2018
Mid-Year Update

June 2018

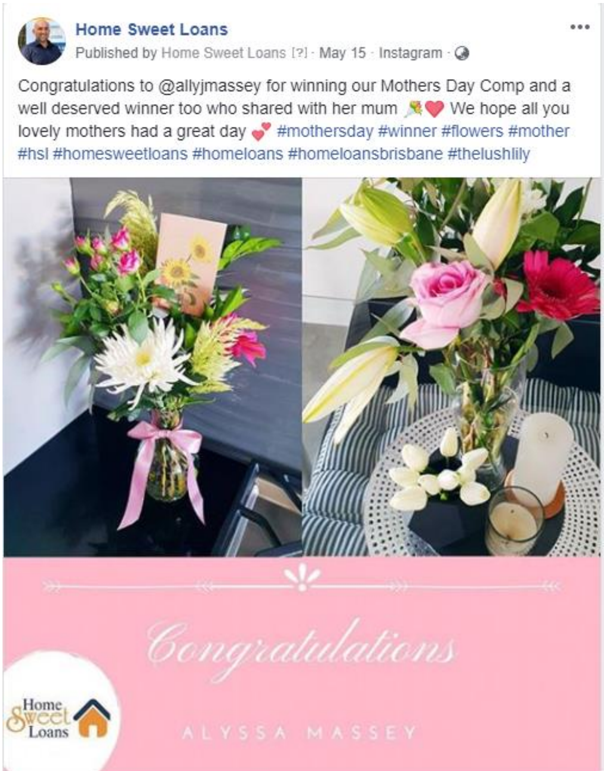
Welcome to our mid-year update, & boy, don't we have quite a bit to get through!

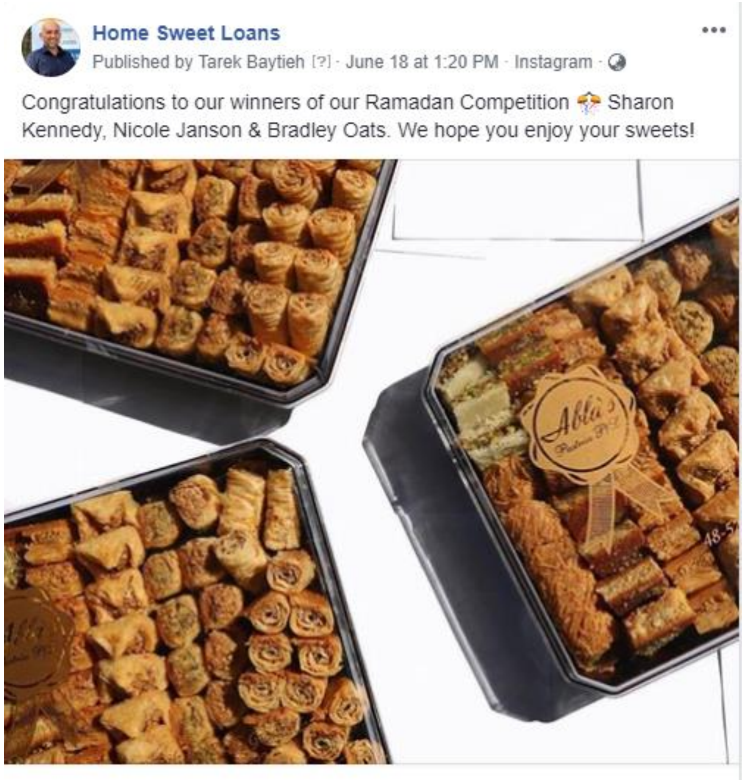
The most important item of note is the kicking off of Live Credit Reporting (AKA Comprehensive Credit Reporting). This is a game changer for Lenders & borrowers alike, in all facets of Credit. We'll also take a look at the Royal Commission, the current Lending/Interest Rate environment, we'll touch on the SEQ Real Estate market, and of course we'll round it off with our usual end of Financial Year tips thanks to Poulsen Partners.

We've easily had our biggest 6-month period ever – in fact, we haven't stopped since Boxing Day. What's even more satisfying is that we've done this in the toughest lending environment I've experienced in 18 years of being in this game. Putting it bluntly, tougher lending parameters are here to stay (more on this later). We've also had some changes to our Team, & if you haven't spoken with or familiarised yourself with our Team, please see Page 2. I'm also pleased to advise that we're Major Sponsor of the Moreton Bay College Fun Day on Saturday August 25. This Fun Day would rival any suburban show outside of the Ekka in Brissie. Plenty of Rides culminating in an epic Fireworks Display at 7pm – grab the kids & head down there!

Congratulations to our Winners of the Mother's Day & Ramadan sweets comps! Both these comps were conducted on our Facebook page – if you haven't liked it, you're missing out… 😉

https://www.facebook.com/HomeSweetLoans/





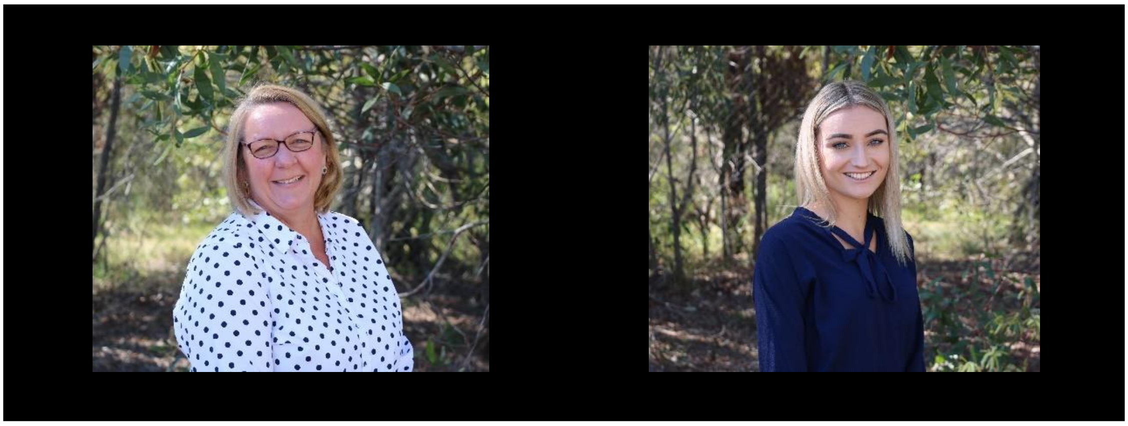
On the personal front, not much excitement to report – kids doing their thing at school & keeping their Mum frantically occupied. We may just be off on our 1^{st} overseas trip as a family at the end of the year. Dee is pretty keen to see her family, as they are to see their grandkids… anyone know of any effective 24hr tranquilisers for kids??

My HSL sponsored O35's Soccer Team sits in 3^{rd} halfway through the season, 2 pts behind 1^{st} & 2^{nd}. Despite the fact that I don't believe we've played that well yet, we're certainly in a great position heading into the back half of the season, with our best football yet to come. Can we finally take out the Premiership (1^{st}) after back to back Grand Finals in the past 2 seasons?!

So, lets KO with meeting our newest Team Members, before we get into the serious stuff…

Welcome to the Team!

As some of you may know, we have two new Team members - Karen & Taryn! (don't worry we mis-hear their names sometimes too). Karen has been in the finance industry for many years, and with her kind & gentle nature, we have affectionately dubbed her the 'Mother' of our office. Karen is making progress in adapting to our Office antics - we believe she's over the 'horrified' period & moving into the 'acceptance' phase haha! Taryn is a young, friendly & vibrant young Lady who has grasped the role with both hands. Her energy in our office is nothing short of infectious, and her weirdness constantly has us in fits. Rachel loves this because she believes that Taryn makes her feel 'normal' (BIG call!!). Rachel has now reverted into a part time role, focussing on education & marketing. Please join us in welcoming these wonderful Ladies to our team!



http://www.homesweetloans.com.au/our-team/

The link above is more for updated pics of Rach & myself… 😉

Comprehensive Credit Reporting (CCR)

Comprehensive Credit Reporting (CCR) kicks off on 1 July in Australia, with the major 4 Banks the first to face mandated credit reporting (as they account for 80% of lending to households).

So, what is Comprehensive Credit Reporting (CCR)?

Banks will be 'forced' to share both positive and negative financial history with other credit providers. Currently the standard reporting covers credit applications, defaults, overdue payments, bankruptcy & court judgements. The CCR will additionally cover the following:

- Account opening & closure
- Credit limit/type
- 24 months repayment history (missing a payment >14 days can be recorded on the report)
- If you've paid the minimum monthly repayment or more
- If repayments are made on time – 24 months repayment history*

** Repayment history information can only be provided by and shared with licenced credit providers - this doesn't include telco and utility companies.*

The implementation of this information reporting will occur over the next 12 months – with 50% of new credit data to be provided to Credit Reporting Bodies within 90 days of the 1st July 2018, & 100% of the credit data by 1st July 2019.

While these reports are available, some credit providers will continue to use their current systems for assessing credit applications, i.e. some will continue to use the 'negative data' credit reporting system or they won't use credit reports for decisions at all. Let me assure you though that this reporting will still contribute to Credit decisions, in particular home lending!

Credit Reporting Bodies, such as Equifax (previously Veda) give each person a score between 0 – 1,200 with the average being around 300-750. It is theorised that a majority of credit scores will actually increase using this new reporting system. Reality is though, Lenders are looking for the negatives, not positives when assessing applications. It's great that you make your payments on time etc, be let's be honest here, isn't paying a bill/commitment on time a basic obligation? If you're a bit loose with your commitments, then you have the most to be concerned about…

What can you do to stay unaffected by these changes?

Pretty simple really…

- Pay loans & bills on time. Credit Cards also have a due date for a reason, not to mention the Overdue Fee you get charged for not making payments on time!
- Ensure you have sufficient funds in your accounts at all times. This would be the single most common example of adverse conduct we see (overdrawn accounts).
- If you're asked what 'debts/liabilities' you have when applying for Credit, ensure you are up to date with your commitments. That Interest Free Card for a Fridge or Laptop is a debt. That fishing (someone say fishing?) rod you're paying off on Afterpay, it too is a liability…
- Only apply for credit if/when you need to – constant 'Enquiries' on your Credit File negatively impact applications for Credit.
- If you are in financial difficulty speak to your Credit Provider for options.
- Get your Credit Report to check the information recorded on your profile is correct.

ROYAL COMMISSION

The Royal Commission (RC) into the Misconduct in the Banking, Superannuation & Financial Services Industry was established on the 14th December 2017. The Commission was established to create enquiry into the alleged misconduct of Australia's banks and other financial service entities. Or for those in the know… to be seen to be interested at the behest of the ALP (aka agreement to pass Legislation).

Most Clients & Referrers have been asking whether Lending has tightened due to the RC? Everything the RC has publicly revealed has occurred, been dealt with, changes made & implemented already. This is nothing more than a retrospective re-hash for media/public consumption.

Now, I'm not for one second suggesting or defending our Financial Industry's conduct over the past decade or more, but I have serious reservations about how they have gone about it! Why dear Lord, have we not launched an Inquiry that encompasses the whole industry ie 100% of all Banks/Lenders? I'll tell you why… no-one gives 2 scheets about ME Bank or XYZ's misconduct due to their size & inability to make the front page of most media outlets prints. But hint at misconduct by the big 4 & it's headlines everywhere.

My next issue with this RC is the level of 'it's not my fault' I couldn't meet my commitments. The fact we begged the Bank to lend us money is irrelevant – the Bank shouldn't have lent it to us in the 1st place! Not kidding, we get enquiries regularly from people who believe it's their right to borrow money with commentary around the disbelief in that fact they don't qualify (for a number of obvious reasons). I gently remind such enquirers that people similar to them are in front of a Royal Commission right now putting the boot into Lenders – buggered if they want anymore!

Mind you, we (Mortgage Brokers) copped a boot or 10 too – and to be completely honest, well deserved! We have 18000 Mortgage Brokers in the Country – at least 10000 too many! Time for a much-needed cull. The number of Clients we acquire due to the conduct of other Brokers, while welcoming, is gobsmacking. The sooner our Aggregators/Regulators/Industry Bodies get this through their rose-coloured glasses the better. But when you take into account the average fee to ASIC & MFAA respectively is $500PA, doesn't take much to calculate that any cull that would greatly benefit our Industry is nothing more than lip service… $$$'s talk!

LENDING

As alluded to earlier, the current lending restrictions are not predominantly borne from the RC. ASIC & APRA have been reviewing & whipping Lenders policies into shape for close to 3 years now. The most stifling outcome at present is prospective borrowers lending capacity. No-one is in a position to borrow what they were able to 6/9/12 mths or more ago, & that won't change in the future. The biggest impact has been on couples with kids, & home owners with multiple properties.

Effectively, minimum cost of living figures are now based on the Household Expenditure Method (HEM). HEM ties COL figures to one's income, that is, the higher your income, the higher the COL figure used in assessments. The more kids you have, the higher your COL figures. Previously, this was tied to the Henderson Poverty Index, which was a flat figure for each Person/Family member regardless of income.

In terms of having multiple properties/loans, Lenders now use the same assessment (Benchmark) rates for existing loans, as they do for new loans. So where once your investment loan was assessed at its actual rate (say 4.5%), it's now assessed at the min Benchmark rate of 7.25%.

Bottom line – the Government doesn't want people to borrow to their maximum capacity in a low interest rate environment, for obvious future economic/property management purposes.

Other changes/restrictions we're seeing at the moment is waaaaaay more verification & rhetoric around loan applications. It's one thing to say we can get you up to $500k, it's another to say we can get it approved.

INTEREST RATES

While the RBA shows no signs of moving anytime soon, Lenders are, & will! We've already seen a number of 2nd tier & smaller Lenders raise their Variable rate (inc but not limited to Suncorp, BOQ & ING). It's only a matter of time before we see the big 4 join the party – just not a good time with a Royal Commission going on in the background! Reality is, they must increase – funding costs have increased sufficiently to warrant a rise, & while the majority have resisted, they'll have no choice soon enough.

Just wait for the Media to scream 'Home Owners slugged by the greedy big Banks'!! So predictable (despite the fact quite a few have already done it)… Having a low interest rate environment is not a 'right', it's a privilege & good luck for us… so make the most of it while we can!

PROPERTY MARKET

Been hearing a little bit of chatter over the past few weeks of the Brissie real estate market softening/bubble bursting… ahhum! What bubble?? I know I'm only a tadpole in Wivenhoe Dam, but from what I'm seeing with our Clients is that there are a very limited number of (desirable) properties on the market at the moment. So much so that some are buying before the property actually hits the open market – mainly due to the fact they are having difficulty finding a suitable property. We're also seeing any number of Clients who are selling their properties pretty quickly too – price correctly & it will move! I keep a close eye on my suburb & 3 similar surrounding suburbs (predominantly acreage properties). Currently there's 14 on the market & that's the most I've seen there in the past 12 months. None of the above are signs of a 'bubble'… and don't get tainted by the stats that show 'asking' prices have dropped! They've dropped because sellers are getting more realistic rather than listening to the hype of the usual 'Brissie is the next big thing'… heard it many times over many years!

EOFY TAX TIPS

Individual Resident Tax Rates

2017/2018 Rates	**2018/2019 Rates (subject to legislation)**
0-18,200 Nil	0-18,200 Nil
18,201 – 37,000 19.0%	18,201 – 37,000 19.0%
37,001 – 87,000 32.5%	37,001 – 90,000 32.5%
87,001 – 180,000 37.0%	90,001 – 180,000 37.0%
180,001 + 45.0%	180,001 + 45.0%

The above rates do not include the Medicare Levy (currently 2% of taxable income).
The 2% Temporary Budget Repair Levy for those on the top marginal rate no longer applies as from 1 July 2017.

In the latest budget announcements, the previously proposed increase in the Medicare Levy from 2% to 2.5% to help fund the National Disability Insurance Scheme is no longer going ahead.

Debt Levy (Rich Tax)

The Temporary Budget Repair Levy which added an additional 2% to the top marginal tax rate no longer applies as from July 1, 2017. The top marginal tax rate is now 47% (including the 2% Medicare levy), down from 49% in 2016/2017.

Non-Residents

For 2017/2018 non-residents will be taxed at 32.5% on income up to $87,000, with the balance taxed at the above rates for residents. Non-residents are not subject to the Medicare Levy. Non-residents also lose the 50% CGT discount on gains that accrue after May 8, 2012.

Superannuation Contributions

For 2017/2018, superannuation contributions are subject to annual limits. Contributions above those limits attract excess tax.

Contribution limits and taxes are as follows:

Deductible Contributions	Contribution Cap	Excess Tax
Deductible (general threshold)	$25,000	At your marginal rate plus an interest charge

This limit applies to everyone. Previously it was $35,000 for people 49 years and older and $30,000 for everyone else.

This limit includes contributions from all sources (employer, salary sacrifice and deductible personal contributions).

Salary Sacrifice Arrangements

Salary sacrifice arrangements (including super) are only valid if an agreement is entered into prior to the arrangement commencing.

Arrangements in relation to laptop computers, mobile phones etc. will only be exempt from FBT if used primarily for work purposes.

Rental Property Deductions

Don't forget you may be eligible for capital write-off deductions on rental properties. Deductions include depreciation of plant & equipment (including furniture and fittings) over their effective life (outright deduction available for items costing less than $300) and a special building write-off on construction costs (including subsequent improvements). You will require a quantity surveyor's or builder's report for rental properties to be able to do this. Call us if you would like us to arrange a depreciation report.

Effective July 1, 2017, deductions for depreciation of plant and equipment are restricted to outlays actually incurred by investors in residential rental properties. This means investors who purchase plant & equipment after May 9, 2017 will be able to claim a deduction over the effective life of the asset, but subsequent purchasers will not be able to claim depreciation for plant & equipment purchased by a previous owner. Existing investments as at May 9, 2017 are grandfathered, i.e. plant & equipment forming part of residential investment properties at that time will continue to be eligible for depreciation deductions until either the investor no longer owns the asset or the asset reaches the end of its effective life.

Also in their budget announcement of May 9**,** 2017, the government removed the deductibility of travel expenses incurred to inspect a rental property from July 1, 2017.

Plant & Equipment

SBE taxpayers (see Item 38) will continue to have access to the $20,000 instant asset write-off for another 12 months. This allows small business entities to claim an immediate tax deduction for depreciable assets costing less than $20,000 (net of GST) which are acquired and installed ready for use before June 30, 2019.

For non-SBE taxpayers you will only get an outright tax deduction for purchases of under $100. Note that computer software is to be depreciated over 4 years, not written off immediately.

Private Health Insurance

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The private health insurance rebate is means tested(1). Refer below table for details:

Singles Families (2)	<$90,000 <$180,000	$90,001-105,000 $180,001-210,000	$105,001-140,000 $210,001-280,000	>$140,000 >$280,000
Rebate (1 April 2017 - 31 March 2018)				
< age 65	25.934%	17.289%	8.644%	0%
Age 65-69	30.256%	21.612%	12.966%	0%
Age 70+	34.579%	25.934%	17.289%	0%
Rebate (1 April 2018 - 31 March 2019)				
< age 65	25.415%	16.943%	8.471%	0%
Age 65-69	29.651%	21.180%	12.707%	0%
Age 70+	33.887%	25.415%	16.943%	0%
Medicare Levy Surcharge				
All ages	0.0%	1.0%	1.25%	1.5%

(1) Adjusted income is taxable income + reportable fringe benefits + reportable super + net investment losses

(2) The families threshold is increased by $1,500 for each dependent child after the first. Families include couples and single parent families.

Child Care Benefit (CCB) and Child Care Rebate (CCR)

As from July 2, 2018 CCB & CCR will be combined into one means tested payment called the Child Care Subsidy. Families earning $186,958 or less will have no cap on the amount of Child Care Subsidy they can claim. Families earning over $186,958 and under $351,248 will benefit from an increase in the current cap of $7,613 to $10,190 per child per year. The subsidy cuts out altogether for family incomes of $351,248 and above.

Parental Leave Pay Scheme

Eligible parents are entitled to receive Parental Leave Pay for 18 weeks at the minimum national wage (currently $695.00 per week). To be eligible the nominated parent must have worked at least 330 hours in 10 of the 13 months before the child's birth or adoption and their adjusted taxable income can't exceed $150,000 per annum.

Recipients of PLP cannot also receive the Newborn Upfront Payment and Newborn Supplement for the same child. PLP is a taxable payment and may affect your FTB Part A and B.

Paid Paternity Leave

Under an extension to the Parental Leave Pay scheme known as Dad and Partner Pay, eligible dads or partners are able to claim up to 2 weeks paid leave at the minimum national wage (currently $695.00 per week).

First Home Owners Grant

A $20,000 grant (increased from $15,000 in 2016) is available for first home buyers who buy or build a **new** house, apartment, unit or townhouse valued at less than $750,000.

The $20,000 grant applies to contracts dated **July 1, 2016 to June 30, 2018.**
The state government has just announced in its June 2018 budget the grant will revert to $15,000 as from July 1, 2018.

Idle Bank Accounts

Effective as from December 31, 2015, the inactivity period for bank accounts under Commonwealth unclaimed money laws is 7 years. Any bank account that remains idle for that period can have its funds automatically claimed by the Government.

In other words, accounts with anything from $1 upwards that have not had any deposits or withdrawals in the past seven years may be transferred into the Government's own coffers. Interest payments are not considered to be deposits and bank fees are not considered withdrawals. The money can be reclaimed through ASIC but apparently the process can take months.

Record Keeping

At least five (5) years, but you should keep for as long as space permits any records to do with capital assets (including shares), tax returns, accounts and legal documents. This also extends to computer transaction files.

Computer Records

Many of you have computerised accounting systems. If you don't make a copy of your data file before you balance forward, previous years transactions are generally lost. The required protocol is to archive a copy of the data file after updating for year end adjustments and before you do a year end balance forward.

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 any time. 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 & the HSL Team

HSL Website