THE MORTGAGE MONTHLY

RESIDENTIAL

Cash Rate Update | held at 4.10%



**70% of home buyers turned to a mortgage broker last quarter**

The move towards mortgage brokers and away from direct lenders by borrowers is continuing to increase, with new data showing that mortgage brokers accounted for nearly 70% of the market share last quarter.

The data from the Mortgage & Finance Association of Australia (MFAA) suggests a growing preference among borrowers for mortgage brokers with the trend likely to continue in the future.

Between January and March 2023, brokers wrote 69.6% of all new residential home loans – the highest March quarter on record.

Strategic advisor from broker coaching business Broker Ideas Group, Ash Playsted, said it’s inevitable the broking market will eventually reach a market share beyond 80% because what brokers do is “irreplaceable”. “The broking industry will continue to expand and soak up more and more of the total mortgage settlement volume, so absolutely no surprise, it's great to see and may it continue.” he said.

Mr Playsted said in the past, major banks viewed brokers as competitors to their proprietary channels, investing significant resources in advertising their direct lending options. However, he said a shift had occurred with lenders now accepting the role of brokers.

“Banks are now making a conscious decision to cut back on branches and staff in branches and have accepted that people are voting with their feet and would prefer a broker to do the leg work than for them to walk into a branch and do it themselves,” he said.

Mr Playsted said that the rise in broker market share has coincided with the introduction of best interests duty (BID), which is a new law that requires mortgage brokers to act in the best interests of the Australian consumer, when providing credit assistance.

He said the professionalisation of the industry – highlighted by the introduction of BID – had started to flow over into the public perception of the broker’s role.

“Having been in the industry my whole life and met and worked with literally thousands of brokers, it is very rare to actually find a broker who doesn't operate that way anyway,” he said.

“The fact that it’s talked about and that it’s an obligation now is a good thing.

“It’s all about best practice and this is what I love about the broking industry and where it’s heading.”

Mr Playsted said in an age where information is readily available and consumers can easily access product prices and features online, it’s easy to assume that the value proposition of brokers is waning – yet the data suggests the opposite is actually occurring.

“More and more home buyers are now turning to real people to help with the process,” he said.

“They're overwhelmed with the information, and they need somebody else to simplify it and take them through it.

“Beyond the obvious, a brokers job is to coordinate everything and help their clients sleep at night.”

A close-up of a person writing on a piece of paper

Description automatically generated with medium confidence**Borrowers should consider fixed rate loans**

With inflation still remaining high and the Reserve Bank of Australia (RBA) continuing to increase the official cash rate, borrowers should consider returning to fixed rate loan products.

Home Loan Experts CEO Alan Hemmings said persistent inflation and a strong property market – driven by low stock levels and low vacancy rates – means the benefits of fixed rate loans should be examined.

“If there are three more increases and it takes longer to start seeing the cash rate reduce, the cheaper one-, two- and three-year fixed rates currently available will look an attractive option,” Mr Hemmings said.

Mr Hemmings said the strength in the housing market will also put pressure on the RBA to keep interest rates high. “This is all to do with supply and demand,” he said.

“We have the lowest stock levels in 10 years. On top of this, vacancy rates across the country are generally sitting just above 1%, and landlords are seeing an opportunity.”

Home Loan Experts Senior Mortgage Broker, Vivienne Than said that many of her clients had opted for a fixed rate loan. Than said one option for clients whose fixed terms on 1.99% were about to end was to refinance to about 5.39% at three years fixed, which would be very close to the assessment rate their lender used when they applied for the loan.

“Banks also increase their rates out of cycle to protect their profit margins and many fixed rates are more competitive than variable rates right now,” she said.

“History shows banks will not pass on the full rate cut to the consumer when the cash rate finally gets reduced.”

Home Loan Experts Senior Mortgage Broker, Jonathan Preston said that activity had picked up, and people were seeing the market move and did not want to miss out.

“‘We will wait until the market stabilises’ or ‘we will wait to see what happens with rates’ were formerly commonly heard phrases,” Mr Preston said.

“People are dramatically more eager than they were a few months ago.

“I think a lot of it is pent-up demand from people who were putting off doing things over the last 18 months.”

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A white picket fence in front of a house

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**Pros and cons of selling a property off-market**

When it comes to selling a property, there are a range of options available to homeowners. While most vendors choose to sell by private treaty or auction, it’s also possible to sell a property off-market.

Off-market normally just means that the property is sold without it ever being listed. This can be with the help of an agent, or privately. While an off-market sale might be an appealing prospect for some vendors, it’s important to weigh the pros and cons of all potential approaches.

**The pros of selling off-market**

**Potential savings**

Selling off-market can save sellers money on listing fees, which can be significant in Australia. Offers can be submitted and negotiated before the need for any marketing or auction fees.

**Reach the right buyers**

Off-market sales allow sellers to target serious, qualified buyers, reducing time and money spent. Sellers can connect with them via buyer’s agents or off-market real estate platforms that notify buyers when a matching property is coming up.

**No open homes**

With fewer buyers and less foot traffic, off-market sales reduce the need for staging and preparing the home for inspections. However, it’s still important to make the property as appealing as possible.

**Testing the market price**

Selling off-market gives sellers a snapshot of the property's potential saleability, testing the market’s response and gauging price expectations. If it doesn’t sell, vendors can then list it publicly with a clear price strategy.

**Less pressure**

Without an official start date, sellers can take their time and avoid the negative impression a lengthy listing period can create.

**Getting your requirements met**

Reduced competition can foster a personal relationship between buyer and seller, potentially leading to offers that satisfy the seller’s needs beyond price alone.

**Greater privacy**

Off-market listings keep a property away from the public eye, offering greater privacy for sellers. This is something that occurs with higher priced properties.

**Faster transactions**

Off-market sales can expedite the sales transaction, avoiding lengthy sales campaigns that can sometimes stretch out for months.

**The cons of selling off-market**

**Risk not finding the best price**

A higher number of interested buyers usually translates to greater competition and a potentially higher sale price. Less competition could mean the property fetches less than it might on the open market or through a process like auction.

**Potentially slower sale**

Typically, an off-market campaign can take longer as individual buyers need to be approached.

A city with a body of water in the background

Description automatically generated with medium confidence**Negotiating a property purchase**

Negotiating a property purchase can be an intimidating experience. Many people will only buy a home once every seven years, whilst others only buy one home in their entire lives.

When it comes to negotiating, there are some things you can do to make the process more transparent and easier. For the most part, it comes down to being prepared.

**Get your finances in order**

The first step to effectively negotiate is to organise your finances in advance. Understand your budget, seek pre-approval from a lender with the help of your mortgage broker and be ready to demonstrate to vendors that you're a serious buyer.

**Understand the vendor’s motivation to sell**

Price isn't the only influencing factor in a property sale. Knowing the vendor’s motivation, such as the sale's timing or their sentiment towards the property, can give you the upper hand when putting together a deal. Building a strong rapport with the real estate agent can also help you find out as much information as you possibly can.

**Research your offer**

You can’t make an offer or even negotiate if you don’t know how much the property you want to buy is worth. Use comparable sales and study the local market so you have a clear picture of what is selling in the area and what the state of the market looks like. Put your offer on a solid footing with robust comparable sales analysis. Attend open homes and/or auctions and keep track of what's selling. That way you can back up any offer with real-life data.

**Don’t low-ball**

While you aim for the best possible price, an unrealistic offer might insult the seller and harm your chances. Your first offer should be competitive and reflective of your market research. If there is limited competition a lower offer might be entertained. If it’s competitive, you’ll need a fair offer.

**Patience is key**

Patience is a powerful tool in property negotiation. Rushing can often make you appear over-eager. After making your offer, allow time for the vendor’s response. A lack of response within a reasonable timeframe might signal the need to look elsewhere. The party that needs a transaction to happen the least is usually the one that’s in the strongest position.

**Leave emotions at the door**

Emotions can cost a sale. Stay objective and apply pressure only if you're confident your terms are reasonable. Being emotional or urgent can hurt your negotiations and potentially wreck a sale.

**Be prepared to compromise**

Finally, be open to compromise. The price might not be the only negotiable part of the deal. Other factors such as settlement length, deposit, existing tenancy and fixtures or inclusions can all be on the table. Understand your non-negotiables versus your nice-to-haves, and be ready to make concessions on the latter.

**Paying off your car loan sooner**

With the cost of living rising and interest rates moving higher, getting on top of your household's expenses and debts is more important than ever. For most people, a car loan is often the second largest household expense and it’s one that can cost a lot more these days with the high price of new cars. Fortunately, there are several things you can do to speed up the process of paying down your car loan so you can finally own your vehicle outright.

**Understand your car loan**

Before you begin strategising, get a clear picture of your current loan. Know how much is outstanding, your interest rate and whether there are any penalties for extra repayments or an early payout.

**Round up your repayments**

It's common for loan repayments to land on an odd number. Instead of sticking to this, consider rounding up to the nearest even number. For instance, if your repayment is $477 a month, why not round it up to $500? This simple strategy could help shave off months or even years from your loan term.

**Increase your repayment frequency**

Rather than sticking to the standard monthly repayments, consider switching to fortnightly. As there are 26 fortnights in a year, you'll end up making the equivalent of an extra month's repayment each year. Over time, this can significantly reduce the life of your loan and the interest you pay. Remember to check with your lender or broker, as not all loans allow for extra repayments or changes in repayment frequency.

**Lump sum repayments**

If you come across some unexpected cash – a tax return, work bonus, or selling unwanted items – consider making a lump sum repayment on your car loan. Not only does this reduce your loan balance and the interest you'll pay, it can also provide a buffer in case you miss a future repayment.

**Earn income from your car**

In this era of the sharing economy, your car can be more than just a mode of transport; it can be a source of income. Consider renting out your car when it's not in use or becoming part of a ridesharing service. The additional income can go straight towards your car loan repayments.

**Refinance your car loan**

If your financial situation has improved since taking out your car loan, you might be eligible for a more competitive interest rate. Refinancing to a lower rate while maintaining your current repayment amount can help you pay off your loan faster. But remember to check if refinancing will lengthen your loan term or come with additional fees.

A person holding a steering wheel

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This is general information only and is subject to change at any given time.

Your complete financial situation will need to be assessed before acceptance of any proposal or product.