

Mortgage Mentoring - *the secret to financial security?*

The 21st century has been described as the era of the coach: gym attendees frequently have personal trainers, an increasing number of people use life coaches to help them manage their time and single people are even enlisting the help of dating coaches to help them find "the one". Over the last few years, as our advisors have developed deeper business relationships with their clients, they have frequently found themselves working with their clients in a coaching or mentoring role.

This is a very logical evolution in the role of a mortgage broker, as the broker's primary objective is always to see their client achieve their goals. Initially this is typically raising a mortgage to purchase property, whether investment, first home or dream home, but inevitably the client's goals move to increasing their net worth. Whether this is by building a portfolio of investment properties, or simply paying the mortgage off the client's residence, these are areas that all of our advisors are skilled and experienced at working in.

Of course none of these things are particularly hard, but then neither is following a programme at the gym. What many people find hard is remaining focussed on the long term objectives, dealing with short term problems and attending to the regular actions that lead to success, for the simple reason that life gets in the way. In the same way that a late night the night before will come between a gym member and their workout, so will an unexpected bill come between a mortgage holder and their goal.

Where our advisors find they can really add value is in meeting regularly with their clients - the frequency is determined by individual circumstances. In these meetings the client's

goals are reviewed, progress assessed and accountabilities and actions agreed on. In the same way that a gym member is less likely to exchange a workout for a lie in when they know their personal trainer will call them on it, a client is less likely to delay a planned increase in monthly payments if they know that they will need to explain it in their next meeting with their mortgage mentor.

Mortgage mentoring is becoming a very popular service, and clients from sophisticated investors to first home buyers are finding that they are reaching their goals faster and more easily by using the service. If you have a goal you'd like to reach, call your Mortgage Solutions advisor and ask about being mentored.



Billionaire Sir Richard Branson had a mentor from his early days - should you take his lead?

THIS ISSUE:

1. The Benefits of Mortgage Mentoring
2. History repeating itself
3. Broker or bank?
4. 100% finance still available

BUSINESS BRIEFING



SHARES



SE40 capital.....	1710.39	-8.80
anges.....	20 up	58 down
ume.....	23,705,932	\$54,546,037
P.....2502c +36	Brierley....	44c -5
Energy. 290c -10	Telecom...	732c +5

NZ DOLLAR

JS.....	49.96c	unch
Aust.....	85.52c	+0.22 ▲
.....	67.42	+0.82 ▲
.....	29.77p	-0.04 ▼
de-weighted index	55.98	+0.20 ▲

FIXED INTEREST

Call rates.....	6.10	+0.75 ▲
90-day, bank bills	5.75	-0.17 ▼
April 2004 Govt stock ...	5.95	+0.01 ▲



SHARES



ordinaries	2534.4	+12.5
resources	984.7	+0.1
Z.....	874 -1	CSR..... 334-13
P.....	1235 +4	News..... 1060+30
Tinto. 1900-15	Telstra....	451 +4

AUST DOLLAR

58.42c	-0.24	TW Index	53.9	unch
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SHARES

(Dow Jones).....	7933.25	+37.59 ▲
an (Nikkei)	13,789.81	+192.51 ▲
(FTSE100).....	4990.3	-65.3 ▼

okyo spurts higher

Tokyo stocks spurted higher yesterday after hitting a fresh 12-year low as public pension money washed over the futures market just ahead of the session. The benchmark Nikkei average edged up 192.51 points, or 1.42%, at 13,789.81. It had been up more than 200 points the previous day. Nikkei December futures fell 310 to 13,800. Analysts said the market was more indicative of sentiment than the Nikkei. —Reuter

Houses sit empty in rental glut

by Alan Williams

More than 2200 houses or flats are sitting empty in Christchurch, with rental housing vacancies nearly double their historic level.

Rental housing is becoming a commodity and landlords need to be business smart to survive, said the South Island manager for Ministry of Housing Tenancy Services, Keith McDonald.

The glut means tenants have become more mobile, able to upgrade to higher quality without a like increase in rental. Property managers say there is pressure on landlords to meet the market, both on presentation and price.

Reducing rent to meet today's market is not always easy for landlords who borrowed at higher fixed interest rates last year or the year before. **The successful landlords are those set up to invest long term — 10 to 12 years — and to withstand periods when properties are empty.**

Mr McDonald estimates the vacancy rate about 7.5 per cent.

According to Tony Ward, national secretary of Property Investors Federation, the vacancy rate over the last four years has been about 4%, and he believes it is climbing towards 10%.

"I've never seen vacancy rates like this in my 20 years as an investor here."

He thinks the surge in townhouse developments in the eastern central city — many bought off the plans by investors then unable to onsell them — has significantly increased the rental pool.

About 800 residential properties were advertised for rent in The Press last Saturday. Mr McDonald described this as an "inordinate number, way out of proportion with what we're used to".

Ann Woods, property manager at Gillmans, said advertising starts as soon as existing tenants give notice, giving about three weeks to find replacements, but one-third to one-half of houses advertised are empty. The low end of the market is the hardest hit.

Good properties in good areas continue to rent well, said Patricia Bowden,

manager of Harcourts property management, with more executive and business people choosing to rent long term.

Christchurch had 29,500 rental properties, according to the 1996 census, with Housing New Zealand owning about 5000 of these. People used to go on waiting lists for state houses; now they, too, are being advertised for rent.

Although there is no crisis, partly because interest rates are falling, some investors have been burnt. These include developers and investors in townhouse properties having to rent out units at below their funding costs, and investors speculating on inner city apartments.

The worst off are those using negative gearing. They borrow almost all the purchase price of a property, operate at a loss for the tax benefits available, and hope to cash in on the capital gain when they sell the property.

Some have ended up selling at a loss.

An investment specialist at Cowdy and Co, Anna Ward, said the best that investors in the wider market could hope for over the next two years was a modest capital gain. **"You invest for yield, any capital gain is a bonus."**

Christchurch mortgage broker Mike Pero said one in four loans through his offices were for rental properties, slightly down on six months or a year ago.

"We advise against negative gearing for tax reasons. You're best to get as high a return as you can and pay the tax on it."

"We've had people paying out \$350 a week for a mortgage on a \$280 a week rental house, but with the lower interest rates now I'm confident in the long term."

At Tenancy Services, Mr McDonald's team see the worst approach — landlords who let a property without any bond, references, or a rental contract, and never inspect the property. "Five months later they come and see us saying the tenant has gone and the rent is 15 weeks in arrears, and can we guarantee the money."

Tenancy Services will advise on legal remedies, but in most cases the tenants cannot be found.

- From the Christchurch Press. Wednesday 23 September 1998

"Real difficulties can be overcome; it is only the imaginary ones that are unconquerable."
- Theodore N. Vail

Back to the future?

Is the current property market simply history repeating itself?

The newspaper article to the left makes interesting reading. It was written in September 1998, yet it could just have easily been printed in September 2008, or even March 2009. Those of us who were part of Mortgage Solutions in the late 90s can still remember the gloom and dire predictions of the end of property. We can still remember real estate agents leaving the business, properties remaining unsold and rental properties sitting untenanted. We can still remember people thanking their lucky stars that they hadn't lost much money when they sold their properties.

Yet just a few years later people were selling properties

the day they listed them, prospective real estate agents were lining up for jobs and people were making substantial sums of money when they sold their houses. Just a few years later the property market was booming and it seemed that there had never been a time when property didn't increase in value.

We believe that the current market presents no reason for concern for the majority of people as it will recover and within what will prove to be a very short time things will change. In years to come we will look at the prices we could purchase property for in 2009 and wish we'd all bought more property when it was so cheap.

The best investment?

There is a property investment adage that is worth remembering: "buy on yield and let the capital gains look after themselves", and the current market is supporting this position.

Currently banks are typically offering between 2% and 6% on term deposits. When tax is taken away from that it leaves very little in the investors hands, and many investors, especially retired people, are finding that their nest egg isn't giving them very much at all.

Compared to that, property investors are currently enjoying yields in the region of 6%, and sometimes higher. In addition to very attractive yields, property has significant tax benefits.

With the current low property prices and very low mortgage interest rates, investment properties not only provide very attractive yields, but are increasingly

becoming cashflow positive. We are getting increased levels of inquiry from professional investors looking for finance to fund new investments. These are people who have generally made significant amounts of money with property, so it may be prudent to review your investment goals before the market takes off.

Property investment is not difficult and it has proven to be a highly effective way for a great many ordinary New Zealanders to create substantial wealth for them and their families. There are a number of strategies and techniques to maximise return and minimise risk including financing and ownership.

If you are interested in exploring property investment, or feel it's time to return to the market, call your Mortgage Solutions advisor to make a time to discuss your options.

Broker or bank?

Over the last few years the banks have been falling over themselves to lend money, offering every possible inducement to encourage clients to borrow from them. This is in stark contrast to the current climate where banks are now demanding 20% deposits on properties, and are becoming increasingly stringent on servicing requirements.

It's easy to understand this change of heart, especially given the rising number of mortgagee sales, but it highlights the value of working with a professional mortgage broker. A mortgage broker has a very different perspective than a bank in that a bank is conducting a transaction that results in the sale of a product, whereas a mortgage broker has a professional relationship with a client with a priority in providing best advice.

Mortgage brokers are, typically, primarily interested in building and maintaining a long term relationship with their clients. This entails working for and with their clients to ensure the clients best interests are met, because it is only then that a client will choose to retain that broker. A client facing a mortgagee sale, or being unable to achieve their goals and objectives is something that a mortgage broker will go to great lengths to avoid.

When times are easy, a transaction based relationship is easy and common, but in the current environment it requires both greater skill and stronger commitment to the client's best interest to succeed. That is perhaps the reason to choose a broker rather than a bank.

"A person cannot directly choose his circumstances, but he can choose his thoughts, and so indirectly, yet surely, shape his circumstances." - James Allen

100% finance still available

Most major banks are now requiring a 20% deposit on properties, a move that was inevitable in the light of falling property prices, but 100% mortgage finance is still available using the Welcome Home package backed by Housing New Zealand.

In essence, this is an initiative to help people get into their first home, or for people who have previously owned homes and slipped off the home ownership ladder. The features are:

- **Loan up to \$200,000 with no deposit**
- **Loan up to \$280,000 max with a 15% deposit on the amount above 200,000**

For example, a home costing of \$294,000 would require a deposit of 15% on \$94,000. So you'd only need \$14,000.

As this is designed to help people onto the property ladder who would otherwise struggle, there are income limits (\$85,000 for a couple). A popular use of this tool is for groups of flatmates to purchase a property together as a group of 3 or more is able to use it (provided their combined income is under \$120,000).

If a Welcome Home Loan doesn't suit, there are still

many ways to gain a mortgage if you have less than a 20% deposit. For example, the deposit can be secured against a family member's property or a second mortgage can be arranged. If you or someone you know wants to take advantage of the current buyers market and don't have a 20% deposit, it is highly likely we can help. Call your Mortgage Solutions mortgage advisor to discuss the options.



Don't feel you have to miss out on the bargains now available just because you don't have a big deposit - Mortgage Solutions can help.



Phone now:

**0800 LENDING
0800 536 346**

Email: enquiries@mortgagesolutions.co.nz
www.mortgagesolutions.co.nz

Yes please, I'd like to find out about:

Reviewing my mortgage or refinancing

Investing in property

Mortgage Mentoring

Buying a first home

Reviewing my insurance

Name: _____

Address: _____

Suburb: _____ City: _____

Phone: _____

Email: _____