

Avoid tears on arrears

TUESDAY'S rate cut will be welcomed by borrowers, but there is still a growing number of people who are losing their homes because their mortgage has fallen into arrears.

In many cases, such a drastic outcome can be avoided. The purpose of today's column is to tell you what to do if you are in danger of having your home repossessed.

Unless you are monitoring your bank statements carefully, the first indication that your lender is considering action will be when you receive a Default Notice - this means that your situation is serious. It may come as a shock, but don't ignore it. Treat it as a call to action.

Your first step should be to go to the ASIC website www.moneysmart.gov.au and click on Managing Your Money. This will take you to a section called Problems Paying Your Mortgage, which contains a wealth of information to help you get back on track and includes case studies about people who have successfully restored their finances.

This is also the time when



Noel WHITTAKER

you need to identify what is causing the problem. It could be a sudden event, such as loss of a job or sickness, but usually it is the slow accumulation of credit card debts and personal loans that have built up because you have been spending more than you earn. If this is the case, start budgeting quickly.

Talk to your lender immediately to decide whether it is realistic to work your way out of the problem or whether the only option is sale. If the situation appears hopeless, adopt what is called a "sale with dignity" strategy. This means working with the lender to market the property with the aim of achieving the best price possible. Remember, the higher the sale price, the more you will have left to start again when the loans have been paid off.

You should also involve both

ASK THE EXPERT

Send your questions to Noel Whittaker
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Q I HAVE a house valued at \$440,000 in a mining town. It rents for \$550 a week and I owe \$200,000. I also have a house in the city valued at \$550,000, renting for \$450 a week, with a debt of \$360,000. I am contracted to settle next month for a two-bedroom investment apartment for \$450,000 that is returning 4 per cent. I intend to put a deposit on another apartment which will settle next year for \$800,000, returning 6 per cent. I earn \$110,000 and my wife \$35,000. Will I be able to use the equity in my homes to settle these apartments, or will I need to sell them? What is the best option for me now?

A YOU have more than \$430,000 of equity in the properties you already own so, in theory, it should be possible for you to obtain a mortgage to buy both. My concern is that you are getting over-committed and also being over-exposed to home units.

Remember the real value in property is in the land itself - this is why houses are usually better investments.

Q MY mother, who will retire soon at 55, will have about \$100,000 in entitlements. I want to invest her money so that she receives the best return and low fees. Where do I start?

A SHE may well have 35 years ahead of her after retirement, so it's important to take a long-term view and not hide behind the perceived security of interest-bearing accounts. But it can be extremely difficult to convince an inexperienced investor to place money in share-based investments which, in the long term, should give her the best returns. I suggest you take her to an adviser and canvass the options. One strategy might be to place a small amount of money in shares to enable her to get used to the ups and downs of the market.

a solicitor and a financial counsellor. The first will ensure your rights are protected, and the second should be able to assist you to handle your finances better. The ASIC website will help you here, too - it lists the location of all financial counsellors, and also provides

the universal number 1800 007 007 that will enable you to contact one in your area.

Under Free Legal Advice, the website will also direct you to your nearest Legal Aid office and to community legal centres.

If you are unable to make a satisfactory arrangement with

your lender, you will probably be referred to the Financial Ombudsman, who has the power to freeze proceedings until your affairs are sorted. This process will not stop the interest accruing, but it will give you more time to achieve the best outcome.

Don't offer to give up your superannuation under the hardship provisions without advice about whether this is the best option for you - it is an asset that has built up because of employer contributions and is designed for your retirement.

A major feature of super is that it is one of the few assets that cannot be touched by the trustee in bankruptcy and is therefore immune from any claims on you. It, and any equity you can salvage from your home, may well be the only assets you have left if repossession is your only option.

Falling behind in your mortgage can be a frightening experience, but there is a wealth of resources available to help you keep your home and get back on track.

The quicker you use them and take action, the more likely success will be.

Noel Whittaker is a co-founder of Whittaker Macnaught. His advice is general in nature and readers should seek their own professional advice before making any financial decisions.

HOT STOCKS

Ian Parker
Hartleys



BUY

RCR Tomlinson (RCR) \$1.64

RCR Tomlinson has received a notice of award for a \$600 million EPC contract for Fortescue Metals Group. In the medium term, this contract is likely to allow RCR to win and execute larger projects. The stock is trading on FY12 P/E of just 8.5x.

BUY

Otto Energy (OEL) \$0.082

OEL has steady cash flow from its quality Galoc asset, which produced 595,423bbbl for the September quarter. As good as the Galoc asset is, we expect that all eyes will be on the SC55 well to be drilled by BHP Billiton most likely in 2Q12. The Cinco prospect appears to be the target of the first well, which is estimated to have 74 million barrels of condensate recoverable and 2.1 trillion cubic feet of gas recoverable.

BUY

National Australia Bank (NAB) \$25.19

Last week saw the release of another impressive year-end result, including a 13 per cent dividend increase. Now paying a grossed-up yield of more than 10 per cent, combined with record low bottom-up valuations of 9x earnings, I believe NAB represents fantastic long-term buying at present levels for both income-oriented portfolios and balanced and growth portfolios.

Paul Clarke
State One



BUY

Regional Express Holdings (REX) \$1.050

REX is Australia's biggest independent regional airline and was established in 2002 from the merger of Hazelton and Kendall. REX is well positioned to grow profits driven by the Air Ambulance Victoria contract from July 2011, combined with the core airline business, including charter and freight services operated through subsidiaries Pel Air and Airlink.

SELL

Elders (ELD) \$0.275

ELD key business focus is on the agribusiness in Australia. ELD diversified into the forestry business in the early 2000s and also owns a legacy automotive business that has interests in the manufacture of various automotive components. ELD downgraded FY11 NPAT guidance from between \$7.5 million and \$24.5 million to between \$1 million and \$5 million.

BUY

Woodside Petroleum (WPL) \$36.670

WPL is the premier oil and gas play in Australia with operational focus on LNG, natural gas, condensate, crude oil and LPG. WPL has a strong balance sheet with steady cash flows allowing investment throughout the project life cycle.

Paul Cooper
Blackswan Equities



BUY

Finders Resources (FND) \$0.375

FND represents one of the best value emerging copper companies on the ASX. The company's Indonesian-based project hosts already proven high-grade copper reserves with significant exploration upside potential. Commercial scale copper production is expected by early 2013, with reserves capable of supporting a nine-year mine life.

BUY

Doray Minerals (DRM) \$1.550

Doray is a recent ultra-high-grade gold discovery in outback WA. The company is focused on expanding the known resource of 172koz at 25g/t. The high-grade nature of this deposit will generate robust margins and will require minimal capital costs. The company has also been the focus of takeover rumours.

BUY

Little World Beverages (LWB) \$3.600

The owner of craft brewer Little Creatures has consistently delivered earnings growth. The group has just approved its \$60 million east-coast expansion with the acquisition of a property in Geelong. LWB offers exposure to an attractive growth segment of the Australian beer market that we believe is in its infancy.

Each of the companies and analysts depicted may have long or short positions on these stocks. These share tips are considered opinions and readers should seek personal financial advice before investing.

How to play TimesPool

Sunday Times

Fill out each step for your chance to win up to \$83,000.

Step 1: Select your TimesPool Letters to win \$18,000.

Choose any 6 letters from the Alphabet Grid below by marking them with a cross.

A	B	C	D	E	F	G	H	I	J	K	L	M
N	O	P	Q	R	S	T	U	V	W	X	Y	Z

Now print each crossed letter, in alphabetical order, in the boxes below.

\$18,000 JACKPOT

Step 2: Select your Super Seven Bonus Letter.

Mark a cross over a 7th letter from the Alphabet Grid and write it in the Super Seven Bonus box.

\$50,000 SUPER SEVEN BONUS

Step 3: Grab your PerthNow Bonus Word (optional).

Visit perthnow.com.au for this week's bonus word and write it in the Bonus Word box.

\$5,000 PERTHNOW BONUS WORD

WIN MORE

If you're a Home Delivery customer and select the correct Jackpot letters, you will win an extra \$2,000, or win an extra \$10,000 if you scoop the Jackpot and Super Seven. To arrange Home Delivery call 1800 198 051.

WIN \$83,000 with TimesPool



Step 4: Fill in your details.

First Name: _____ Surname: _____
 Address: _____
 P/Code: _____ Phone (H) _____ (M) _____
 Signed: _____

Sending in your entry: If you are sending one entry then write the FIRST Jackpot letter on the back of your envelope. If you are sending in more than one entry, write 'multiple entries' on the back of the envelope instead.

Post to: TimesPool, GPO BOX 2970, PERTH WA 6800 or drop it in the TimesPool box at selected newsagents.

Game #1479 closes at 10am, Thursday, November 10, 2011. All entries must reach The Sunday Times by 10am Thursday. Entries placed in the TimesPool boxes at newsagents must be received by 4pm on Wednesdays. Entries must be an original coupon. Terms and Conditions are published on the first Sunday of every month or can be obtained by calling 9326 8288. By entering, readers accept and agree to abide by these conditions.
 *See Public Notices for our privacy statement.

TIMESPOOL RESULTS: GAME = 1478 A I K S V X SUPER SEVEN: U