

# Money Talk

## Solutions and service - not just products

### Business Finance Solutions

- Business Acquisition
- Refinance & Restructure
- Working Capital
- Import /Trade Finance
- Invoice Discounting
- Professional Practice Finance
  - Accountants
  - Financial Planning
  - Legal Practices
- Franchise funding
- Rent Roll acquisition
- Business Succession
- Management Buy Out / In
- Agricultural Finance
- Vehicle & Equipment Finance
  - Finance Lease
  - Novated Lease
  - Personal Lease
  - Commercial Hire Purchase
  - Chattel Mortgage
- Equipment rental
- Advisory Services

### Commercial Property Finance Solutions

- Acquisition
- Refinance
- Development & Construction
- SMSF Loans

### Residential Property Finance Solutions

- Purchase
- Refinance
- Construction
- Wealth creation
- Consolidation

### Other Personal Finance Solutions

- Vehicle Buying Service
- Personal lease - non business

## Interest Rates on hold for the moment for good reason

**02 Feb 2010** - The Board of the RBA surprised the markets today and left the Official Cash Rate at 3.75%.

The Statement accompanying the announcement indicated that no move was necessary because the banks increases in December were well in excess of the last official increase.

There are also some darker reasons for the RBA not wanting to “slam the brakes on” too quickly.

- **We don't exist in isolation** - we thought we did in late 2007 as John Howard fought to maintain the illusion prior to the Federal election. There are still major issues to be addressed in Europe, the UK and the US - these countries account for more than 50% of the world economy. Even China has a massive issue with Non Performing Loans. The world is a very fragile place.
- **Living in two speed economy** - The small / medium business sector is still suffering a lack of confidence. Firms that came into the downturn with a lot of work on their books are now finding that they're looking at a 25- 50% drop in income in the next 6-12 months. SME's are also being battered by changes to bank lending guidelines and policies. **The car market and equipment sales** will soften dramatically now that the Federal Govt's tax incentive is finished. Credit demand for car loans dropped by 14% in the last 12 months.
- **Housing finance approvals have dropped by more than 6% in December** as rate rises bit. ( Graph—The Australian 13 Jan 2010)

How the cash rate tracks with housing finance approvals\*



*In summary a lot of countries people and businesses are still feeling the pain. Whilst we need to be confident there is a danger that we may declare the downturn "over" too early . A small bubble in real estate prices and the share market doesn't spell recovery.*



## Indicative Rates - AFN Residential Loans

AFN Standard Variable home loan - borrow to 90%	6.48%
AFN Premium Variable - No annual fees	5.89%
AFN Premium Variable - Annual Fee	5.71%
AFN Premium Variable with Capped rate (7.29% 2 yrs)	6.29%
AFN Link Loan	6.72%

**AFN Residential and Corporate Finance is a specialist mortgage manager, finance broker and consultant**

**Helping you to achieve your personal and business objectives**

**Add over 150 years of combined banking and finance industry experience to your advisory team ...**

### **AFN Residential Finance**

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### ***A warning - don't make commitments to purchase property / equipment without confirming your finance is approved.***

In recent weeks we've had a number of clients who have very good incomes and equity commit to purchasing properties and /or equipment prior to obtaining formal finance approval. Through a lot of hard work we've managed to ensure that everyone achieved their objectives - but the stress levels were high for all parties.

Please be very much aware that the rules have changed—what was quick and easy 12 -18 months ago is no longer a “given”.

All lenders have changed their guidelines and policies. They're looking at transactions in much greater depth and detail and taking a lot longer to do it. Their loan processing systems for “mum & dad” loans have been “dumbed down” to cater for volume.

Assume nothing - if its not in writing - its not approved.

### ***Some Guidelines***

- Allow plenty of time for finance approval and documentation. Obtaining finance approval is the first step - not the last.
- You will need your **FY 2009** Income Tax Returns and Assessment Notices. It doesn't matter that the ATO may not require them until May 2010—your lender will.
- Lo Doc Loans are a thing of the past - they are virtually impossible to fund above 60% loan to valuation ratio. You will have problems if you try to refinance an 80% LVR Lo Doc loan.
- If you salary sacrifice or have a transitions to retirement programme in place - make sure that it's documented and you have an annual reconciliation statement that clearly shows the cash trail.
- Business borrowers need to be aware that all banks are looking extremely closely at “new to bank” clients.
- Similarly, banks are now looking to have the entire banking relationship - ie they want the business finance + your home loan+ the transactional banking + they're going to try and sell you their financial planning products and insurance.
- Above all else—protect your credit rating. A missed loan or credit card payment could mean that your finance may not be approved.

### ***A Plan of Action - Talk to AFN about your plans.***

Good finance outcomes are about early planning and preparation. A vital part of our client offering at AFN is that we're prepared to invest time and expertise with our clients to ensure that their goals are achieved with a minimum of stress and inconvenience.

We invite you to spend an hour of your time to review and plan your finances - it will be time well spent .