



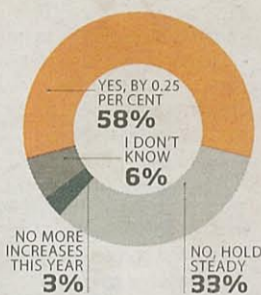
Research company RateCity has found the top 10 most popular home loans applied for during the past two weeks did not include any of the major top four banks, as smaller lenders regained some of their popularity

CREDIT

Your Money | 03

[ONLINE POLL] More rates pain ahead

HOMEOWNERS are expecting a lot more interest rate pain next month, according to the latest *YourMoney.com.au* readers' poll. Nearly 60 per cent believe the Reserve Bank of Australia will again increase rates in May up to an official rate of 4.5 per cent. Just over 30 per cent believe the RBA will hold rates steady next month after it lifted the official cash rate to 4.25 per cent at its April board meeting, the fifth rate rise since last October.



[FROM PAGE 1] Warning on excess super

People aged under 50 cannot put in more than \$25,000 from before-tax income and are limited to \$150,000, including after-tax contributions, in one year. People over age 50 can put in up to \$50,000 from before-tax income and are also limited to a total of \$150,000 a year.

In only its second taxpayer alert for 2010, the ATO warns about excess contributions and highlights the increasing use of a method being used by self-managed funds to avoid a technical breach of the rules.

The DIY funds involved contain a clause in their trust deed that allows excess contributions to be identified and held in a separate trust but which still lets the extra payments be mixed in with all the other super money.

Butler says the ATO has yet to release any legal authority supporting the new ATO opinion, and many professional organisations are seeking the withdrawal of the alert.

Go loan shopping

Picture: Getty Images



Give yourself the best chance of getting the right loan by putting your finances in shape first, writes **Anthony Keane**

TOUGH lending conditions for homebuyers are expected to continue for at least another year but there are ways to make yourself more appealing to banks and other lenders.

Five interest rate rises since October have not helped borrowers but mortgage experts say most people can improve their loan prospects.

Strategies such as cancelling unnecessary credit cards, consolidating loans, shopping around and seeking specialist advice can boost your chances.

Managing director of Smartline Personal Mortgage Advisers, Chris Acret, says the "ability to repay" test used by lenders has been tightened in response to the global financial crisis but there is a huge difference in the amounts each lender will offer.

"These changes certainly don't mean that securing the right loan for your needs is an insurmountable task but it is certainly a lot more challenging and time-consuming."

According to a Smartline survey of 22 mortgage lenders, a single borrower earning \$60,000 with a credit card debt of \$5000 would be able to borrow \$277,000 from the most frugal lender and \$372,000 from the most expensive lender.

The global financial crisis is over but Aussie Home Loans chief executive Stephen Porges says credit markets are still tight for lenders to tap into, which in turn makes life harder for borrowers.

"Banks can afford to be much more selective in where they give their debt funding," Porges says.

"People talk about credit markets opening up.

"Yes, they are, but they were closed (before). Opening

up just means you have a crack in the window."

Porges expects the tough lending conditions to continue "for the foreseeable future".

"I doubt it's going to improve in the next year, possibly two years," he says.

His key tip for borrowers is to make sure they have all their financial information a bank or broker might need.

"And don't fall for the 'how much can I borrow?' trap. That over-gears you when rates are still going up."

Getting professional mortgage advice can pay off.

"Every bank is changing their criteria often and aggressively," Porges says.

Free tool:
Repayment calculator

yourmoney.com.au

"You can be sitting at one bank for six weeks before they reject you, then you go to bank two for six weeks, then bank three for six weeks."

Acret says cancelling unused credit cards and reducing limits on others can help.

"When most lenders assess your ability to repay a mortgage, they assume that your credit card will be fully drawn up to its limit," he says.

Shopping around makes sense as lenders can be "very selective" about the type of income they include in their repayment calculations.

"Almost every lender treats income derived from dividends, second jobs, child maintenance payments, company profits, bonuses, commissions, government benefits, annuities and rents differently," he says.

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