

4 STEPS TO MANAGE CHANGES IN INVESTMENT LENDING

The following article was kindly provided by Greg Carroll of MTA Finance. To arrange a finance review contact greg@mtafinance.com, or call 07 3849 9822.

It has been a testing time for property investors in the last 48 months as lenders have been shifting the goal posts in response to regulatory pressure from the Australian Prudential Regulation Authority (APRA).

The key changes from APRA have been a cap on banks investment lending growth to 10 per cent and a 30% cap on all new interest-only loans for banks. To get their books under these caps most lenders have had to introduce a range of measures including:

- Increased interest rates for investment and interest only lending
- Increased equity or deposit requirements for investment lending
- Tighter conditions on loan servicing
- Withdrawal or substantial restrictions on overseas buyers including ex-pats
- In some cases, stopping investment lending altogether

The net result of these changes has been the ability to borrow less with greater capital contributions required and often at a higher rate.



What action can you take as an investor?

Have your situation reviewed – The changes in the market have opened up gaps in pricing with the difference across lenders being greater than 1%. If you are on the wrong side of that it could be costly. In many cases we have identified savings of \$3,000 a year or more for clients. In some cases, we have identified savings of more than \$10,000 a year.

Look at principle and interest (P&I) repayments

– Better pricing is now skewed towards reducing loans rather than interest only. Restructuring some of your investment lending onto P&I may now make more sense. I have had a number of clients where we have reviewed their situation and for no increase in repayments they can put some of their investment lending into reduction which will increase their equity in their property

Don't limit your thinking to investment lending

– There are also savings to be had on the home loan front with some very low rates available. Refinancing your home loan and also looking at debt consolidation are further steps that could reduce repayments and free up cashflow.

Cash positive property – If you have a cashflow shortfall in your current investment mix then adding a cash positive property to your portfolio might be a sensible move. The surplus cashflow can either offset existing holding costs or be channelled into other debt reduction. A recent option for a client is generating over \$6,000 a year positive cashflow after all costs.

LEASED

CALENDAR
DATES FOR
OCTOBER

LEASING REPORT

Leasing numbers for the month of September can be summed up with one word—'affordability'. Many property owners have been offering perks to attract tenants—but nothing has been as effective as simply adjusting the rental price on properties.

The most common property search on our website for the month of September was to sort listings by 'lowest price'. Our experience shows that the best way to regularly attract quality, responsible tenants is to offer your property for a realistic and affordable price.

STATISTICS FOR SEPTEMBER

Northside: Total of **22** properties leased

Southside: Total of **24** properties leased

Office Vacancy Rate: 2.11%

DISBURSEMENTS

Wed 4th
Wed 11th
Wed 18th
Wed 25th

Monthly Statement
Issued
Wed 25th

OFFICE
HOLIDAYS

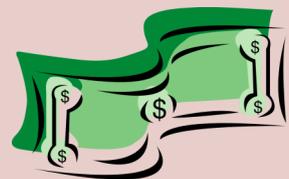
Monday
Oct 2nd
(Labour Day)

DID YOU KNOW?

The average bond amount is in the high hundreds to a few thousand dollars.

BUT...

The biggest bond held by the RTA is a whopping **\$23,300** for a pad in East Brisbane!



MARKETING MAGIC



In today's highly competitive digital marketplace, it's no longer sufficient to have a property manager or admin staff take on part time marketing duties.

In order to remain relevant, agencies need to invest in qualified, creative staff that manage the entirety of the agency's online presence.

With years of experience, and a resume that includes roles at Apple and the University of Queensland, **Louis** now manages our property listings, website, social media accounts and online analytics to ensure that Solutions is at the forefront of the industry's shift to the digital age.