

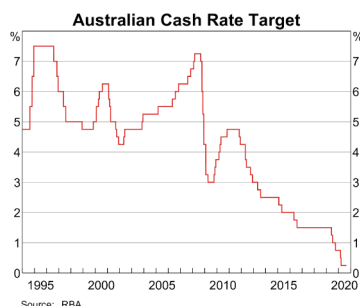


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HIGHLIGHTS

- The Year So Far
- Home Builder Scheme
- COVID-19 Business Loans
- Commercial Real Estate Finance
- Equipment / Asset Finance
- Business Loans : Secured or Unsecured
- Lenders Mortgage Insurance (LMI)
- Home Loan Interest Rates Descending Lower
- Specialist Home Loans
- How Flakus & Associates Can Help You
- Professional Services



Finance for homes now one of the lowest in 60 years

THE YEAR SO FAR

What a dramatic change we've all been through these past six months thanks to Covid-19 arriving on our shores. The finance sector has been dramatically overturned by the effects of COVID-19. With the Federal Government's stimulus packages and financial institutions coming to the aid of borrowers, the landscape has certainly changed for borrowers.

The Australian Banking Association (ABA) has recently announced that banks can now extend the six-month deferral scheme by another four months for customers with reduced income and ongoing Covid-19 related financial difficulties. Whilst lending institutions are still lending, the criteria and policies are constantly changing during this COVID-19 period. Not surprisingly, more scrutiny is being placed on borrowers' future employment and earnings.

How the Four-Month repayment pause extension works

- Eligible customers who have paused their home loan repayments for up to six months can request an additional four-month deferral
- During the four month repayment, the paused interest on the loan continues
- Eligibility criteria apply to all home loan customers who have been negatively affected financially by Covid-19
- Options for extension may include restructuring loans into interest-only or extending the repayment pause for a further four months
- Borrowers who access the additional four-month loan deferral will not see an impact to their credit rating or report

HOME BUILDER SCHEME

Under the Federal Governments Home Builder Scheme, the cash splash is available to buyers of new properties and renovators regardless of whether they are first home owners or not.

How it works

- Available for owner occupiers for construction or renovation contracts signed between 4th June 2020 and December 31st 2020. The project must be started within 3 months of the contract date.
- Not available for investment properties.

How to get access

State or territory governments will administer the scheme. Available to owner-occupiers who are both over 18 years of age and are Australian citizens.

Income Limits

Singles cannot earn more than \$125,000 per annum based on the 2018-2019 tax year and couples cannot earn more than \$200,000 combined.

Restrictions

New home build contracts must not exceed a value of \$750,000 inclusive of house and land. Renovation contracts must be for an existing home where the contract is between \$150,000 and \$750,000 and where the property value (house and land) pre-renovation does not exceed \$1.5M.

For further details on this scheme do not hesitate to contact Paul on 0417 567 747 today.

COMMERCIAL REAL ESTATE FINANCE

Considering purchasing a commercial property?

Commercial Real Estate Finance is a growing type of investment for owner-occupiers, investors and those with a Self-Managed Superfund (SMSF).

Whilst commercial mortgages may appear to be similar to residential mortgages, they do require more specialized criteria and limits. Most commercial loan terms range from 15 to 30 years and the lending on the commercial property value is between 60% to 75%.

In addition, rates on commercial property loans are higher than the rates on normal residential home loans.

Presently, the major banks have many competitive products and very attractive interest rates for commercial property loans. Taking a commercial loan from a major bank usually involves the borrower transferring all their business banking relationships and services to that institution which can be extremely onerous. Also, major financial institutions focus on the financial health of the business, rather than just the mortgagor, thereby requiring additional financial statements in order to assess the application.

Flakus and Associates has access to many mainstream commercial lenders as well as specialist commercial funders who are mainly non-banks. These lenders usually have easier eligibility requirements, fewer loan covenants, longer loan terms and can lend up to 75% of the commercial property valuation. Plus, they also lend to Self-Managed Super Funds (SMSF) which major financial institutions resigned from several years ago.

Some of the second-tier lenders have loan products such as 'lite doc', 'lease doc' and 'self-declared income' for commercial applicants thereby providing a broader range of finance options for the discerning borrower.

If you are in the market to pursue a loan for a commercial property, contact Paul today to discuss your current situation and your options in light of the current economic climate and the opportunities that have emerged with it.

EQUIPMENT / ASSET FINANCE

Due to the current economic and financial situation brought on by Covid-19, the Federal Government has extended the Instant Asset Write-Off to the value of \$150,000 until 31st December 2020 for businesses.

The instant asset write-off can be used for :

- Multiple assets as long as the cost of each individual asset is less than the relevant threshold
- New and second-hand assets.

The write-off cannot be used for assets that are excluded from the simplified depreciation rules. The instant asset write-off eligibility criteria and threshold have also changed over time. You may need to check your business's eligibility and apply the correct threshold amount. This depends on when the asset was purchased, first used or installed and ready-for-use.

Recent changes

From 12th March 2020 until 31st December 2020, the instant asset write-off :

- has a threshold amount for each asset of \$150,000 (up from \$30,000)
- has its eligibility expanded to cover businesses with an aggregated turnover of less than \$500 million (up from \$50 million).

If you are looking to replace or purchase any new equipment, Flakus and Associates has access to equipment financiers to meet your requirements. Contact us today to find out what your options are and how to leverage on the many available incentives.

BUSINESS LOANS Secured or Unsecured?

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.

HOME LOAN INTEREST RATES DESCENDING LOWER

With the RBA cash rate still at a record low of 0.25% as at 1st September 2020, lenders are now offering variable interest rates at very competitive levels. As is usual during the annual “spring season”, lenders become very competitive for new business. Some lenders are even offering generous “cash-backs” for existing borrowers to switch lenders.

Most of the best deals during this period are for borrowers who possess a large deposit for purchasing as well as those who have built up good equity in their existing property if they are re-financing.

It is evident that lenders will also price competitively if the borrower makes principal and interest repayments as opposed to interest-only. Also, some second-tier lenders price their rates according to the LVR (loan to security value). For example, a loan of 70% LVR would be different to a loan of 80%.

Whilst funding are currently at low interest rates, the finance application is still subject to the lender’s current credit criteria and especially given the current Covid-19 situation, additional risks assessments are applied.

If you are considering refinancing or purchasing a new property for investment or owner-occupied purposes, contact Paul today to discuss all the options available as conditions and terms have changed drastically.

SPECIALIST LENDING HOME LOANS

These were previously known as Non-Conforming loans. Here, the applicants are usually regarded as high risk due to their inconsistent income streams or they may have a poor credit history and /or facing personal setbacks, such as small business failure in the past, divorce or a relationship breakdown.

Essentially, this means that they automatically become classified as a high-risk or non-conforming borrower.

Specialist Lending is no different to traditional lending through the major banks. It’s all about ascertaining what has happened in the borrower’s circumstances and more importantly, gauging whether the borrower is now in a better financial position.

Some specialist lenders' products are no different to the products offered by major banks in that they also offer offset accounts, choice of repayment frequency and type, as well as free access to re-draw facilities. The lending principles are also similar to traditional banks, meaning, it boils down to serviceability, security and suitability of the loan product.

Generally, their interest rates are also competitive. However, each applicant’s interest rate is appraised against the risk profile of the individual, and the overall loan to security ratio.

Paul is assisting more and more clients in the Specialist Lending area because of the economic climate, and the fact that most current borrowers have limited access to this type of lending through their current banks.

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 avail themselves of LMI with the lenders deciding on a case-by-case basis.

LMI is effective if borrowers are seeking a residential loan in excess of 80% of the property value 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. In reality, 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 borrowers loan repayments. Therefore, the borrower pays interest on this LMI premium.

The rate of the LMI premium increases significantly at certain borrowing thresholds.

Recently, some lenders have re-introduced parental guarantees for up to 15% of the purchase cost to assist their children to enter the real estate property market for owner-occupied properties without the need for LMI .

The total loan, which is split into 2 loans, is assessed on the borrower's capacity to repay the total combined loan.

For further details about LMI and how it can affect the success of your loan application, please do not hesitate to contact Paul today on 1300 FLAKUS.

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 Beumaris 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

“Forecasts may tell you a great deal about the forecaster; they tell you nothing about the future.”

Warren Buffett

“If the financial system has a defect, it is that it reflects and magnifies what we human beings are like.

Money amplifies our tendency to overreact, to swing from exuberance when things are going well to deep depression when they go wrong. Booms and busts are products, at root, of our emotional volatility..”

Niall Ferguson

“Suckers think that you cure greed with money, addiction with substances, expert problems with experts, banking with bankers, economics with economists, and debt crises with debt spending”

Nassim Nicholas Taleb

“To achieve what 1% of the worlds population has, you must be willing to do what only 1% dare to do, hard work and perseverance of highest order.”

Manoj Arora



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