update on "open banking"
- Commercial Real Estate Finance
- Business Loans : Secured or Unsecured
- Responsible Lending (updated)
- Product Profile : Offset vs Redraw
- Lenders Mortgage Insurance (LMI)
- Home Loan Federal Govt Schemes
- How Flakus & Associates Can Help You
- Professional Services



Finance for homes now one of the lowest in 60 years

TESTIMONIAL

We have been very lucky to have Paul as our broker. He is a good guy who tries very hard for his clients. He is attentive and always available to answer questions and provide calm, experienced guidance. If Paul says it can't be done, then it can't. If he says he will do it, then he does. Paul is always thorough and on top of the most demanding paperwork. Most importantly, he is ethical and can be totally trusted. We look forward to our next experience with Paul.

Marj and Ted

What a dramatic change we've all been through these past few months. The finance sector has been overturned by COVID-19. With the Federal Government's stimulus packages and financial institutions coming to the aid of borrowers, the landscape has certainly changed. Borrowers can now apply to have their loan repayments deferred on a "paused period" for up to 6 months.

How will a "pause period" affect my loan?

Interest will accrue on the loan, increasing the loan balance. Once the pause has ended, the repayments will commence and some lenders are extending the loan contract term by six months. During the pause, the borrower can make interest payments. Also, lenders are in discussions with APRA to discuss a further extension of the pause period. Updates will be posted to our website. Only a handful of financial institutions have been accepted for the Federal Government's assistance in loans up to \$250,000 for businesses. Whilst institutions are lending, the criteria and policies are constantly changing and emphasis is for borrowers focused on future employment and earnings.

COVID-19 BUSINESS LOANS

Australian Government's Coronavirus SME Guarantee Scheme.

Under the scheme, eligible businesses can access unsecured business loans of up to \$250,000 for three years at low rates, given the Government's support and the Reserve Bank's recently announced term funding scheme.

How it works

- Borrow up to \$250,000 (lending criteria applies) with an unsecured Business Loan
- No application or ongoing monthly maintenance fees
- No repayments required for six months
- Variable rate applies for the term of this loan, currently 4.50% p.a. (subject to lenders risk rating)
- Loan term is 36 months; interest capitalised and deferred for the first 6 months
- Amortising principal and interest repayments for the remaining 30 months
- All applications will be subject to a lending application, including credit assessment
- You or your not-for-profit organisation turns over less than \$50 million annually
- You have an Australian Business Number (ABN)
- You require working capital support during COVID-19 restrictions - this loan cannot be used for asset purchases, refinancing existing loans or be applied to existing loans, including top-ups or variations

Flakus and Associates has access to lenders relating to COVID 19 business loans. Contact Paul for any assistance in this type of business cash flow lending. Remember to TAKE CARE AND LOOK AFTER YOUR HEALTH.

VEDA/CREDIT SCORE AND COMPREHENSIVE CREDIT REPORTING (CCR)

Update on “Open Banking”

As from 1st July 2020, financial institutions will now be on live reporting or positive credit reporting as reported in our previous newsletters.

Here is a brief summary of how the **Comprehensive Credit Reporting/ Open Banking** works.

The Positive reporting system will provide the following information to a lender :-

- List of all credit accounts such as real property mortgages, credit cards and auto loans
- Date the account was opened and closed
- Latest Limit
- Loan term and repayment type
- Repayment history for up to 24 months

It should be made known that if you are seeking credit via online applications or via direct contact with a bank, a credit check is conducted and your enquiry is recorded.

Therefore, it is important to disclose all information from the outset to enable a full assessment and not delay the process in getting that loan

Also, lenders are now requesting that borrowers present their bank statements by submitting on line to bankstatements.com.au, a secured site where applicants can authorize their finance broker to submit necessary bank statements to save time and streamline the process.

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

Talk to Paul today who is able to complete this report for you and is very experienced to help you mitigate any issues to ensure a higher rate of success in your application.

COMMERCIAL REAL ESTATE FINANCE

Considering purchasing a commercial property? This is a growing type of investment for owner-occupiers, investors and those with a Self-Managed Superfund. Whilst commercial mortgages may appear similar to residential mortgages, they require more specialized knowledge and limits. Most commercial loan terms range from 15 to 30 years and lending is between 60% to 75% on commercial property. Rates on commercial property loans are higher than normal residential loans.

Taking a commercial loan from a major bank usually involves the borrower transferring all their business banking relationship to that institution which can be extremely onerous. Also, financial institutions focus on the financial health of the business, rather than just the mortgagor, therefore requiring additional financial statements to assess the transaction.

We have access to specialist commercial funders, mainly non-banks who have better eligibility requirements, fewer loan covenants, longer loan terms and lend up to 75% of the commercial property valuation. They also lend to SMSF which major financial institutions resigned from several years ago. **Contact Paul to discuss your current commercial loan or any future commercial finance requirements you may be considering.**

BUSINESS LOANS : Secured or Unsecured? Small Medium Enterprises - SME's

Many small business owners leverage the equity in their family home to finance their business requirements but there are now more options available for small business owners in the competitive marketplace.

Often, these small businesses are declined by their lenders when they approach them for a business loan. Additionally, the extended time and resources taken to secure finance often places the SME in a position to instead seek a rapid finance arrangement for their requirements.

Over the past few years there has been a sizeable growth in the non-bank lenders (known as Fintech lenders) who provide funds for small businesses.

Most Fintech lenders provide funding within a 2 to 3 day turnaround and this funding can range from \$25,000 to \$250,000 without the need for cumbersome financial data normally requested by major lenders.

Some requirements for funding include day-to-day business operations, paying tax and covering staff costs etc.

Contact Paul today if you or your SME is keen to explore this type of business cash flow lending.

RESPONSIBLE LENDING (Updated) Consumer Credit Policy changes

Banks constantly review their mortgage credit policy to ensure they apply responsible lending practices in assessing a customer's ability to service existing and proposed debts. In the current COVID-19 climate, lenders require even more documentation to support finance applications. These include :-

- Are you aware of any changes to your broader situation that may impact your earning capacity?
- Are there any changes in your current employment circumstances or income levels that may impact ability to meet any existing debts or expenses ?

Finance brokers and mortgage brokers try to investigate fully the borrower's needs and their financial analysis to ensure that 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, we see applicants are enticed by lower interest rates get disappointed if the application does not meet the lender's credit criteria.

PRODUCT PROFILE

Offset Account vs Redraw

When seeking a home loan most borrowers are often unaware of the difference between a Offset account and a home loan with a redraw feature. Here is a summary of the differences :-

Offset account

- Separate account linked to your home loan and earns interest on the funds held in the account, therefore reducing the interest you pay on your home loan.
- Assists in paying the loan sooner.
- No Minimum amount is required.
- If the balance in the offset is higher than your loan balance then no interest paid on the excess of the loan balance.
- The funds are available at call thereby no need to avail of redraw.

Redraw

- Feature of the Variable Home Loan.
- Allows you to withdraw funds you have contributed towards your loan over and beyond your minimum required loan repayment.
- The funds in your Redraw account may reduce over the life of the loan so that by the end of the loan term, your loan balance and available Redraw amount will be zero.

If you plan to deposit funds into the Redraw feature for a later date, then an Offset account may be better suited to your needs.

HOME LOAN FEDERAL GOVERNMENT SCHEMES

There are currently two Federal Government schemes for consumers wishing to purchase a new residential home. The two schemes are summarised below :-

1. First Home Super Saver Scheme (FHSS)

This scheme was first introduced by the Federal Government from 1st July 2017, enabling future home purchasers to make voluntary concessional (before tax) and voluntary non-concessional (after tax) contributions to their super fund to save for a first home.

The scheme can be used if you are a first home buyer and both of the following apply :-

- You either live in the premises you are buying or intend to occupy as soon as possible,
- You intend to live in the property for at least six months within the first 12 months you own it, after it is practical to move in.

This scheme is different to the First Home Deposit Scheme which came into effect on 1st January 2020 and is available via some financial institutions.

2. The Federal Government's First Home Loan Deposit Scheme (FHLDS)

This scheme came into effect 1st January 2020. Below is a summary of points from the scheme for eligible home loan borrowers :-

LENDERS MORTGAGE INSURANCE (LMI)

LMI was introduced by the Federal Government in 1965 to transfer the risk from the lenders to the insurers.

Without a 20% deposit, home buyers are usually required to take out LMI. Self-employed borrowers and non-residents may need to undertake LMI with the lenders deciding on a case-by-case basis.

LMI is required if borrowers are seeking a residential loan in excess of 80% and the cost to the borrower can be hefty. Many borrowers mistakenly believe that LMI is designed to protect them if they default on their loan, enabling them to retain their house. However, it actually protects the lender if the borrower defaults on their loan.

LMI is usually arranged by the lender during the loan approval process. The cost is agreed between the lender and the insurer and this cost is borne by the borrower. This is added to the loan as a one-off fee and is included in the borrower's loan repayments. This means that the borrower pays interest on the LMI premium.

Recently, lenders have adjusted their maximum loan to security ratios inclusive of LMI to 95%. However, a major lender has reduced lending for self-employed borrowers for residential lending to 80%. The rate of the LMI premium increases significantly at certain borrowing thresholds.

For further details, please do not hesitate to contact Paul today on 1300 FLAKUS.

- If you have saved 5% of the purchase price the government can guarantee the remaining 15% of the deposit. Therefore no need for lenders mortgage insurance (LMI) thereby borrowing up to 95%. A Cost saving to the borrower/s
- Scheme is limited to 10,000 borrowers per year
- Loan payments must be on a Principal and Interest basis
- Eligible borrowers can't be earning more than \$125,000 a year or combined \$200,000 for couples.
- Must be Australian citizens
- Need to be a first home borrower (if you own an investment property then NOT eligible)
- Various property types permitted including apartments, townhouses, house and land package and existing homes
- Couples must be married or in de-facto relationships

Property value caps apply. Each state has different value caps. Please contact Paul for an update on the current applicable caps.

There are various other government schemes available - these include First Home Owner Grants and Stamp Duty concessions. These schemes are state-based. Majority of lenders are taking part in these schemes

For more detailed information about the two schemes, call Paul today.

HOW FLAKUS & ASSOCIATES CAN HELP YOU

REAL ESTATE VALUATIONS	Thinking of purchasing a property or just wanting to re-assess the value of your property? 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.
COMMERCIAL PROPERTY FINANCE	Available for clients who wish to purchase commercial properties for investment or their own owner-occupied business(es). There are a number of lending options available for this type of security and Paul has access to various mainstream and non-mainstream lenders and options.
SELF MANAGED SUPERFUND LOANS	Lenders in this space is very limited. However, Paul has access to various funders for lending in this sector both for commercial and residential properties.
BUSINESS FINANCE	Includes equipment finance, debtor finance, 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 ghastly experience and take many months and focus away from your business. Lenders also tend to occasionally review their industry risks and sometimes withdraw facilities if they consider the industry has become too risky. This may present a refinance opportunity so contact Paul today to discuss your options.
EQUIPMENT FINANCE	Includes motor vehicle, trucks, trailers, excavators, caravans, forklifts, office fit-outs, phone systems, audio and any IT equipment, medical equipment, jet skis, helicopter, boats and machinery. This is a highly specialised area and require many years of experience to successfully acquire finance for business clients to purchase equipment. There are various lenders in the market today who are not necessarily mainstream banks who only do Equipment Finance, and thereby able to provide attractive terms and excellent approval turnaround times.

PROFESSIONAL SERVICES

Services Required	Paul Recommends	Contact Details
Tax and Accounting	Craig J. Allen, Craig Allen & Associates	Tel : 03 9558 7316
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 : 03 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 and marketing	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 and Risk Products	Ian Henry Brenton Henry	Tel : 03 9521 0303 Mob : 0408 571 757 0433 923 669
Property and Advisory Advocacy	WPB Property Greville Pabst	Tel : 1300 302 581 Mob : 0419 326 361

Quotes & Wise Sayings

“Everyday is a bank account, and time is our currency. No one is rich, no one is poor, we’ve got 24 hours each.”

Christopher Rice

“Don’t think money does everything or you are going to end up doing everything for money.”

Voltaire

“A wise person should have money in their head, not in their heart.”

Jonathan Swift

“The problem is not that people are taxed too little, the problem is that government spends too much.”

Ronald Reagan

“I will tell you the secret to getting rich on Wall Street. You try to be greedy when others are fearful. And you try to be fearful when others are greedy.”

Warren Buffett



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