Home Buyer Essentials

What you need to know when buying and financing your home

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Contents

You're looking for a new home, how exciting!

Buying a home can be one of the most exciting times in anyone's life. When taking such a big step there are so many things to consider. This guide is designed to help you through the home buying process and answer your questions, including:

- Where and what can I buy?
- How much deposit will I need?
- How much can I borrow?
- What are all the other costs involved?
- How can I repay my mortgage quickly?

Our role as your mortgage broker is to guide you through the process to ensure that all your needs and options are considered.

We will make sure that this exciting new chapter in your life is professionally managed so you can focus on finding your dream home.

Happy house hunting!

From the team at **Robertson Scannell.**

Your home buying journey

Owning your own home is one of the most exciting things that you will experience in your lifetime. Make sure you enjoy the process by taking the time to understand all of the steps first. We'll be here throughout the entire process to help you and offer you personalised service and support.

1

Planning

Whether you're just curious, or wanting to buy a home soon, the first step is to understand your potential borrowing power.

2

Finding

Once we begin organising your home loan, you can begin house hunting.

3

Pre-approval

We'll help you get the necessary approval so you can buy or bid with confidence.

4

Settlement

Purchase your home and finalise all the paperwork, nearly there.

5

Getting the keys!

You are an official homeowner, it's time to plan the housewarming.

What we do for you

As your professional mortgage broker we're here to make sure you know everything you need to know.

1

Firstly, we help you determine your borrowing capacity so you know what property you can afford to buy.

2

We will search for the most suitable finance product that meets your specific needs. We'll compare all available products and explain the differences and the benefits of each.

3

Once you've picked the right finance option for you, we will then assist you with your loan application process. We know what it takes to submit a successful loan application.

4

As your mortgage broker, we'll support you along your buying journey, from pre-approval, right up to settlement and beyond. We'll be there to answer your questions and do the leg work for you, so you can enjoy the excitement of the home buying process—without the added stress.

5

And once the home buying process is complete and you're holding the keys in your hand—we'll be there to help with other services like car loans or insurance.

Planning

Whether you're a first-time home buyer, or a next home buyer, the first stage is to meet with us and make a clear plan for achieving your home ownership goals.

Borrowing essentials

We're here to help you better understand your finances and borrowing capacity. Identifying your financial goals and understanding your circumstances are key to figuring out how much you can borrow.

Eligibility for a home loan

To be eligible for a home loan, you need to meet certain criteria that satisfies a lender's requirements. What is a lender? A lender is anybody or any institution that provides credit assistance, i.e. a loan. They can be banks, credit unions, etc. Lenders will assess your employment status and income level, as well as any outstanding debt or credit history you may have.

To satisfy lenders, you also need to have a substantial deposit saved. Lenders want to know that you are in a comfortable position financially so you can make regular repayments on your loan. To find out if you're eligible to apply for a home loan, or are interested in how much you could borrow, book a complimentary, obligation free consultation with us today.

Credit report

Once you have spoken with a broker and are happy to move forward, you'll then choose a lender. The lender will perform a credit check and assess your financial history, including any previous credit applications made by you, and any payments on which you may have defaulted. We're here to make sure the lender completes all the steps to secure your loan as quickly as possible.

It is important that you check your own credit report. If there is something on your report that you think could hinder your application, please let us know as part of your application.

What deposit will I need?

We'll help you factor in fees and other costs you may have to pay to decide how much savings you'll need to purchase your dream home. Most lenders require at least 10% deposit, plus a history of savings. In some cases, you might be able to use the government first home buyer's grant to put towards your deposit.

When you're thinking about your deposit, think of it this way: The bigger your deposit is—the less you'll have to borrow—the lower your repayments will be. A mortgage broker will assess your personal and financial circumstances and work with you to determine your deposit requirements.

Other ways of building your deposit:

Joint ownership

If your personal situation is right, you can purchase a home in partnership with a family member or friend. This helps both parties to enter the property market. If this is an option for you, it's important to know that owning a home jointly means you will not qualify for the First Home Owner Grant.

Gifted cash

It may be the case that your parents are able to help you with your deposit. In this scenario, banks will require the family member to formally declare that the funds are a non-refundable gift.

Guarantor support

Your parents can help you if your financial situation does not appear secure enough for the lender. Acting as a guarantor means they mortgage their property as additional security for your home loan. Having a guarantor may allow you to borrow more money or possibly avoid paying lenders mortgage insurance.

Supplemental loans

If your parents have available finance, they may agree to help you enter the property market with a supplemental loan. These types of loans can seem appealing as they usually have low or no interest at all. We recommend that you document the terms between both parties.

Do your research

We're here to help you better understand your finances and borrowing capacity. Identifying your goals and understanding your spending is key to figuring out how much you can borrow.

By researching residential property listings online and attending house inspections you can get a rough idea of property prices in different areas. This will help you figure out where you can afford to buy. It's important to take into account both financial and lifestyle factors when buying a home.

Things to consider when looking at potential areas:

- Will the area suit my lifestyle in five years time?
- Proximity to public transport, local schools and shops
- Construction in the area
- Access to local parks, bike tracks and community facilities
- NBN internet and phone coverage.

Driving or walking around your chosen area will also give you a feel of the suburb and help find streets that are more appealing. It's also invaluable to keep track of prices on recently sold comparable homes in the suburb. There are lots of online resources to help you compare property prices in different areas or you can ask us to provide you with property information.

Understanding the costs involved

Purchasing a property comes with a lot of additional expenses. It’s important you keep a detailed and accurate account of everything you spend. Here we’ll outline all the associated expenses that you can expect to incur when buying a property.

Legal representation

When undertaking the purchase of any property, it’s important that you acquire the services of a trusted conveyancer or solicitor. This ensures you meet all of your legal obligations and that all contracts are fair and transparent. Be aware that different legal professionals will have different sets of fees for certain services – so don’t be afraid to shop around. Just ask us if you need a referral.

Loan application fee

This can also be known as the "establishment", "up-front", "start-up" or "set-up" fee. It's a one-off payment at the start of your loan process. The fee covers the preparation of loan documents and the legal fees for loan set-up and one standard valuation. Not all lenders will charge a loan application fee. We can let you know which lenders do, and which lenders do not charge this fee. We can then help you make an informed decision so you get the right loan for your circumstances.

Moving costs

The costs involved in moving can add up. You may need to pay connection or disconnection fees on your utilities. The price to hire a removalist can also vary, and you may want to get insurance in case of any damages to items you own. If possible, compare the prices with three quotes and ask whether or not they will help do the packing for you.

Building and pest inspections

A building inspection could save you thousands by helping you avoid purchasing a property that could require costly repairs. The aim of a building inspection is to highlight any structural issues or damage to the property. You should also conduct a pest inspection to help you discover any pests that pose a threat to it. A professional building inspection report can also serve as a bargaining tool for negotiating on price, or contracts.

Stamp duty

Stamp duty is a tax imposed by State Governments on people buying houses. It varies from state to state. To find out how much stamp duty you have to pay in your state, check your state government website, see below. Alternatively, you can also find out by speaking with your local mortgage broker or legal representative.

Stamp duty government websites

Australian Capital Territory revenue.act.gov.au

New South Wales osr.nsw.gov.au

Northern Territory revenue.nt.gov.au

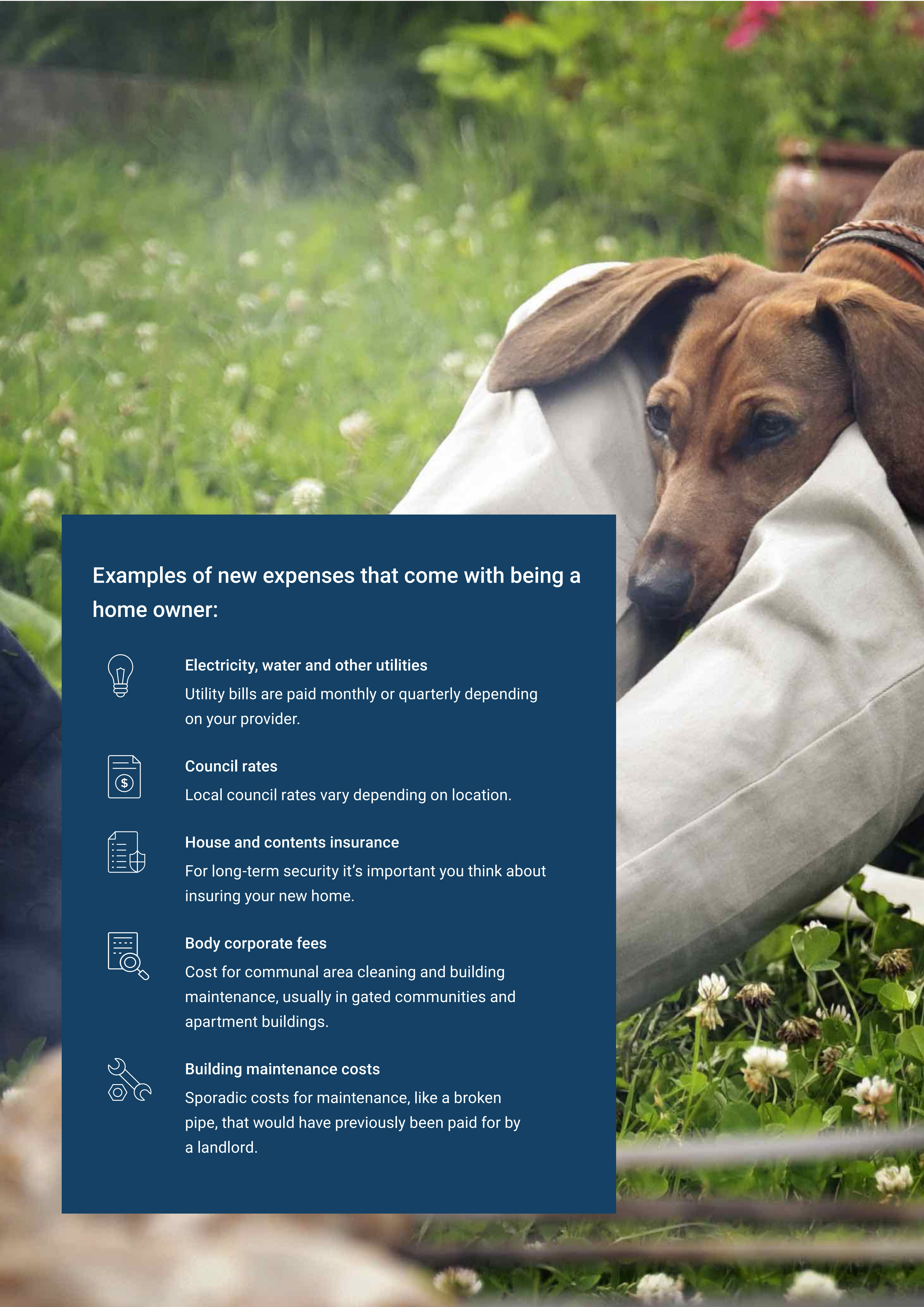
Queensland osr.qld.gov.au

South Australia revenuesa.sa.gov.au

Tasmania treasury.tas.gov.au

Victoria sro.vic.gov.au

Western Australia treasury.wa.gov.au



Examples of new expenses that come with being a home owner:

Electricity, water and other utilities

Utility bills are paid monthly or quarterly depending on your provider.

Council rates

Local council rates vary depending on location.

House and contents insurance

For long-term security it’s important you think about insuring your new home.

Body corporate fees

Cost for communal area cleaning and building maintenance, usually in gated communities and apartment buildings.

Building maintenance costs

Sporadic costs for maintenance, like a broken pipe, that would have previously been paid for by a landlord.

Know your entitlements

As a home buyer, you may be entitled to some money-saving concessions when buying a property. Here are some things worth investigating.

First Home Owner Grant (FHOG)

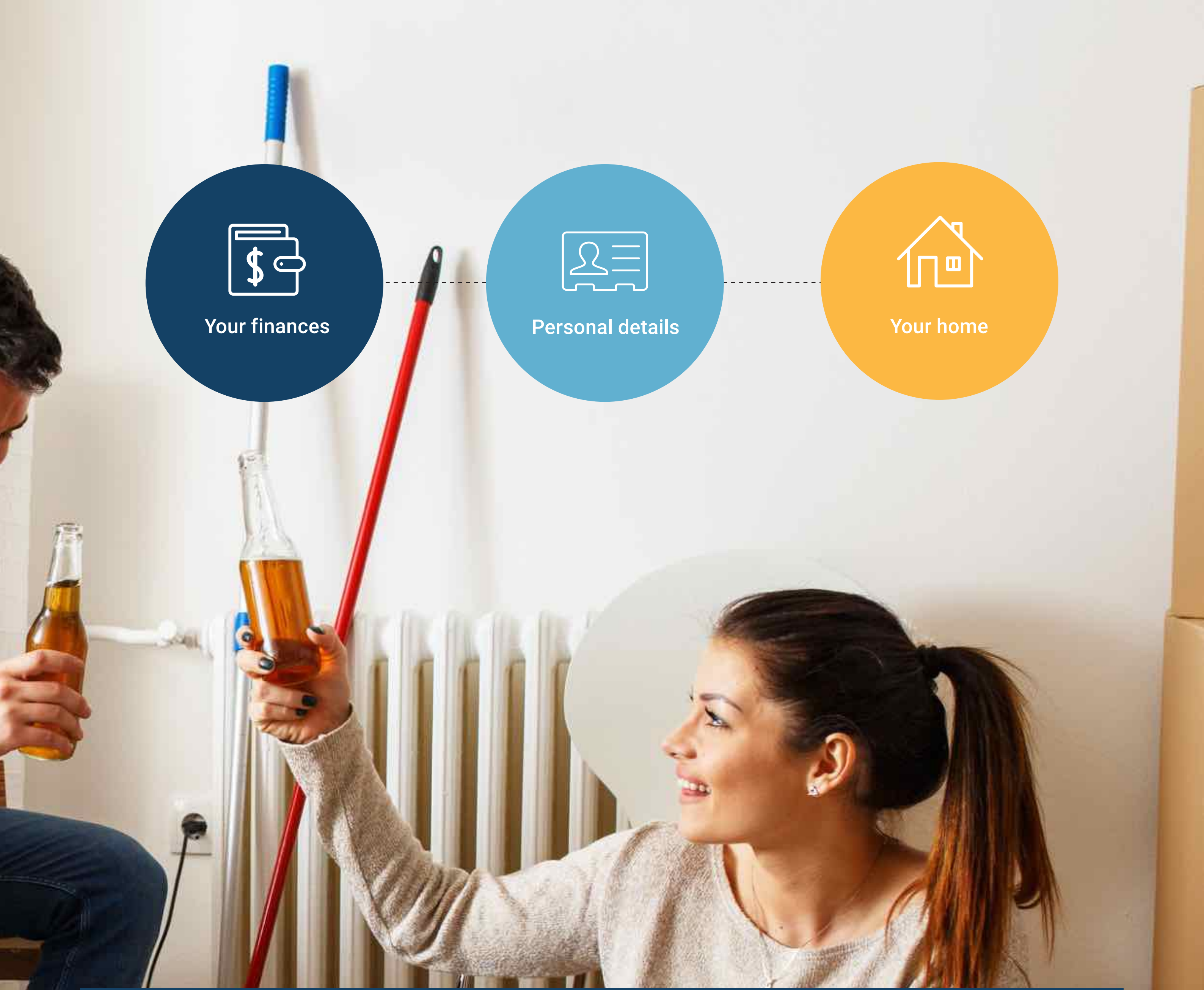
The FHOG is a one-off grant aimed at helping people buy their first home. The scheme was rolled out by the government as a way of offsetting GST on home ownership for first time buyers. Would-be buyers who meet certain criteria may receive a one-off payment. To check your eligibility, see: www.firsthome.gov.au

Stamp duty concessions

When your purchase a home in Australia, the government imposes a tax known as stamp duty (for a definition please see glossary of terms). The tax is a percentage of the property price and is added to the final sale value of your home. In some states, if you're a first time buyer, you may be able to get a stamp duty concession; however, you'll need to meet the criteria and your property will need to be valued below a certain threshold. Please check on your relevant state government website to see if you are eligible for a stamp duty concession.

Pre-approval

It’s time to get financial peace of mind. We’ll work with your chosen lender to conditionally approve your home loan application, so you can go house hunting with confidence.



The process

Home loan pre-approval allows you to confirm that it will be possible to get a home loan and determine how much you can borrow.

Home loan pre-approval is usually subject to you meeting the required terms and conditions of the lender—for example, being able to provide the loan documentation required and proving you have a deposit.

Pre-approval looks at your personal circumstances in order to determine your borrowing power. With a few simple questions and documents provided by you we can work with the lenders on your behalf to get you the go ahead to start seriously looking!

Documents you need for pre-approval

Lenders require certain documents before they will approve your home loan application. For approval you will need:

- Evidence of your deposit, which ideally should be at least 10% of what you want to borrow.
- A budget showing your regular expenditure. This is called your living expenses and must be very accurate. We'll work with you to put this together for the lender.
- Evidence of your savings history.
- A letter from your employer confirming your employment or a copy of your employment contract.
- Your last two tax returns, with details of income from salary and investments (if you have any).
- At least the last three month's payslips.

Finding

Once you have your deposit and know how much you can afford to spend, you can begin house hunting. We'll work with you every step of the way to find and secure your dream home.

With our help, the process of finding and securing your dream home will be exciting, not stressful. We'll take care of the logistics every step of the way, and always act with your best interests in mind.

Step-by-step guide to owning your home

1

Get loan pre-approval

Having a deposit saved enables you to take the first step in seeking finance for your home. When you know exactly how much you can borrow, you can begin your search. We do the pre-approval stage for you so you don't have to worry about contacting lenders or filling out forms.

2

Choosing a home to buy

Most people have an idea of where they want to live. You can start your search by visiting real estate agents, or by going online.

3

Make an offer

Make an offer via a private sale, or bid at an auction.

4

Offer accepted

If your offer or bid is successful, the real estate agent will provide a copy of the contract for sale which you should give to your legal representative to check. Once signed by both parties, the contract becomes legally binding.

5

Final loan approval

Once your final loan has been approved, you will be required to sign the final loan documents for the balance of the purchase price. We'll do all the work to get your loan formally approved by your chosen lender.

6

Insurance

Your lender will require you to obtain building insurance.

7

Final inspection

Arrange for a final property inspection before settlement date. Thoroughly check everything included in the contract of sale is in working order and in the agreed condition.

8

Settle your loan

Settlement happens when your deposit is transferred to the seller and when the agreed loan amount is paid on your behalf from the lender.

9

Get the keys

Once settlement has taken place, your conveyancer or agent will notify you and you can then get the keys.

Turn the key and step into your new home.

Need more help?

If you'd like us to go through all the steps it takes to own your own home in more detail, please give us a call. Remember, we've done this many times before so we know all the ins and outs.

How to buy a property

The home buying process is not just about securing finance. It's also about finding a property that you'd like to live in. Understanding how property is sold will help you in your search.

Understanding Private Sales

Private sales are usually handled by real estate agents. The vendor is the person, or persons, selling their home. A vendor will set a price for a property before negotiating with potential buyers via the real estate agent.

Buying a property privately allows you to make an offer subject to certain conditions. This gives you time to obtain finance, review the contract of sale, and complete building and pest inspections.

Once an offer has been accepted, there is a cooling off period. This allows you to change your mind about the property purchase, however there may be costs involved.

Understanding Auctions

Auctions are open to the public and are held on a specific date. Vendors will set what is known as a reserve price. This is the minimum amount they will sell a property for. Once a property exceeds its reserve price, the highest bidder effectively commits to buying the property.

A property sold at auction is not subject to any conditions and there is no cooling off period. This means you will need to complete any inspections prior to auction day and have a deposit cheque ready.

If you change your mind

If you have signed a contract to buy a house it may be a costly exercise to withdraw even if you have not reached settlement. If the cooling off period has passed, the contract is binding. If you wish to get out of the contract you may be liable to pay compensation to the vendor. The amount will depend on the loss suffered by the vendor and is usually based on the amount it would take to re-sell the house including any loss on the subsequent sale. Read your contract carefully to be aware of the consequences of defaulting on the contract. If you do not wish to proceed with a contract, seek independent legal advice as soon as possible.

Key questions to ask a real estate agent

When viewing a property, you should not be afraid to ask the real estate agent questions. Here are some important questions that you might consider asking.

If the property is a house:

- Is it insulated?
- Are there any planned construction works in neighbouring lots?
- What are council rates like?
- Does the property have any special restrictions?
- Are there potential zoning changes in the future?

If the property is a unit or apartment:

- Are pets allowed in common areas?
- What are the strata fees?
- Are barbecues or other outdoor events allowed at the property?
- Is there car parking at the building?

If you're serious about making an offer on the home, it's highly advisable you conduct a professional property inspection. We can help you with this.

Choosing the right loan for you

Navigating the home loan market can be daunting and confusing. There are many different options available. To find a loan that suits your needs and financial situation, it's important to understand the differences between the loan products available. Here's an overview of different home loans and their features and benefits. Don't worry, we're experts in home loans and are here to help you make sense of which lender and product is right for your long-term financial needs.

Variable Rate

A variable rate mortgage means your repayments go up and down as interest rates change. A variable rate loan typically gives you greater flexibility to pay off your home loan sooner.

Pros

Interest rates can fluctuate to a low level, leaving you to pay less than you would on a fixed rate.

Things to consider

- Your repayments can increase if interest rates rise.
- Less certainty and control over your finances, as repayments can change.

Fixed Rate

A fixed rate mortgage gives you the certainty of knowing what your repayments will be, with an interest rate that stays the same for a set period.

Pros

- A good option for those looking for consistency with payments.
- Protects you from rises in interest rates.

Things to consider

- If interest rates decrease, you will be tied to the higher rate you signed up for.
- You may have to pay exit fees if you want to pay out your loan early.

Split Rate

This loan offers you the best of both worlds, with a mixture of features from both a fixed and variable rate loan.

Pros

- Get the best of both worlds—features from both variable and fixed rate loans.
- You can pay off the variable rate fast through additional repayments.

Things to consider

- The number of additional repayments can be limited.
- You need to get the split ratio correct so that you fully benefit from having both types of interest rates.

Other types of home loans

Interest Only

An interest-only loan is a loan where you pay only the interest for some or all of the term, with the principal balance remaining unchanged during the interest-only period. Interest-only loans reduce your required monthly payment by excluding the principal portion. Homebuyers have the advantage of increased cash flow and greater support for managing monthly expenses. You still must pay the entire loan principal at some point.

Principal + Interest Loan

Repayments on principal and interest loans can seem high in the short term because you're simultaneously paying interest and paying off the original loan balance. However, as the principal balance reduces, you end up paying less interest over time, which saves you money in the long run.

We're experts in home loans and are here to help you make sense of which lender and and product is right for your long-term financial needs

Home loan features

Here are some key features of home loans that you may be interested in. They have been designed so that customers can have greater flexibility with their finances. We can explain these in full detail, just ask.

Offset Account

An offset account is a transaction account linked to your home loan account. Money in your offset account helps reduce the interest you pay. For example: if you have a home loan of $100,000 and have $10,000 in your offset account, you only pay interest on $90,000 of your loan.

Redraw Facility

A redraw facility means you can put all your ‘rainy day’ money in your mortgage, knowing you can get it out again if you have to. A redraw facility allows you to make extra payments and then withdraw them if you need them. You can only redraw the additional payments you make, and sometimes this type of loan may attract higher costs for this extra benefit. We can talk you through whether or not a redraw facility is something you’d look for in your home loan.

Settlement

For formal approval we'll need to get just a few more documents together and then that's it! We'll do all the administrative steps from there to turn your pre-approval into a settled home loan.

You can officially start planning your house warming!

The last step is to dot the i's and cross the t's; that is, to finalise the legal and financial aspects of your home. We'll be with you throughout these final steps, and beyond, for any questions you may have.

What happens on settlement day?

Settlement day is the day you can pick up the keys to your new property and officially start the next chapter of your life. On settlement day, lots of things happen at once. Having a mortgage broker takes the stress out of this final part of the process so you can focus on the excitement of moving into your home.

On settlement day:

- The sale is completed when the money is sent.
- You'll receive the title of the property and the vendor's solicitor or bank will arrange for the Registrar General to register the transfer and home loan (if applicable).
- Both parties are required to advise the agent in writing that settlement has occurred, allowing the agent to release the keys to you.

Once the settlement process has been finalised your legal representative or agent will notify you when you can go and collect your keys. Then the house is yours.

Once the settlement process has been finalised your legal representative or agent will notify you when you can go and collect your keys. Then the house is yours.

Tips for repaying your mortgage sooner

Now that you're on the property ladder, what's next? Here are some tips on how you can pay off your home loan earlier and take the next steps to becoming a property investor.

Make extra repayments

Depending on your home loan type you may be able to make extra repayments. By making extra repayments you are reducing the interest you pay and shortening the life of your loan in the long run.

Mortgage offset account

A mortgage offset account is a savings account into which your salary and other cash can be deposited. The money in this account is then offset against your loan and so reduces the interest you pay.

Make an annual lump sum payment

By depositing a lump sum such as a tax refund or a work bonus, you can apply it directly to your loan balance. This will reduce the amount of interest you will pay and save you money.

Opt for a redraw facility

A redraw facility allows you to make extra payments by putting savings or 'rainy day' money into your loan, while allowing you to withdraw it if you need to down the track.

We'll review your loan with you at least every two years to make sure your home loan suits your long-term financial goals.

What happens next? How else can we help?

Have all bases been covered

Your property is now rightfully and legally yours. You should consider covering yourself against unforeseen circumstances such as theft, fire and flooding by getting home and contents insurance.

Insure yourself

Because a mortgage is often a life-long commitment, we recommend that you get insurance that will cover you if you are unable to work due to illness, injury or other unforeseen circumstances.

Nothing is too small or too big

Once you've settled into your new home, we can help you secure additional finance, whether it's for buying a new car, a renovation or planning for a future property investment.

We'll keep you informed

Once you've moved in and you're making repayments, it's easy to forget about your mortgage. But staying up-to-date on interest rates and new products could save you money. That's why we'll be here to let you know if anything changes.

Get in touch with us to start planning your financial future.

Glossary of terms

Additional repayment

An **additional payment** is any extra repayment you make on your loan on top of the minimum loan repayments. This can help you pay your mortgage faster. Check the terms and conditions of your loan to see if there are restrictions on how many additional payments you can make each year.

Annual fee

Some loans have **annual fees** to cover costs or additional services. Annual fees are generally charged on the date the loan money was paid to you. Fees and dates are outlined in the loan conditions of your contract.

Application fees

Application fees are charges that you may have to pay a lender to cover the costs of processing your loan application.

Assets

Assets are the valuables you have such as savings, cars, home contents, superannuation, investments etc. Lenders also use your assets to determine the amount you can borrow.

Comparison rate

A **comparison rate** helps you understand the true cost of a loan over time and allows you to compare loans between lenders more easily.

Conveyancer

A **conveyancer** is a specialist who represents you during the transfer of home ownership from the seller to you.

Credit rating

Your **credit rating** is an assessment of your eligibility to receive credit (a loan). It's used to determine the risk you present to a lender, based on your borrowing and repayment history.

Deposit

A **deposit** is a portion of the price of a property that you need to pay upfront when you intend to buy a property.

Equity

The **equity** of your property is determined by its market value less the amount you owe on your loan. The more of your mortgage you have paid, the greater your equity will be.

Establishment fee

An **establishment fee** is the same as an 'Application fee' or an 'Up-front fee'. It's the fee a lender might charge to cover the cost of processing a loan application.

Guarantor

A **guarantor** is somebody who vows to guarantee payment of your loan if there is reasonable doubt that you may default on payments yourself.

First Home Owner Grant (FHOG)

The **First Home Owner Grant (or FHOG)** is a government-funded scheme to assist first home owners buy, or build, a home.

Fixed interest rate

A **fixed interest rate** is a locked-in rate that won't change during a set period of your loan. You'll always know exactly how much your repayments will be.

Lender
An entity, often a bank, that provides financing for the purchase of property.

Lender's Mortgage Insurance (LMI)
Lender's Mortgage Insurance (LMI) is an insurance that protects the lender in the event of the borrower defaulting on the loan.

Loan term
The **loan term** is the agreed length of your loan period.

Loan to Value Ratio
The **loan to value ratio (LVR)** is calculated by dividing the amount that you borrowed by the value of your house. For example, if you borrow $350,000 and your property is valued at $420,000, your LVR is 83%.

Monthly fees
Monthly fees cover the costs of additional services of the loan. Fees and payment dates are outlined in the loan contract.

Offset
A type of lending arrangement in which a borrower also maintains a savings account with the lender.

Owner occupied
An **owner occupied** home loan is a loan for personal purposes for people who intend to live in the property the loan is taken out for.

Principle & Interest Loan
A loan where you pay interest and also repay part of the amount borrowed (principal) at the same time.

Pre-approval
Pre-approval is a conditional approval for a loan. Having pre-approval means having most of the home loan paperwork done. This gives you a definite price range.

Property share
Property share means co-owning a property with family or friends.

Property value
Property Value is the assessment of the value of your property.

Redraw
A **redraw** facility allows you to access extra repayments you that you may have made on your mortgage.

Settlement
Settlement is the final step when buying a home. It's when property ownership is legally transferred from seller to the buyer.

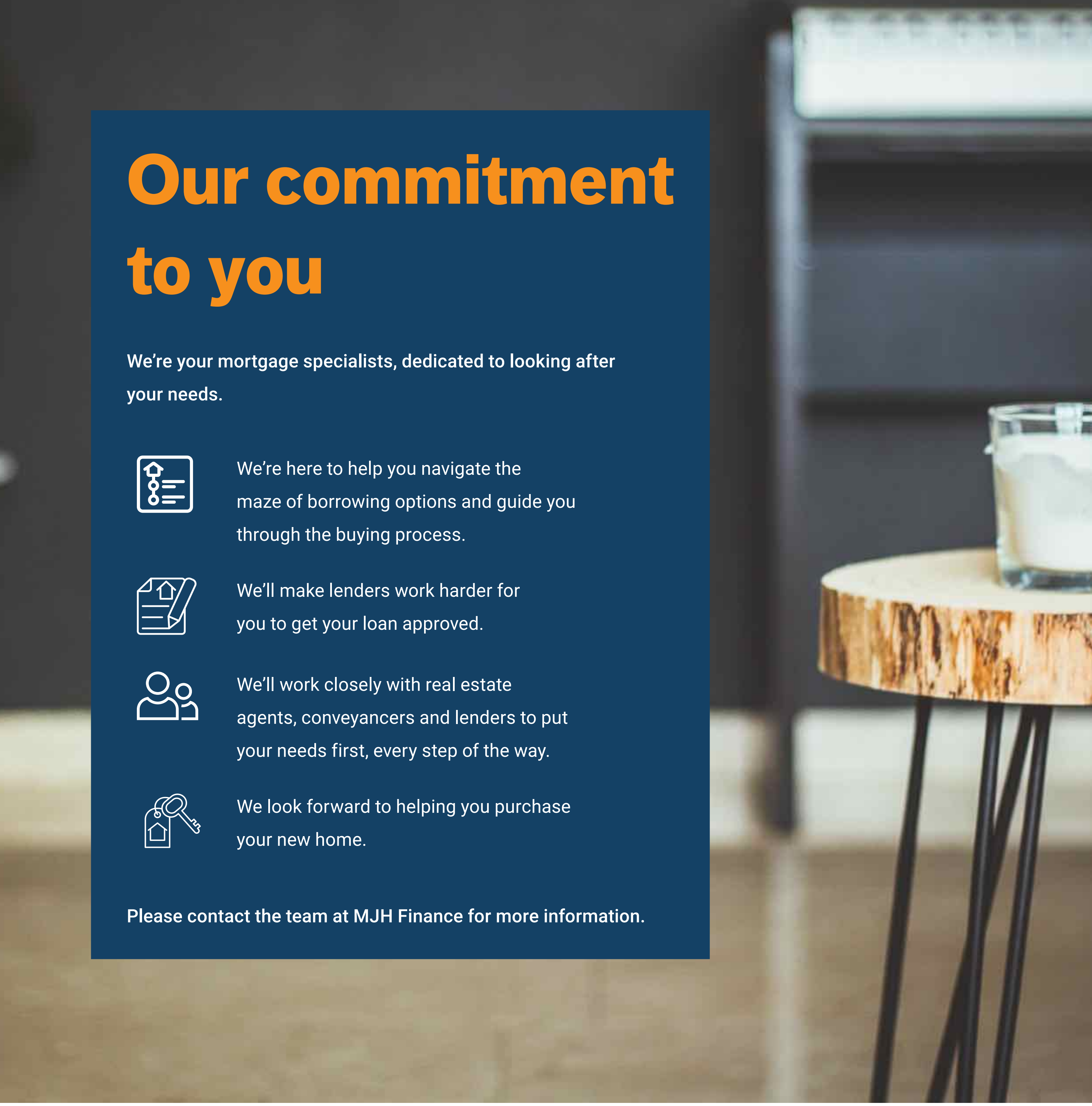
Solicitor
A **solicitor** is a legal professional who is qualified to deal with the transfer of property.

Stamp Duty
Stamp Duty is a tax the government charges on the sale of your property.

Valuation
A **valuation** is the assessment of a property's value.

Variable Interest Rate
A **variable interest rate** changes when the market interest rate changes. This means repayments will vary.

Notes



Our commitment to you

We're your mortgage specialists, dedicated to looking after your needs.

We're here to help you navigate the maze of borrowing options and guide you through the buying process.

We'll make lenders work harder for you to get your loan approved.

We'll work closely with real estate agents, conveyancers and lenders to put your needs first, every step of the way.

We look forward to helping you purchase your new home.

Please contact the team at MJH Finance for more information.

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