



## FINANCE NEWS | VIEWS | CLUES

### OCTOBER 2020

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#### **BUDGET & RESPONSIBLE LENDING CHANGES**

Changes in the budget coupled with comments from Treasurer Josh Frydenberg should help business owners and borrowers when getting finance. The government knows it needs to get the economy going again and the ability for business and retail clients to access funds is paramount in their thinking for a growing economy. A number of the initiatives undertaken by the government rely on the free flow of funds and with interest rates remaining low it is a great time for borrowers.

#### **INSTANT ASSET WRITE-OFF EXTENSION**

An uncapped instant asset write-off for businesses generating less than \$5b in revenue has surely been one of the most game changing elements of the 2020 Federal Budget. A significant amount of investment can be unlocked due to 99% of businesses being able to write-off the full value of eligible assets that they buy. The ability to purchase new equipment means a greater potential for increased work and revenue. The asset write-off will provide SME's with a cash flow boost as they can depreciate the full value of the asset purchase.

#### **RESPONSIBLE LENDING CHANGES**

The government has also revised the 'one size fits all' approach to lending and will look to simplify access to credit for consumers and small businesses. The restrictive nature of the current laws has been replacing common sense decision making. As a result credit is getting delayed in compliance, verifications and too much assessment information where assessors get bogged down in client bank statements. All this does is delay the flow of credit to the borrowers and cause bottlenecks within the lending framework.

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Treasurer Frydenberg said "Lenders have become increasingly risk-averse and overly conservative. As a consequence, borrowers, irrespective of their financial circumstances, have faced an ever more intrusive, difficult and drawn-out approval process".

The intent of the changes is to make it easier for consumers and small businesses to access credit. The changes will ensure the credit assessment is attuned to the needs of the borrower and the credit product – enabling lenders to simplify the assessment process and extend credit in a more timely and efficient manner.

## **BEING FINANCE READY**

With rates at record lows and homebuyers and investors finding opportunities in the market, the change from the 'one size fits all' approach will make it easier for borrowers to obtain finance. In saying this when looking to be finance ready the core fundamentals of presenting stability and a strong application will remain as follows.

- A guaranteed and stable income
- An ability to manage your budget and living expenses
- Assessment of existing liabilities and credit cards
- Ability to show savings history for purchases
- A strong credit history

## **SEEK EXPERT HELP FROM US**

M Point Finance is here to provide advice and assistance during this changed financing environment. We understand the opportunities with the instant asset write-off and will ensure that borrowers are finance ready to make that property or investment purchase.

Reach out to Andrew ([alennon@mpoint.com.au](mailto:alennon@mpoint.com.au)) and we can assist with your new financing needs.