

Breaking down the Process

YOUR FIRST HOME

Brought to you by
YOUR PLACE MORTGAGE BROKERS

With **BONUS**
Tips to
Saving your
Deposit Faster!



www.yourplacemortgagebrokers.com.au

A close-up photograph of a hand holding a set of keys. The keys are silver and attached to a bright yellow keychain. The background is a soft, out-of-focus blue and white, suggesting an indoor setting. The hand is positioned on the left side of the frame, with the fingers gripping the keys.

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the reason behind this book

We all know buying a property is a time restricted, costly and often stressful process. Between arranging finance, dealing with real estates and trying to de-code the contracts and forms you have to sign it can all be a little overwhelming!

This can be even more true for First Home Buyers! I love helping first home buyers sift through the information, understand the contracts and jargon and I know there is nothing more exciting than getting the keys to your new home.

I love sharing that joy with you and knowing I was able to help make your property dreams come true! No Matter what stage of the process you are at, I want to help!

I have put this free ebook together in the hope it will help make the process of buying your first home a little bit easier.

Good Luck in your journey into buying your First Home!

-Elise Thomson



The Process

Once you have made the decision to enter the property market it can be hard to work out “Now what?”

We have outlined the process from start to finish so you know where to from here!

- Meet with your Mortgage Broker to discuss your personal scenario, what options may be available to you including what deposit you need, and when you are ready, obtain a pre-approval.
- Once you have your pre-approval you can go house hunting and find your First Home!
- Once you find a property, (depending on whether it is going to Auction or not) you will make an offer and if accepted by the seller you will sign a contract.
- Once you sign a contract you need to arrange Building insurance on the property- In most cases you should do this on the day you sign a contract
- Advise your Broker so they can proceed to arrange your unconditional approval
- Engage a Property Conveyancer to take care of the legals for your purchase
- Engage a Building and Pest Inspector to perform the inspection on the property or if you are purchasing a Strata property arrange a strata report
- Once your finance is approved and if no issues are discovered with the Building and pest inspection your purchase will proceed to “unconditional”.
- You will sign your loan documents with your mortgage broker
- Loan Settlement will happen- you will get your keys and move in!

NOTE: Be sure to add contents insurance to your building insurance policy once you move into the property!



Understanding the Jargon

As with any professional or anyone who knows their job back to front it is too easy to use jargon or industry phrases. The same goes in the process of buying your first home and obtaining your loan. Often words or phrases will be used, and although on the outside you nod your head to show understanding, on the inside you left the conversation a few minutes ago, somewhere between LVR and LMI. Below are some of the common words and phrases which you may come across on your journey to buying your First Home!

Loan to Value Ratio- Commonly referred to as "LVR" this is the value of the property vs the amount of your loan. Generally, financiers will lend up to 80% of the property value without mortgage insurance and up to 95% with mortgage insurance.

Lenders Mortgage Insurance- Known as "LMI", this is an insurance premium payable by you as the borrower. This protects the Lender in the event of you defaulting on your loan and the lender being unable to recover the costs through sale. This insurance is generally payable for an LVR over 80%.

Finance Clause- This is a clause on your purchase contract which specifies your time to arrange your loan for your new home. If during this time it is discovered that you cannot obtain finance, you would advise your solicitor and the contract would be terminated and generally all deposits paid will be refunded. For this reason we recommend always signing a contract subject to finance when purchasing. The only exception to this is when buying at auction as no finance clause is available. If you are planning to buy at auction please ensure you discuss this with your Broker.

Building and Pest- This is an inspection clause written into your contract. You have until the specified date to obtain a professional inspection on the property to ensure there are no building or pest issues which you should be aware of prior to purchase. If there are issues which are discovered during the building and pest inspection this may open up discussion for price negotiations or, alternatively you may choose to terminate the contract.


Stamp Duty- Stamp duty is a fee payable in all states and territories on property purchases. The fee must be taken into consideration when working out the funds you require for purchasing your property. Your Broker will be able to help you with these calculations. There may be exemptions available to you as a first home buyer. Speak with your broker or conveyancer to confirm.

Pre-approval/Conditional Approval-

Before going out to look for a property we always recommend obtaining a pre-approval, or Conditional approval. In a pre-approval you will make an application for a loan. The lender will perform a credit check and verify your financial situation to confirm you qualify for a loan under their policy. The pre-approval will be subject to final checks once you find, and sign a contract on a property.

Unconditional Approval- Once you find a property your broker will submit your final paperwork to the lender. As long as the property and application are to the lenders satisfaction you will obtain “Unconditional Approval”. This means that the loan is approved and no further conditions need to be met. Unconditional approval is what you require to meet the Finance Clause on your purchase.

Genuine savings- When you are borrowing over 80% of the value of your new property, and therefore requiring mortgage insurance, most lenders will want to see evidence of Genuine Savings. They lenders want to see that you have a capacity to make financial commitments to a repayment as you are not providing a full deposit. The amount is generally 5% of the property value and is most commonly shown as accumulation of funds in a savings account over a 3month period. Your Broker can confirm your requirements



**LMI? P&I? LVR?
Settlement?
Genuine savings?**

Principle and Interest (P&I) – This is the type of repayment you are making on your loan. This means that you are paying back not only the interest charged on the debt however also paying off the borrowed money so that over the loan term (eg 30 years) the loan is repaid in full. This is usually the type of repayment you would be set up on for your new home.

Interest Only- A repayment type which investors often use where only interest is paid on the loan and the loan amount will remain the same and not reduce. No principle is being paid.

Offset Account- An offset account is the linking of your transaction account to your housing loan. You will save interest based on the balance in your Transaction (Offset) account. For example, if you have a loan for \$100,000 and in your offset account you have \$10,000, your lender will calculate interest on only \$90,000.

Settlement- This is the day you get your keys! On settlement day you become the official property owner. This is the day money is exchanged between buyer and seller (solicitors and lenders complete this) and you can move in!

What deposit do I need?

Have you started saving for your home but not sure how much you are aiming for?

In most cases the ideal deposit to avoid mortgage insurance is 20% of the purchase price. For example, this would mean a deposit of \$80,000 on a purchase price of \$400,000. For a lot of first home Buyers this is not achievable in the desired time frame.

This is where mortgage insurance comes in. Some lenders will lend up to 95% of the property value, meaning that you could have to put in as little as a 5% deposit. On a purchase of \$400,000 this would be only \$20,000. For many buyers this amount is much more achievable! Your mortgage broker can discuss the difference between a 5%, 10% and full 20% deposit, and what would be the best option for you.

Your Broker will work through your exact situation, what lenders may be available to you and then obtain a more definite idea of the deposit you will require based on your situation. It is also important to be aware of the other potential costs of buying a property as the deposit is one part of the bigger picture. Your Mortgage broker can take you through these in more detail.



Be Aware! Some lenders charge a higher interest rate depending on the LVR so your deposit could also affect your monthly repayments and therefore the cost of your property long term! The more you have upfront as a deposit, the less you are required to borrow and therefore in the long term the less you will pay.

family guarantee

A Family guarantor (generally provided by the parents of an applicant) can assist you in entering the property market sooner! Having a guarantor can help you avoid lenders mortgage insurance (LMI) regardless of your deposit size, or in some cases whether you have one at all.

The guarantor provides the equity in their property to secure the borrowers loan. This does not make them a co-applicant and under normal circumstances they would not be required to make repayments on the loan. This remains the responsibility of you as the borrower, however if you were to stop making payments they may call upon the guarantor to meet the financial commitments on the loan.

As the borrower you will still need to show you can afford the repayments, that you fit the lenders requirements and are eligible for the loan. The guarantor is for security only, not the servicing of the loan. We always recommend that guarantors seek independent legal advice before going guarantor and some lenders require this as part of their approval conditions.

It is important that the guarantors understand that by providing a guarantor they are providing their property as security for your loan and that in the scenario where you are no longer able to, or stop making repayments the lender may call upon them to step in or may call upon their equity to cover shortfall of sales. A family guarantor can be a great option to save you money as the borrower and provide you the opportunity to enter the property market sooner.

Discuss this with your broker to see if you may be eligible.



The First Home owners grant is a scheme which was introduced on the 1st of July in 2000. It was introduced to assist in offsetting the effects of GST on property purchases for First Home Buyers.

At the time of writing this there are several Grants and exemptions available for First Home Buyers in Australia. These are different dependant on the state you purchase your property in.

To find out what you may be eligible for visit

www.firsthome.gov.au

and discover which Grants and concessions may be available to you.

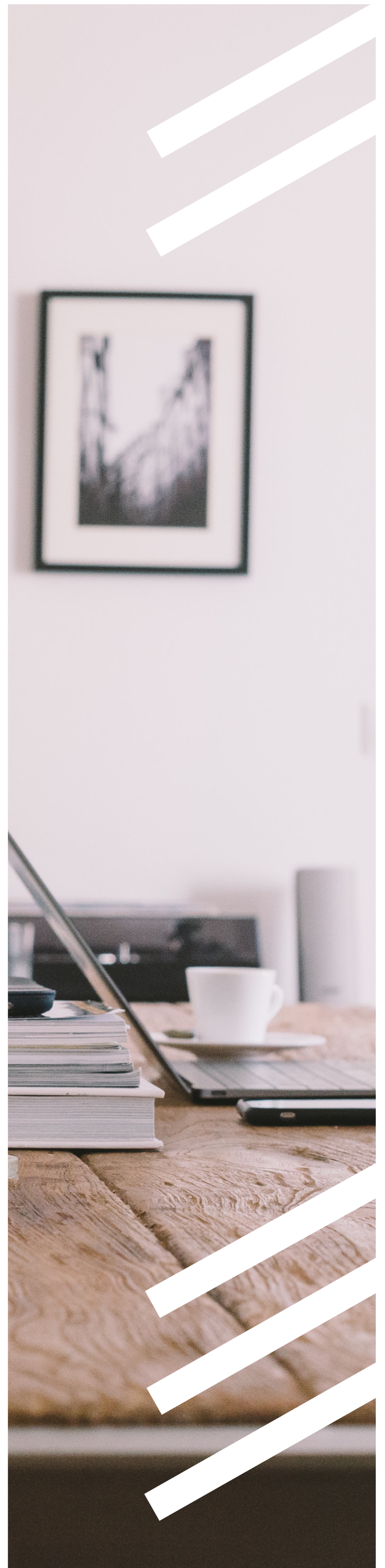


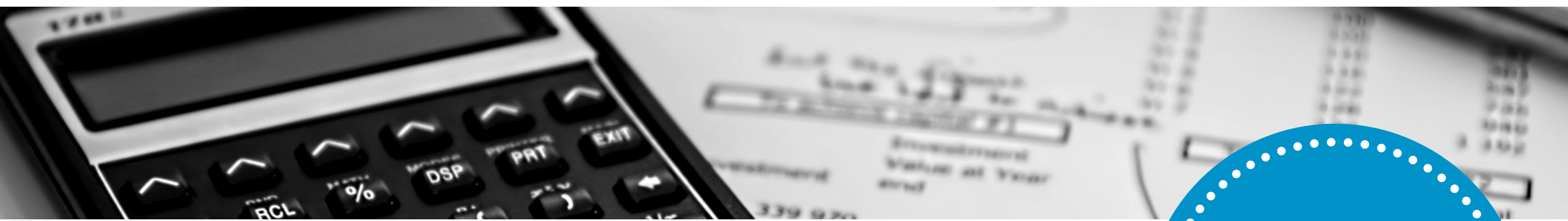
Consider your Protection

Purchasing a property is likely to be the single biggest purchase of your life. It's important that you take steps to protect yourself and your home in the event of the unexpected.

Building and Contents insurance is so important when purchasing a property. Once you sign a contract you need to arrange Building insurance. You will likely have to provide your certificate of insurance to your Broker as this is often required prior to settlement by the lender. A day or two prior to settlement phone your insurer and have them add your contents to your policy effective from settlement day. This will ensure you are covered as soon as you move in.

Just as important is Personal Protection. This includes Income Protection, Life Insurance, total permanent disability cover and trauma. These insurances help to protect you, your family and your income in the event of the unexpected. Cost will vary depending on insurer as well as your personal details and required cover. Your Mortgage Broker should be able to provide you with the details of a specialist who can assist you with this.





Tips to Building your Deposit Faster!

Create a Budget -Without a budget it is easy to think that you don't have any money to save and equally as easy to overspend on things you don't really need! Knowing what you spend your money on monthly is a great way to find areas you can save. Go back through your last few months' statements and see where your money is going. You may be shocked to find how much you spend on things you don't need! ASIC provide a great budget planner, get it here.

Prioritise Personal Debts- Once you have your budget set and know how much you can save work prioritise clearing any personal debts. It may seem counterproductive to building your home deposit however once your personal debts are cleared this will open up even more money for you to add to your house deposit! As I mentioned in the previous blog post any personal debt is going to be harder to clear once you have a home loan to pay off. Getting rid of any high interest debts up front ensures you aren't paying a high rate on credit cards and personal loans longer than needed.

Set up an automatic transfer- Setting up an automatic transfer from your wages account to your savings account right after payday will help ensure fool proof savings. It's too easy to make excuses for savings mishaps. If you have the money transfer automatically before you even have a chance to see it you may notice that you don't need it after all.

Save your overtime and bonus income- If you earn overtime, bonus's or commissions this is a great opportunity to boost your savings! Stick to your regular budget income and anything you earn over the regular pay amount you have budgeted for should be put to your savings account. These lumps sums will see your deposit boost quickly!

Tighten your belt- Sometimes you have to make sacrifices to achieve goals. This may mean that your weekly take away meal or restaurant dinner becomes a Home Cooked meal for the time being. Instead of buying new clothes for each outing let yourself get creative and create new outfits from your existing wardrobe or do your own manicures for awhile. All these little "luxuries", however big or small add up and before you know it you could be wasting hundreds of dollars a month on things which are not necessities.

Try applying some of these simple tips and watch your savings grow. You will be buying your house in no time!

