



Of all the property investors I have helped over the last 20 years, renovators have made the most money and that's what we want for you, too.

I'm Louise from The Property Education Company. I've been renovating since the early 1980s and developing property and all sorts of things. I really wish I had proper finance information available to me back in these early periods for the first 20-odd years that I was doing it, and then I've learned so much more since I've been helping people get loans.

The biggest issues facing renovators in finance today

The first one that I find is they have no strategic property plan. This is a real problem for us because people come to us and they go, Oh Louise, we're ready to renovate, we want a plan, we're gonna make all our money in property investing and renovating. So we refi it as soon as they need it to get a better rate, which usually we can, we withdraw the equity. We're all set to go and they've worked out how much they can spend on the next property. They might even have an idea of where they want to buy. But what happens next? They do not have any supportive group. They don't have real information about what to do. Really and truly, you do need to understand and have a plan of attack and that is the problem most people have.

So here's an example of a strategic vision. I intend to make \$150,000 net from my reno project, so I can release the equity or rent the place out so I can buy a new home and do it all again. Actually, I've made \$300,000 on that strategic vision, but I need you to be really specific when you come to us so that we can help you properly. Part of the problem is people are way too vague about it. So I want you to really plan and get your future sorted.

Now getting the loan, ask your broker, that's really important. Get a good broker and get into that relationship, so you know before you do something you can get information, workout your budget and know where you're going from there.

Age is often a problem. People will come to us and say I've been refused a loan due to my age, but we've had great success getting loans for people even up to 75 who are on commission. So there is a way, it just depends on how you presented. But it's important that you actually work and look at all the options. Most people have gone to their bank. They've lent from them forever, and suddenly they turn around and go, Well, now I'm ready to do whatever. And the bank says, Oh no, you're too old. So just watch out for that but just work with someone because they can be overcome. You can get a mortgage when you're older. No problem.

So which is better? Interest only versus principal and interest. Yes, it does depend. And one of the reasons why interest only, although most people got principal and interest. Well, if it's an investment, it should be interest only. But the difference is it affects your servicing greatly. So oftentimes people will say, Oh, I asked the bank for interest only for my loan, and they've refused me. But really, we could have gotten them a loan but we might not have asked for five years interest only, we just asked for two. So that's why again, you need to work with your broker on those sorts of things.

What are people feeling about fixed or variable at the moment? Who wants fixed and who wants variable loans? Variable, variable, variable. And that's all the word we're getting on the street, too. So what we're finding from economists are, they're talking about by mid next year, if we're going to get another raise, it will be soon, and by mid next year, we should be starting to come down. So that's what they're hoping and they also think by 2025 we will be booming. So all good. They have great prospects for Australia's future.

One of the things is sometimes you can have a great loan, pre-approved, all perfect and the security is the problem. Because that bank might not lend in that area, or that size of property, so again, it's really important to check before you go ahead and say, I'm pre-approved. And now you've bought something that you can't borrow against. So really consider that before you go too far.

Do you need a credit card to have a good credit rating? Well, probably not now. So I just want you to consider, everyone now with a mobile phone, if you're renting, if you have an electricity account, all of those things count against your credit rating. So tell your kids they don't need a credit card. They just need to save. If someone can save, that's what's helping them. It's awesome. Banks love you to have savings in your account. But do note credit cards, for every \$1,000, generally, you lose \$5,000 of loan. So if you have a \$10,000 credit card, you lose \$50,000 worth of loan power. So you're saying, well, I've got a 20k credit card and that's \$200,000. But that's \$100,000 I can no longer borrow. And you say, but it's only 20 grand. Well, so therein lies the problem. So you've got to reduce those credit cards down or get a proper assessment while you're doing it.

And if you ask about guarantor, guarantor loans can be fantastic for children in helping them get on to the market. But it also can stitch you up and if you are intending to borrow again, you do not want to be on a guarantor loan for someone else because it can affect your borrowing. And there are other ways to do it, so please ask. And I often say get them out of home for as little as \$30,000 and get them into their own place at the moment with all the help that the federal government is giving with the First Homebuyers Deposit Scheme. So just ask, that's really easy and good work.

Next, I want to talk about cosmetic and structural renovations because you can see there's a big difference. Why it matters is because your finance will change. What happens is when you're trying to borrow up to \$100,000 usually, we can say to most banks, well, we're going to cover off new kitchen, all the things that usually come -- kitchen, bathroom, carpets, floors, cupboards. They're all cosmetic, and that's fine and the lender won't ask for anymore, but when they asked when they think you're doing a structural reno, they wanted to control the money, oftentimes depends on the lender, and sometimes we can borrow up to a million dollars without them even asking a question. So it all depends on how you structure it, and what you're planning to do, we need to know first. So if you're moving walls, extra rooms, new carports, or anything requiring a building permit or changing, your lender and insurer need to know. So talk to us first before you know what you're planning because a lot of people start things, then they become structural, and the money's gone and they run out. And the problem is that then you can end up with a half-built property. Let's use for example, say your plastic surgeon died midway through your procedure. Half your base is built and the other half isn't. So imagine that happened to you builder but builders tend to go bust rather than die on the job, generally speaking, but anyway, just think of that analogy. So what happens Do you want to go to another plastic surgeon? Do they want to touch half a house? No, the banks don't want to touch a half-built house either. So we really want to get that lending right at the start to compensate for any eventuality that might occur because you don't want to end up in a half-built property that you then have to sell for a loss. It can be devastatingly difficult.

And just as an example, clients came to us just recently saying they wanted to renovate. We asked the bank. By the time we got their documents, we've prepared our loans, submitted them, and sent off for evaluation. But by the time the valuers got to the property, the kitchen had been removed! So our problem was the valuer came back and the lender said, well I'm not lending on that property because it's unlivable. It has no kitchen. Well, we had to take them elsewhere and we could, luckily, but just be aware that you need to let us know what you're doing before you rush out and do it because it can really affect and change what you are doing.

And boomers, I know parents put these up. And I've been doing it recently for my parents and myself and my children say, Please don't leave us anything. We're only going to put it on your funeral pyre. But the problem is you want to create a legacy that's better. And hopefully, that's what you're learning today.

So what's your exit strategy? Well, when you're borrowing, when you're older, you've got to be aware, how many years you've got left to work will change how the lender considers you. Some lenders consider you can work to 65. Some consider you could work to 70. Some will accept downsizing as a strategy. Others will accept a lump sum from Super and some won't. So you have to be really specific about your presentation to the lender so you get the right result for the loan you want. So it's really important to seek advice, particularly during the older end of life. And so you leave a beautiful legacy to your children, that you've not only learned renovating, showing them what you've done, how you've made money in property, and so they can too and that's the best skills you can give them. Really and truly, they'll love you for it.

So the biggest issues renovators face in finance:

1. Not having a proper strategic plan
2. Loans - think about what's important to the lender, not just for what you want, but how to present the best case.
3. Am I a structural or cosmetic renovator?
4. What's my exit strategy?

How can a broker help you? Well, we have a large panel of lenders. Most brokers have a lot but we have over 40. We're a member of a significant industry body like the Mortgage and Finance Association. We can help you often borrow more. We had clients recently come who were told by their lender they can't borrow to develop two properties. And what we found is once we uncross-secured their securities, we could take one security to another lender and be able to borrow with no problem. One of the problems I find is people will say, Oh, I just went to my bank and they lent me 100% on their new property. They're not, they're cross-securing it with your home. So don't be fooled by that, that's a dangerous strategy because further down the track, you could be in real problems. When your properties have grown in value and you haven't uncrossed them. So banks will keep as much security as they can because they can so if you're not sure what you're being asked by them, make sure you really get very, very precise on how much security you're offering to your lender because you might not need to offer as much as you are

If you want to have a finance and property audit. We'd love you to text your name, your phone number, and your email address to us and we will be more than happy, so get out your phones. My challenge is we will have a look. We'll see if we can do something wonderful for you. Help get you back on track and away you go with your finance and you're renovating, just text us at 0412 709 200. Thank you all for listening!



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