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Brief: FIRSTFOLIO

“Time Out” product requires careful consideration

Brokers considering offering their clients the Firstfolio ‘Time Out’ product, which reduces monthly repayments for up to two years, should make them aware that there is a catch.

Under the terms and conditions, the difference between the actual payments made under the reduced rate and the interest owed under the standard variable rate is tacked on to the principal each month.

This means that if the property value stays the same, the borrowers will have less equity than they did when they took out the loan.

Firstfolio launched Time Out in September as a way for borrowers to reduce their monthly mortgage payments for two years, relieving pressure on investors or homeowners who had seen a change in their financial circumstances.

Now that the RBA has prompted a change in most homeowners’ financial circumstances, interest in the product has increased and Firstfolio is ready to roll it out to the masses.

The product offers borrowers who have at least 20% equity in their property and are not behind on current repayments an interest-only product that, for two years, is 3% lower than the standard variable rate.

“We’ve had more and more enquiries about it from both brokers and clients saying: ‘Look, I just need to look at my finances. Is there anything you can help me with?’,” Firstfolio CEO Mark Forsyth said. “I think the timing is right for it. Demand has been very strong over the past month but the advertising campaigns haven’t really kicked in yet.”

The good news for consumers is that the product allows extra repayments without penalty, so if they are able to pay off all of the interest – or even the principal plus interest – they can do so.

“It’s predominantly setting out to give them a certainty of cash flow over the 24 months,” Forsyth said. “I think there will be a lot more interest in it, principally because a lot of our mortgage groups have started to advertise it because it’s a very topical product.”

Forsyth said that the product has been gaining in popularity as consumers are increasingly feeling the pinch of higher interest rates.

Time Out has a \$495 application fee but no ongoing fees and carries an 8.95% comparison rate. ■



Key points

- Firstfolio launches product that reduces payments for two years
- Payments are interest only and 3% below SVR
- The difference is tacked on to the principal monthly
- After two years, the loan reverts to standard variable rate

Mark Forsyth