

LoanMarket 

First Home Buyer Guide





INTRODUCTION

Buying your first home can seem daunting
but it doesn't have to be.

At Loan Market we specialise in helping first home buyers find the right loan. We simplify the jargon and talk you through what could work for you. We'll also confirm whether you're eligible for government assistance for example the First Home Owner Grant.

We believe a mortgage is a relationship, not a transaction and aim to personally help you manage your finances for the life of your loan.



It's tempting to dive straight into looking at properties and short listing suburbs but the best place to start is your finances.

There are two main commitments to consider:

1. How much can you contribute as a deposit?
2. What can you realistically and comfortably afford to repay on an ongoing basis?

We'll talk you through the many different finance options and work out which solution is right for your situation.

You don't always need a 20% deposit, it could be enough to put down 10%

or even 5%. Remember, if your deposit is below 20% you may need to pay Lenders Mortgage Insurance (LMI) or get a guarantor to offer their property as security - be sure to factor this into your plans.

Guarantor supported loans are not as scary as they used to be. Many banks now offer 'user friendly' terms. Talk to us to find out more.

As your local broker we know the ins and outs of how to secure finance and can guide you every step of the way.

HOME LOANS

Deposits



The First Home Owner Grant

The First Home Owner Grant (FHOG) scheme was introduced to offset the effect of the GST on home ownership. It is a national scheme, funded by the states and territories and administered under their own legislation.

Under the scheme, a one-off grant is payable to first home owners that satisfy all the eligibility criteria.

To see if you are eligible or to obtain more information about the FHOG visit www.firsthome.gov.au or speak to us for more information.



HOME LOANS

Mortgages



Principal and Interest

- ▶ Most common loan type.
- ▶ Both the interest and amount borrowed is repaid.
- ▶ Term can be up to 30 years.
- ▶ Payments can be made weekly, fortnightly or monthly.

TIP Try to pay as much as you can, over and above the minimum amount, in the early years of your loan. It will save you paying extra in interest and reduce the overall term of your loan.

Interest Only

- ▶ Only interest is repaid.
- ▶ Repayments are a lot less than a Principal and Interest loan.

TIP This type of loan is worth exploring if you have surplus monthly income and a good discipline for how you spend your money.

Offset Account

An offset account is a transaction account that can be linked to your home or investment loan. The credit balance of your transaction account is offset daily against your outstanding loan balance, reducing the interest payable on that loan.

TIP This type of loan is worth exploring if you have a significant amount of money to put into your offset account.

Fixed interest

- ▶ Interest rate is fixed for a set period, from six months up to five years.
- ▶ Repayments won't increase during the fixed term.
- ▶ If interest rates go down you won't be able to take advantage of a lower rate until your fixed term ends.

If you repay your loan in full, or pay off a large portion at once you could be penalised with an early repayment fee.

Variable interest

- ▶ Interest rate goes up or down in line with the rise and fall of official rates.
- ▶ Payments will increase or decrease depending on how often official rates change.

TIP You can change to a fixed rate at any time with no cost.

As a general rule it's good if you can make extra payments over and above the required monthly amount. This means you'll have the benefit of redrawing those extra payments if you have an unforeseen emergency and need money on a short term basis. It's also important to consider all fees and costs associated with the loan, not just the interest rate. Establishment, valuation, account keeping, portability, repayment holiday, discharge and loan re-fixing fees can all add up.

A graphic featuring a large light blue circle containing the text 'PURCHASE PROCESS' in blue capital letters. Below the circle is a stylized illustration of a wooden fence with five posts and a gate, set against a background of green bushes.

PURCHASE PROCESS

For complete confidence throughout the purchase process it's vital you have your finance formally approved in writing. This is confirmation your loan has been approved and is legally binding once the contract is signed.

There are three main ways of buying:

Private treaty

- ▶ Most common option
- ▶ Offer is made on a sale and purchase agreement
- ▶ Seller accepts your offer, or amends your offer and sends it back for you to agree. The negotiation process can continue before an agreement is reached.

Auction

- ▶ Open bidding process
- ▶ A reserve price is set and if it's not reached, the house is 'passed in'

(it doesn't sell). Usually first post-sale negotiations are offered to the highest bidder.

- ▶ Each state has different laws, but in many cases to bid at an auction, you have to register which means providing identification and personal details before the auction commences. This law was introduced to combat dummy bidding (false bids placed on behalf of the seller to push the sale price upwards)
- ▶ Bids are unconditional, so do your homework and only bid if you really want the property and know you can afford it
- ▶ A deposit (usually minimum of 10%) is required on the spot if yours is the winning bid.

Tender

- ▶ Similar to a blind auction although offers are not required to be unconditional.
- ▶ You place your best offer in writing to the seller.
- ▶ Seller collects all offers by a set date then chooses the best one.
- ▶ The property can still pass in if the seller doesn't receive an offer they like, and a negotiation process can start.

We recommend that any offer you make is subject to your solicitor's approval of the contract.



What you'll need

This checklist shows everything you'll need for the home loan approval process.

- Your most recent Group Certificate, or if you're self-employed, your last two full tax returns, assessment notices and financial statements
- Your two most recent payslips
- Your most recent statements for any credit cards, personal loans and car loans
- Proof of identity documents, including your driver's licence and passport or birth certificate
- Bank statements showing six months of savings
- Evidence of shares or other investments
- A statutory declaration (if any part of the deposit is a gift), stating the amount of the gift and that it's non-repayable
- Copy of the deposit receipt paid to your real estate agent (if applicable)
- Copy of the purchase contract for the property you are buying (if applicable)

Location and property

Once you know how much money you can borrow it's time to think about where you'd like to buy and what kind of property you can afford.

Shop around to narrow your search and consider some of the basics, such as:

- ▶ Infrastructure - check out local schools, shops, transport, medical facilities, social and sports clubs.
- ▶ Property type - think about what best suits your situation - an apartment, a townhouse or something bigger.
- ▶ Location - wide open spaces, beach, backyards or inner city chic - what's your lifestyle?
- ▶ Why is the property on the market and how long has it been listed?
- ▶ Is the price expectation similar to recent comparable sales in the area?
- ▶ Has the property had any recent alterations, are they legal and does it need any further or urgent repairs?
- ▶ What does the certificate of title show? Are there any restrictions or rights on the property?
- ▶ Do you need to arrange for a pre-purchase property inspection report? This will identify issues such as building defects or problems such as rising damp carpets, structural cracks in the walls, safety hazards and a faults in the roofing.
- ▶ Do you need to arrange for a pest inspection report? Whilst a property inspection report will generally highlight pre-existing damage, it won't determine if there are still pests around. If the property is located where termites are a known problem, a pest inspection report should be considered.

FORMALITIES



Legal

It can be a costly mistake if you don't have a solicitor when buying a home. Their advice and services are crucial throughout the process, including:

- ▶ Advising on ownership structures, such as a family trust, joint tenant purchase or tenants in common.
- ▶ Checking the purchase documents to make sure all is in order and letting you know what conditions there might be.
- ▶ Accessing certificate of title searches.
- ▶ Advising on the full terms and conditions of the mortgage documents and managing the settlement process.
- ▶ Talk to us if you need a referral for a solicitor to represent you.

Insurance

Once you've bought your new home it's important to not only look after the property, but also the person paying the mortgage.

Insuring your property is compulsory. Your bank or lender won't advance your loan if the property isn't adequately insured.

While property insurance is compulsory, ensuring you have suitable life and mortgage repayment insurance is essential.

How will you meet your mortgage payments if you are too sick, have an accident that prevents you working for a period of time or worse, if you or your partner dies?

We specialise in making sure you are protected, ensuring your home will always be safe for you and your family.



Using a MORTGAGE BROKER

Getting quality advice and securing the right finance deal takes time and effort, a process many find stressful and time consuming.

At Loan Market we do most of the legwork for you, giving you time to concentrate on finding the perfect property.

As your local broker, we specialise in matching your situation and needs with the most appropriate finance package.

With access to a panel of over 30 lenders that you know and trust, we'll negotiate on your behalf to make sure you're getting the right deal on your loan structure.

Contact us today for a no obligation appointment.



Monthly **repayments** guide

This table shows how different property prices and interest rates will impact your home loan repayments.

It's a handy tool that helps you narrow down the properties you might be able to afford, and is a great tool when starting your property search.

Monthly repayments (principal and interest)

Loan \$000s	100	150	200	250	300	350	400	450	500	550	600	650	700	750	800	850	900	950	1,000	+10K
3.00%pa	421	632	843	1,054	1,264	1,475	1,686	1,897	2,108	2,318	2,529	2,740	2,951	3,162	3,372	3,583	3,794	4,005	4,216	30
3.25%pa	435	652	870	1,088	1,305	1,523	1,740	1,958	2,176	2,393	2,611	2,828	3,046	3,264	3,481	3,699	3,916	4,134	4,352	32.5
3.50%pa	449	673	898	1,122	1,347	1,571	1,796	2,020	2,245	2,469	2,694	2,918	3,143	3,367	3,592	3,816	4,041	4,265	4,490	35
3.75%pa	463	694	926	1,157	1,389	1,620	1,852	2,084	2,315	2,547	2,778	3,010	3,241	3,473	3,704	3,936	4,168	4,399	4,631	37.5
4.00%pa	477	716	955	1,193	1,432	1,670	1,909	2,148	2,387	2,625	2,864	3,103	3,341	3,580	3,819	4,058	4,296	4,535	4,775	40
4.25%pa	492	738	984	1,229	1,475	1,721	1,967	2,213	2,459	2,705	2,951	3,197	3,443	3,689	3,935	4,181	4,427	4,673	4,919	42.5
4.50%pa	507	760	1,013	1,266	1,520	1,773	2,026	2,280	2,533	2,786	3,040	3,293	3,546	3,800	4,053	4,306	4,560	4,813	5,066	45
4.75%pa	522	782	1,043	1,304	1,564	1,825	2,086	2,347	2,608	2,869	3,129	3,390	3,651	3,912	4,173	4,434	4,694	4,955	5,216	47.5
5.00%pa	536	805	1,073	1,342	1,610	1,879	2,147	2,416	2,684	2,952	3,221	3,489	3,758	4,026	4,294	4,563	4,831	5,100	5,368	50
5.25%pa	552	828	1,104	1,380	1,657	1,933	2,209	2,485	2,761	3,037	3,313	3,589	3,865	4,141	4,418	4,694	4,970	5,246	5,522	52.5
5.50%pa	567	852	1,136	1,419	1,703	1,987	2,271	2,555	2,839	3,123	3,406	3,690	3,974	4,258	4,542	4,826	5,110	5,394	5,678	55
5.75%pa	583	875	1,167	1,459	1,751	2,042	2,334	2,626	2,918	3,210	3,501	3,793	4,085	4,377	4,669	4,960	5,252	5,544	5,835	57.5
6.00%pa	599	899	1,199	1,498	1,798	2,098	2,398	2,697	2,997	3,297	3,597	3,897	4,196	4,496	4,796	5,096	5,395	5,695	5,995	60
6.25%pa	615	924	1,231	1,539	1,847	2,155	2,462	2,770	3,078	3,386	3,694	4,002	4,310	4,617	4,925	5,233	5,541	5,849	6,157	61
6.50%pa	632	948	1,264	1,580	1,896	2,212	2,528	2,844	3,160	3,476	3,792	4,108	4,424	4,740	5,056	5,372	5,688	6,004	6,320	63
6.75%pa	648	973	1,297	1,621	1,945	2,270	2,594	2,918	3,242	3,567	3,891	4,215	4,540	4,864	5,188	5,513	5,837	6,161	6,485	65
7.00%pa	665	998	1,331	1,663	1,995	2,328	2,661	2,993	3,326	3,659	3,991	4,324	4,657	4,989	5,322	5,655	5,987	6,320	6,653	66
7.25%pa	682	1,023	1,364	1,705	2,046	2,387	2,728	3,069	3,410	3,751	4,093	4,434	4,775	5,116	5,457	5,798	6,139	6,480	6,821	68
7.50%pa	699	1,049	1,398	1,748	2,097	2,447	2,796	3,146	3,496	3,845	4,195	4,544	4,894	5,244	5,593	5,943	6,292	6,642	6,992	69
7.75%pa	716	1,074	1,432	1,791	2,149	2,507	2,865	3,223	3,582	3,940	4,298	4,656	5,014	5,373	5,731	6,089	6,447	6,805	7,164	71
8.00%pa	733	1,100	1,467	1,834	2,201	2,568	2,935	3,301	3,668	4,035	4,402	4,769	5,136	5,503	5,870	6,237	6,603	6,970	7,337	73

Consider the change to your monthly repayment when the loan amount increases by \$10,000

Figures quoted are indicative only, individual loan contracts may vary. Based on a 30 year loan.

Our lender panel





Contact your local Loan Market broker

Central Finance NT Pty Ltd
08 89433000

Loan Market Pty Ltd | Australian Credit Licence 390222
If you'd prefer not to receive marketing messages from me, no problem, just email or call me.