

2016 Annual Review



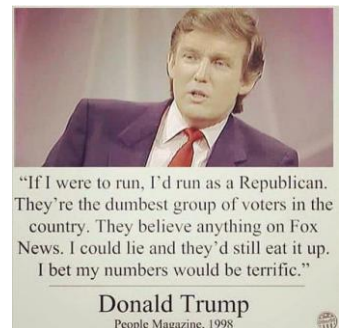
December 2016

It's been another great year for us at Home Sweet Loans and we would like to begin by thanking each and every one of you for your support! Our growth is not without its challenges & frustrations at times, however we cease to exist without you and that is something we don't take for granted. We are always here for you – no ifs or buts!

Despite another year of growth, we've also had our fair share of challenges. Staffing remains my biggest 'bug bear', with Bank's changing policies like we change underwear – in fairness though, mostly Regulator induced.

Owner Occupied Interest Rates remain steady (Cash Rate 1.50%) and while most forecasts is for more of the same in 17, there has been the odd chatter over the past month or so that we may see an actual increase next year. SEQ Property market performance is very location dependant at the moment. Some report markets on fire, others hamstrung by an 'Ice Age'. After trying to sell our house for close to 6 months, I can report that I'm personally shivering brrrr....

Leicester did the unthinkable in the EPL, Western Bulldogs (AFL), Cronulla (NRL) & Chicago Cubs (Baseball) all followed suit & broke long standing droughts... but the biggest head turner of all was the Trumpster – you're HIRED!! Ummm yeah, that will be an interesting 1st 6 months in the US! Kudo's to him though... in an interview in People Magazine in 1998: 'If I were to run, I'd run as Republican. They're the dumbest group of voters in the country. They believe anything on Fox News. I could lie and they'd still eat it up. I bet my numbers would be terrific.' And duly nailed it 18 years later!



On the personal front, we finally managed to nail our Acreage property – thank God because anymore emails/texts from Dee asking if we should go & see this one, or call the Agent on that one, or blah blah blah, & someone was going to get hurt (I in no way condone domestic or any other type of violence Glen B! It's just a figure of speech...) My HSL sponsored Masters Soccer Team made the Finals & took out the Championship - in only our 2nd season together! Our oldest Jibreel nailed his 2nd Academic Merit Award in a row (he has eyes firmly planted on the Dux in 17), while our youngest Bear starts Prep in 17 – only 13 years of work to go!!

At the end of this update, we've rehashed a politically correct 'seasons greeting' and a pic montage of 2016 – hope you enjoy it!

Thank you again for your wonderful support, and please have a safe & wonderful festive season. ☺

Interest Rates/Lending

Interest Rates

The Cash Rate remains at a historical low of 1.50%. Notwithstanding this, Lenders have recently increased interest rates on Investment/Interest Only loans & Fixed Rates. Is this a sign of what's to come in 2017 for Owner Occupiers? I don't think so. Investment Rates increased in an ongoing bid by APRA (Australian Prudential Regulation Authority) to contain Investment lending. We can continue to see ad hoc changes in the investment space. Fixed Rates increased due to 'competition forces'. The only reason Fixed Rates dropped a few months ago was due to the Westpac Group attempting to 'buy' business. Everyone else thumbed their noses at them & said they could play the game too. A month ago, Westpac increased their Fixed Rates & everyone else duly followed (though ANZ are yet to move theirs).

The Owner Occupied rates are a politically sensitive football – they cop enough flak when they don't pass on the full RBA cut, or increase more than the RBA increase (even though the RBA accounts for this in their decisions). That's not to say that we won't see an out of cycle shift in 17, but it would only be due to funding pressures, which well & truly exist.

This year saw unprecedented discounting of the Variable Rate under Packages. The highest we managed to obtain for Clients was 1.50% off both the Owner Occupier & Investment Variable Rates. Obviously not everyone was eligible for this level of discounting with total Lending & deposit/equity playing a major part, but there was a period there where we were seeing 1.45% for all O/O (new business) over \$250k & under 80% LVR. This same level of new lending is only now getting us circa 1.10-1.25% off the SVR (slightly higher discounts for Investment Lending).

Please contact us should you wish to discuss/review your Interest Rate options.

Lending

The tightening of Lending policies at the end of 15 has well & truly continued throughout 2016 as APRA continues to maintain (tighten) prudent lending guidelines. I made in the comment in this update 12 months ago: *'No-one is certain what the early part of 2016 holds for Lending policies, but most of us experienced Professionals feel there are more to come... watch this space'*. I should become a fortune teller!

With rates at all-time lows, their primary concerns centre around people borrowing to their maximum in a low interest rate environment. You don't have to be Einstein to decipher why they're concerned by this. Rates will not be this low forever and hence are overseeing Lenders policies predominantly around income sources used and to what extent, & cost of living expenses that are factored into calculations. 2016 has seen 'Postcode' restrictions added to the mix. This is predominantly based around significant Lender losses & concentration/oversupply of units within certain Suburbs. These restrictions are centred on the amount of deposits required to purchase within those postcodes with some requiring as much as 30% deposit before the Lender will consider.

Investment Lending remains tight, & even tighter in the postcode restricted areas. While CBA continues to lend to 95% (inc LMI), most Lenders remain at 90% (inc LMI) or below.

ASIC is currently undertaking a review of our remuneration – apparently it's just 'our turn'. All I can say to this is that any further dilution of our Commissions would seriously dilute our current proposition. Our Profit margin is not 'fantastic', especially when you consider the

amount of Construction finance we do & the service we provide for each of these transactions. We make our money on volume. In fact on a \$400000 or less construction transaction, we actually make no money at all – we simply back ourselves & rely on the service we provide during the transaction to obtain a future referral or 10. I struggle to think of another occupation or industry that hasn't experienced a pay-rise of any description since the GFC (in fact they were cut post GFC), yet our regulatory obligations have increased significantly.

I acknowledge that there's many in our Industry that get paid the same as us, yet provide a very poor service/proposition to the Consumer, but targeting our pay is not the way to fix it. Get harder on these Brokers that aren't doing the job they're paid to, & cancel their Accreditations – but when has a Regulator/Govt ever made the hard decisions (which aren't too hard in my opinion), especially when you consider the amount of 'Licence' fees they collect...

Our Year!

Another year of growth for us – our 5th straight! Rachel jetted off, Alanna moved on, & Jess is now the sole occupier of the Office >>>>

Officially finished in the Top 5 AFG Qld/NT Broker of the Year! Not much into these awards but as this one is one of the very few that's based on actual metrics (& not the best story), I'll take it!

The HSL Footy Tipping Comp was another great success with over 60 tipsters participating in over \$1800 in prizes. It was a tight affair again with the Comp going down to the wire. Congrat's to Barry S for knocking off 3 time winner Allan G, & the Winners of all other categories! Invitations in your Inbox in early February...



2016 saw us increase our business by 12% (Settled \$ Volume).

Our Loan Activity for the year:

Land/Construction of Home	40.5%
Purchase Existing Property (Owner Occupied)	30.5%
Refinance	15.0%
Increases/Miscellaneous	7.0%
Purchase Existing Property (Investment)	4.5%
Land/Construction of Home (Investment)	2.5%

The best part?! We remain 100% referral based – thank you all!

So what's on my wish list for 2017...?

- ✓ Another 'experienced' Team member... Gee, that's much tougher than I thought!
- ✓ Continued growth with an increased focus on existing property finance – construction is bloody hard work (but we do it better than anyone)!
- ✓ Significantly greater presence/involvement in the Digital/Social Media space
- ✓ Enhanced awareness amongst our Clients that we are your 1st point of call for any Home Loan related queries/issues, regardless of Lender.

Personally...

So how did I go with the 2015 wish list...:

- ✓ MORE Fishing... that's a wish every year! <FAIL>
- ✓ A Premiership for my BUFC O35's Soccer Team <TICK – Championship will do>
- ✓ A long awaited move to Acreage... we're just too loud for neighbours! <TICK – best move ever!>

Can't complain at all about our year personally. Kids are doing well at School, everyone is in good health, & the Bills are getting paid <ha ha ha>.

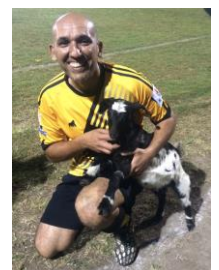
We finally bought our piece of bush paradise in Ransome (next to Gumdale for those wondering). Yes, it's as addictive as people say it is! Mind you, I've gone from 5 mins of mowing to circa 1.75hrs, & that's a super time judging by others with similar size properties. It helps that you dish out a small fortune for a Mower, but gee it's worth every cent – thanks K!! Still, I have all these little projects & I reckon it will take me at least a year to get the yard right, but very enjoyable nonetheless. Formal fire pit is my XNY project – pics in next update. It also didn't take too long to get our 1st slippery visitor, with a line from a panicked Dee that will long live in the memory banks... 'Shall I get the Mortein?!' Couldn't stop laughing!! Only downside (if there is one)... everything costs sooooo much more to fix/maintain/implement. Oh well, keep working...



My Champion Soccer Team went 2 better than last year – we made Finals, & we won the Championship! Wonderful effort/commitment given we beat 1 & 2 away to do it. Great bunch of Blokes too - here's to the double in 17!

2017 wish list...:

- ✓ MORE Fishing... I'll just keep dreaming!
- ✓ Jibreel nailing the Dux & Bear not getting suspended/expelled <haha – I think>
- ✓ A Premiership/Championship double for my Team
- ✓ Sell our old house – in all of the property we've bought & sold over 25 years, I thought this one would fly in days... nope, 5 mths later & had to rent it out – go figure!
- ✓ Build my Shed, finish the Fencing, & getting a goat - don't laugh, I'm serious>>>>>>



THANK YOU ALL again for your wonderful support! We look forward to seeing/speaking with you in 2017! May it be prosperous for each and every one of you!

Home Sweet Loans - Housekeeping

PLEASE NOTE that we are here to assist during the Application process, and post Settlement. If you require any assistance whatsoever once you have your loan in place, please call us at anytime. This alleviates any issues that you will encounter dealing directly with your respective Lender, especially when it comes to Product switches and Discharges/Releases.

We Value Your Thoughts!

Gift Vouchers, Movie Tickets, a night at the Footy, lunch/dinner at sumptuous Restaurants – the more of your family & friends you refer, the greater your rewards!

Take Care
Tarek

NOTICE TO OUR CLIENTS:

Please accept with no obligation, implied or implicit, my best wishes for an environmentally conscious, socially responsible, low stress, non-addictive, gender neutral celebration of the summer solstice holiday practiced with the most enjoyable traditions of religious persuasion or secular practices of your choice with respect for the religious/secular persuasions and/or traditions of others, or their choice not to practice religious or secular traditions at all. I also wish you a fiscally successful, personally fulfilling and medically uncomplicated recognition of the onset of the generally accepted calendar year 2017, but not without due respect for the calendar of choice of other cultures whose contributions to society have helped make our country great, and without regard to the race, creed, colour, age, physical ability, religious faith or sexual preference of the wishee.

* By accepting this greeting, you are accepting these terms:

This greeting is subject to clarification or withdrawal. It is freely transferable with no alteration to the original greeting. It implies no promise by the wisher to actually implement any of the wishes for her/him or others and is void where prohibited by law, and is revocable at the sole discretion of the wisher. The wish is warranted to perform as expected within the usual application of good tidings for a period of one year or until the issuance of a new wish at the sole discretion of the wisher.

Best Regards (without prejudice)
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2016 in pics next page...



AFG's QLD Top 5!



Champions!!



Last Men Standing??



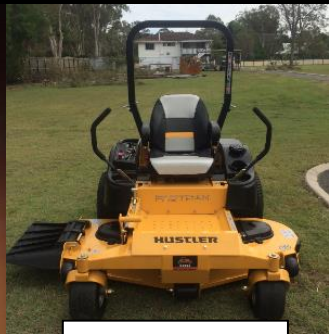
Long walk up the driveway for the Paper... but nice view to have the morning coffee to...



Love these Clowns!!



1st m/mellow fire



Best purchase in 16!

