

Your Money



REDRAW ACCOUNT, OFFSET, OR PIGGY BANK

Where do you put your savings?

If you have a home loan, then an excellent means of storing your spare money for a rainy day is putting it into the redraw facility which is attached to the loan.

When the bank calculates the interest you will pay on the balance of your loan it takes into account the funds in the redraw facility. The funds in the redraw are deducted from the balance of your loan for the purposes of calculating the amount of interest you pay.

If choosing Redraw—**be very, very careful.**

What you put into the redraw is not always available precisely when you need it to pay an urgent bill. If you put \$200 in at the beginning of the month, this may not be available to you for another month.

So you need to check with your online home loan account to see precisely what is available to use. Or ring the bank home loan line.

Offset Account

An alternative is to have an Offset Account. In fact, a bank advised us recently that, if paying



regular bills out of our savings, it was best to use the Offset Account.

Not all home loan accounts have an Offset Account. If you are on a low interest rate product it may not have an Offset. The banks give a lower interest rate when the home loan is not attached to an Offset Account.

When calculating the interest charge against your home loan, the bank shows this on your mortgage statement once a month. The interest is calculated on the balance of your home loan minus the balance of your savings in the Offset Account, e.g., your salary might go into the Offset Account. This interest charge appears on your statement just once, usually at the end of a four week period.

The advantage of an Offset Account is you know precisely how much you have available to make emergency payments and regular bills.

Piggy bank

Yes, you can put your hard earned savings into your piggy bank. And guess what? The temptation could be over whelming to open up piggy and spend your savings.



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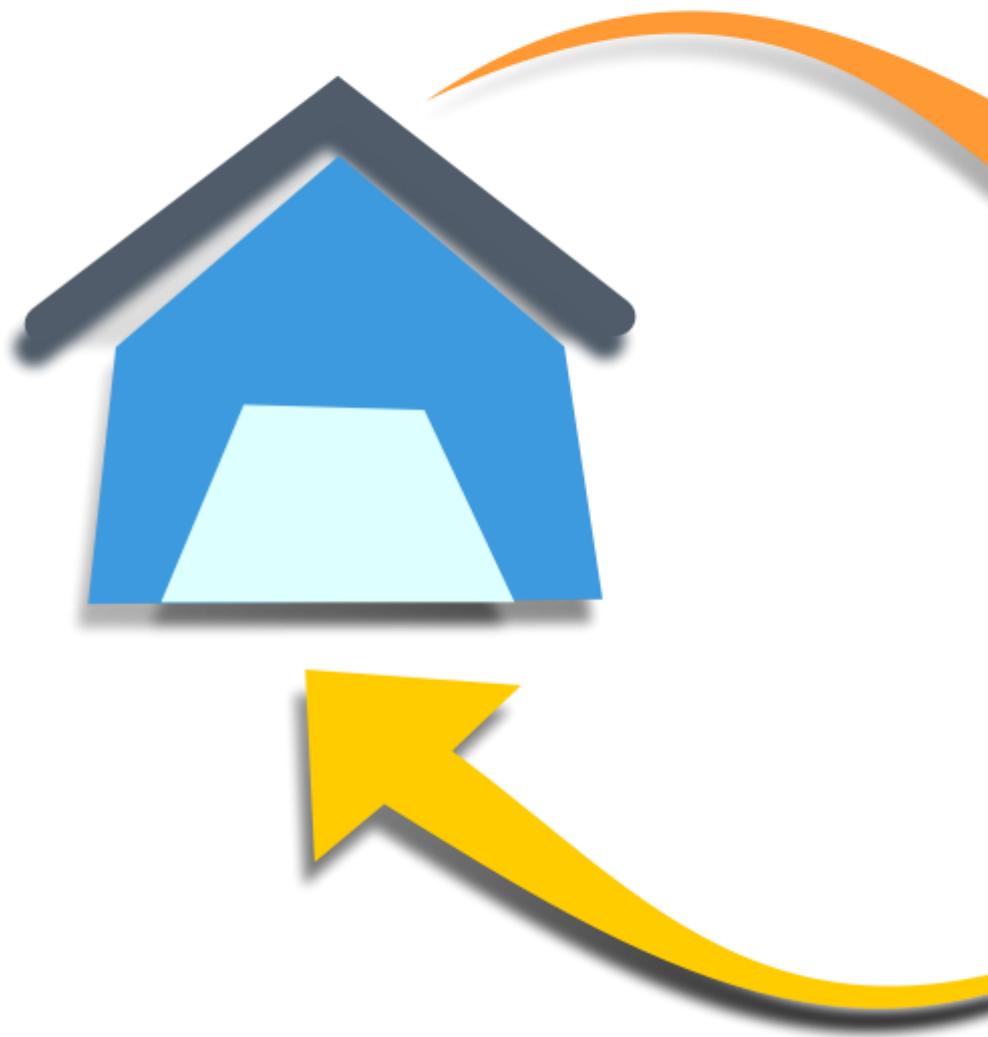
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PENSION LOANS SCHEME

Do you have real estate property?
Are you on an Australian aged or disability pension—your home?

You may be eligible for a loan under the Pension Loans Scheme (PLS).

The Australian government set up the scheme so that those living on the aged pension can borrow from the government to meet their living expenses. It may be that extra money is needed for medical expenses, medications, repairs to the house.

This is a loan scheme through Services Australia and is very limited in the amount that the government will lend.

The payment is in fortnightly payments. It is not a lump sum loan amount.

How much can you borrow?

The funds are paid to the pensioner only in fortnightly amounts. This is 1.5 times the current Centrelink fortnightly payment. So, for a married couple owning real estate, it may be possible to borrow up to an extra \$700 per fortnight.

The final amount will be calculated by the Government, depending on the applicants' age and value of the equity in their real estate property—their home.

If eligible, you can choose the extra fortnightly repayment you will receive up to the government limit.

But! Be very careful. This is, in fact, like a reverse mortgage which a lot of the banks have removed from their list of products. The Royal Commission into banking was very critical of the banks for offering this type of mortgage.

Like all reverse mortgages, you can pay some or all of the loan off as you can afford it. If you can't afford to make repayments, the debt continues to grow. If you borrowed the maximum 1.5

times your fortnightly pension, you would be charged the interest rate of the day. An example as to how this affects your property is shown below, using a compound interest calculator

Using a compound interest calculator on www.money.com.au, an interest rate of 4.50% (what the Government is currently charging), and fortnightly repayments to you of \$700, if you make no repayments off the debt then at the end of Year 1 the loan would build to \$18,200 plus compound interest. The compound interest over the period of one year may add up to \$435. If so, then the total debt will increase to \$19,335.

And so it will keep increasing unless you make repayments. While there is no need to make repayments, the loan amount, including all the interest charges, will come out of the sale of your home when you sell it. Or when you pay out the loan.

The Government will put what is called a "caveat" on your property. This caveat tells people that, when your house is sold, the holder of the caveat must be paid out of the proceeds of the sale. If a caveat exists on the title of your property, at the time the house is sold the bank will pay out the balance on the Government's loan and then you will get the balance that is clear of debt.

Contact Services Australia for information on how to access a loan.

Advantage of the loan:

Most banks will not grant a loan to anyone on the aged pension, but the government will if there is real estate property. This can be a great benefit in an emergency.

Pension Boost Scheme

There is a company which is helping people apply to the government for the Pension Loans Scheme (PLS). The company charges you \$200 for when the application is prepared, and \$200 when the application is approved, being a total of \$400. Because we read about this service on the internet under Pension Boost Scheme, we cannot endorse it having no first hand knowledge of the scheme.

CONTRACT OF SALE

Planning on buying a house to live in or an investment house? Find yourself a good conveyancer or solicitor to handle the legal side of the purchase.

Make sure you do not use the same legal firm as the seller. The seller's legal representative will be shown on the front page of the Contract of Sale. Your legal rep must act in your best interests, and therefore cannot represent the seller at the same time.

First of all, you need to sort out your finances, which is where we help you.

After you get preapproval, or conditional approval, you can then make offers on the house of your dreams.

When you have found a property you can make the Real Estate Agent an offer.

Who does the Agent work for?

The agent works for the seller, who pays the commission. The agent does not work for you the buyer.

Once an offer has been accepted by the seller, the real estate agent will ask you to sign a Sales Advice Slip. At this time you are expected to pay .25% of the purchase price. If your pur-

chase is \$650,000, then the .25% of the purchase price is \$1,625. If your loan does not come through and you do not proceed with the purchase then the \$1,625 goes to the seller.

The real estate agent will present you with a Contract of Sale for you to take to your legal representative. It is vital that this COS is read by your conveyancer/solicitor who will advise you if there are any problems with the contract. This needs to be done prior to signing the Contract.

It is important to make sure that you have a cooling off period in the Contract. This enables you time to get pest and building inspections, for the bank to organize a valuation if necessary, and for the final assessment of your suitability for the loan to be done.

A five-day cooling off period is the normal period in NSW. However, in order to get all matters sorted out, you should really look at a 10-day cooling off period.

The COS should be signed in the solicitor/conveyancer's office only after it has been thoroughly checked by your legal representative.

The Contract, once signed, is exchanged with the Contract signed by the seller.

At the time of exchange, a deposit of 10% of the purchase price is paid. For a house of \$650,000, a deposit of \$65,000 is paid. If you do not have the cash for this deposit most vendors through their legal representative will accept a Deposit Power Bond. This is a small insurance policy you take out, usually through your legal representative, guaranteeing that at the time of settlement all the funds will be available for you to complete the deal. Your solicitor/conveyancer will sort this out for you.

If you exchange contracts and, after the cooling off period, pull out of the deal, you will lose your 10% deposit to the seller. This is the law in NSW.

The most important thing when buying real estate property, no matter where in Australia, is to ensure that you read the Contract of Sale. Your legal representative should read the Contract, and explain to you any points you are unsure of. Do not sign the Contract of Sale until it has been thoroughly gone over by your solicitor/conveyancer.

DEVELOPMENT APPLICATION PENDING

Have you ever used Google Maps to find a property? The other day I did, and up popped a message: "Within 300 metres, development application pending".

What development application? Will this affect the value of the property I am hoping to buy?

Make sure you add to the list of things to do once you have found your dream home a check

with the local Council office for any pending developments that may have a negative impact upon the value of the house you wish to buy.

It may be that the developer is presenting you with a great house in what should be a great location with other beautiful houses. It may also be that the developer/agent fails to tell you that there is a gigantic warehouse to be built within eyesight of your beautiful house.

Disclaimer

READERS should not rely on this newsletter without first obtaining advice from professionals in legal and accounting fields suitable to individual circumstances.

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STEPS TO SELLING YOUR HOUSE

Are you ready to sell your house? What do you have to do to get ready? This list will give you a few pointers on what has to be done. Be prepared before you talk to others for advice.

Comparisons sales

Look at realestate.com.au or Domain and see what properties are selling for in your suburb or town.

How do these properties compare with your house? Look at structure, e.g., timber/brick veneer/clad.

Interior – number of bedrooms, living areas, age of kitchen, bathrooms. The real estate agent you might call in for a market appraisal will also do this. The agent is not legally qualified to give a full valuation – only a sales estimate.

Property estimate

Do your own estimate.



Contact us and we'll email one to you. Or go online to the major banks e.g., ANZ, CBA, and you will be able to pull up a comparison. If the program gives you a range of prices, then it is possible the house might sell for the middle of the range.

By preparing yourself with

your own researched estimate you will be in an excellent position to decide which agent to go with. It may not necessarily be the one with the proposed highest sales appraisal. There should be no fee for the agent to come into your home to give you an appraisal.

Commissions

Look around different agents to find out the commission you will be charged for their service. Here again be careful as the lowest commission may not necessarily be the best one for you.

Drive around your area

Take a drive around the streets in your suburb taking note of the different agents with properties for sale. This will give you an idea as to which agents might be suitable for you.

Above all else be prepared for putting your house on the market, knowing you have done all your research.

Deferred your loan repayments due to COVID-19?

If you have deferred your home loan repayments during the Corona Pandemic you may see on your home loan statement: "Dishonoured payment".

According to the CBA, this

is automatically done by their computer system.

The bank reassured us that these deferments due to the Pandemic will not be recorded on the credit report as a dishonour for the

borrower.

Expect a phone call, letter or email from your bank regarding your deferment towards the end of the deferred period. The bank will contact you are doing.

Paying your mortgage on time

Thanks to the client who let us know about an unexpected late payment on their mortgage. The clients' bank statement showed plenty of funds to make the regular repayment. The online statement two days later showed a dishonour fee because they had failed to make their repayment.

The clients' bank statement still showed that for all

transactions on that day payment was made successfully, including the loan repayment. A phone call to the bank showed something different. Yes, all the other bills were paid on time. But, by the time of the day that the bank had scheduled for the repayment, there was a negative balance. Hence the default.

A complaint to the bank had them refund the \$5 dishonour

fee, but the bank did not take off the note that the payment had not been made.

Action to be taken by client:

Ensure that sufficient funds are in the bank for the repayment, and that no other bills are paid on the same day. If at all possible, put the funds into the savings account the day before the mortgage repayment is due to be taken by the bank.