



FIRST HOME BUYERS  
**JOURNEY**





# YOUR GUIDE TO NAVIGATING THE AUSTRALIAN PROPERTY MARKET

Embarking on the journey to homeownership in Australia is both thrilling and, let's be honest, a tad overwhelming. But fear not! This guide is designed to walk you through each step, demystify the jargon, and equip you with actionable tips to make your path to owning your first home as smooth as possible.



UNDERSTANDING THE PROCESS

FINANCIAL FOUNDATIONS

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PRE-APPROVAL

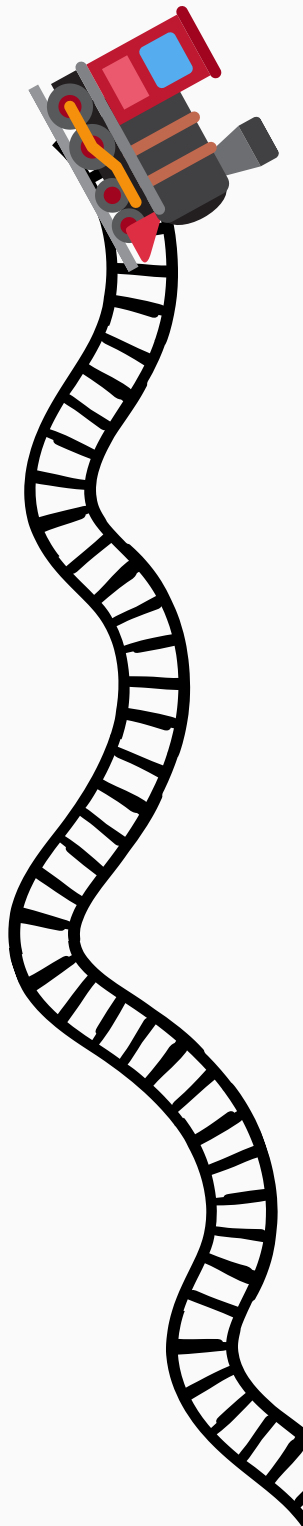
NAVIGATING HOME LOANS

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# UNDERSTANDING THE PROCESS

Before diving into property listings, it's crucial to grasp the overall journey:

1. **Assess Your Financial Health:** Determine your budget by evaluating your savings, income, and existing debts.
2. **Save for a Deposit:** Aim for at least 5-20% of the property's value.
3. **Explore Government Assistance:** Investigate grants and schemes available to first-home buyers.
4. **Get Pre-Approval for a Loan:** Understand how much you can borrow and secure a pre-approval from a lender.
5. **House Hunting:** Research neighbourhoods, attend inspections, and shortlist properties.
6. **Make an Offer or Bid at Auction:** Understand the processes involved in purchasing.
7. **Conduct Due Diligence:** Arrange building and pest inspections.
8. **Finalise the Purchase:** Sign contracts and complete settlement.
9. **Move In:** Celebrate your new home!



# FINANCIAL FOUNDATIONS

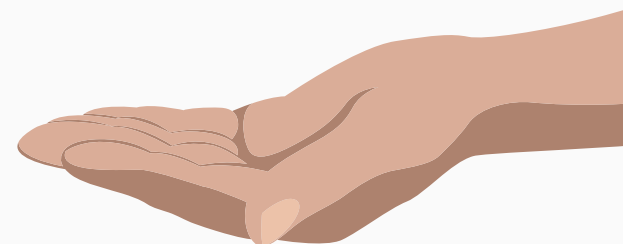
## Assessing Your Financial Position

- **Income and Expenses:** Track your earnings and outgoings to see how much you can save and borrow.
- **Credit Score:** A good credit score helps secure better interest rates.
- **Debts:** Aim to pay down any existing debts to improve your borrowing capacity.

## Saving for a Deposit

- **Set a Savings Target:** Work out your deposit based on the average property prices in your preferred area.
- **Budgeting:** Create a plan to regularly set aside money for your deposit.
- **First Home Super Saver Scheme:** Use this scheme to save for your deposit within your super fund, benefitting from concessional tax treatment.

# GOVERNMENT ASSISTANCE



## First Home Owner Grant (FHOG)

- **Overview:** A one-off payment for eligible first-home buyers purchasing or building a new property.
- **Eligibility:** Varies by state but generally applies to new homes under a specific value.

## First Home Guarantee (FHBG)

- **Overview:** Allows eligible buyers to purchase a property with a deposit as small as 5%, without paying Lenders Mortgage Insurance (LMI).
- **Eligibility:** Income and property value caps apply.

## Help to Buy Scheme

- **Overview:** A shared equity scheme where the government contributes up to 40% for new homes and 30% for existing homes.
- **Eligibility:** Income and property value thresholds apply.

# BORROWING CAPACITY

Before you start dreaming about that perfect backyard or top-floor view, let's dive into what lenders will look at, what you should prepare for, and how pre-approval works to get you closer to securing your dream home.

## What Lenders Will Look At

- **Income:**

- Your salary or wages, and additional income streams like bonuses, rental income, or investments.
- If you're self-employed, lenders will typically assess your income based on tax returns and business financials over the past two years.

- **Expenses:**

- Your living costs, including groceries, utilities, transport, and discretionary spending (like streaming subscriptions and takeaway).
- Keep an eye on your spending habits before applying; cutting unnecessary expenses can improve your borrowing power.

# BORROWING CAPACITY

- **Debts:**

- Outstanding loans (car, personal, or student loans), credit card balances, and buy-now-pay-later commitments.
- Lenders assess your ability to repay debts alongside a home loan, so reducing or clearing debt can boost your chances.

- **Savings and Deposit:**

- How much you've saved for a deposit. While 20% is ideal, some lenders accept as little as 5%, but this may require Lenders Mortgage Insurance (LMI).
- A strong savings history can demonstrate your financial discipline.

- **Credit Score:**

- A good credit score (generally above 650) reassures lenders that you're a reliable borrower. Check your score and address any issues before applying.

- **Employment Stability:**

- Lenders favour borrowers with steady employment. If you've recently changed jobs, it may impact your borrowing capacity unless you're in a similar role.



# BORROWING CAPACITY

## What You Should Consider

### Your Own Budget:

- Borrowing capacity isn't the same as affordability. Just because a lender approves you for a large amount doesn't mean it's wise to borrow it all.
- Use online calculators to estimate your monthly repayments and make sure they fit comfortably within your budget.

### Interest Rate Changes:

- Consider your ability to repay if interest rates rise. Lenders often use a “stress test” to check if you could manage repayments with a 2–3% rate increase.

**Pro Tip: Track your spending for a few months before applying to identify areas to cut back and boost your borrowing power.**

# PRE-APPROVAL

A loan pre-approval (also called conditional approval) is a lender's way of saying, "We're willing to lend you up to this amount, provided everything checks out." It's a crucial step that helps you shop for homes with confidence and negotiate like a pro.

## How Pre-Approval Works

### 1. Application:

- Provide details about your income, expenses, debts, savings, and employment with supporting documents like paystips, bank statements, and tax returns.

### 2. Lender Assessment:

- The lender evaluates your financial profile, checks your credit and verifies your documentation to determine how much they're willing to lend you.

### 3. Conditional Approval:

- If approved, you'll receive a letter stating the maximum amount you can borrow. Typically valid for 3-6 months.

### 4. House Hunting:

- Armed with your pre-approval, you can confidently make offers or bid at auctions, knowing your finances are in order.

### 5. Final Approval:

- Once you've found a property, the lender will assess the property itself (via a valuation) and confirm your loan.

# PRE-APPROVAL

## Why Pre-Approval is Important

- **Sets a Clear Budget:** Avoid falling in love with properties outside your price range.
- **Shows You're Serious:** Sellers and agents take you more seriously if you have pre-approval in hand.
- **Speeds Up the Process:** Having pre-approval can fast-track final approval when you find a property.

## Things to Keep in Mind

- **It's Not a Guarantee:** Pre-approval is conditional, meaning final approval depends on additional checks, like a property valuation and any changes to your financial situation.
- **Stay Financially Stable:** Avoid taking on new debts or making major purchases during the pre-approval period, as it could impact your final loan approval.
- **Renew If Necessary:** If your pre-approval expires before you find a home, you can renew it with updated financial information.

**Pro Tip: Shop around! Pre-approval doesn't lock you into a specific lender, so you can still compare rates and terms to find the best deal.**

# NAVIGATING HOME LOANS



Before we dive into the nitty gritty of your home loan options, here’s a quick look at the main types, and a list of key terms you should know before navigating the home loan world!

Loan Type	Pros	Cons
Fixed-Rate Loan	Predictable repayments	Less flexibility during the fixed term
Variable-rate Loan	Flexible, may benefit from rate cuts	Unpredictable repayment changes
Split Loan	Combines stability and flexibility	Can be complex to manage
Interest-Only Loan	Lower repayments initially	Costs more long-term

# DECODING HOME LOAN TERMINOLOGY



- **Lenders Mortgage Insurance (LMI):** Insurance paid when your deposit is less than 20%. Protects the lender if you can't repay your loan.
- **Offset Account:** A savings or transaction account linked to your loan. The money in this account reduces the loan balance used to calculate interest, saving you money.
- **Redraw Facility:** Lets you access extra repayments you've made on your loan. Useful for emergencies or unexpected expenses.
- **Principal and Interest:** Principal is the amount you borrowed. Interest is the cost of borrowing.
- **Fixed Interest Rate:** An interest rate that stays the same for a set period (e.g., 2-5 years). Gives predictable repayments, but you might miss out on rate drops.
- **Variable Interest Rate:** An interest rate that fluctuates with the market. Your repayments can go up or down.
- **Comparison Rate:** A rate that combines the interest rate and most fees to show the true cost of a loan.
- **Loan-to-Value Ratio (LVR):** The percentage of the property's value you're borrowing. LVR over 80% usually requires LMI.

# DECODING HOME LOAN TERMINOLOGY



- **Guarantor:** A person (often a family member) who secures part of your loan with their property, helping you borrow more or avoid LMI.
- **Break Costs:** Fees charged if you exit a fixed-rate loan early. Can be expensive, so think carefully before refinancing or repaying early.
- **Loan Term:** The length of your loan, usually 25–30 years. Shorter terms mean higher repayments, but less interest paid overall.
- **Pre-Approval:** An initial loan approval from a lender, giving you a clear idea of your borrowing limit before house hunting.
- **Equity:** The difference between your property's value and what you owe on your loan. Increases as you pay down your loan or your property value rises.
- **Settlement:** The final stage where the property ownership transfers to you, and the lender pays the seller. You get the keys, and the home is officially yours!
- **Stamp Duty:** A government tax on property purchases. First-home buyer concessions are available in some states to reduce or waive this cost.



## FIXED RATE LOANS

### What Is It?

- A loan where the interest rate is locked in for a set period, usually 1 to 5 years. During this time, your repayment amount remains unchanged, regardless of market fluctuations.

### Who It's For?

- Borrowers who want predictability and stability in their repayments, especially if they're budgeting tightly or concerned about rising interest rates.

### Key Features:

- Consistent repayment amounts.
- Typically higher break fees if you refinance or repay the loan early during the fixed term.
- Reverts to a variable rate once the fixed period ends.



## VARIABLE RATE LOANS

### What Is It?

- A loan where the interest rate fluctuates based on the Reserve Bank of Australia's (RBA) cash rate and lender adjustments. Repayment amounts can increase or decrease accordingly.

### Who It's For?

- Borrowers who are comfortable with some uncertainty and want flexibility, such as the ability to make extra repayments or refinance easily.

### Key Features:

- Flexible repayment options, often including extra repayments without penalties.
- Potential to benefit from rate cuts, but repayments will rise if rates increase.
- Often comes with features like offset accounts or redraw facilities.





## SPLIT LOANS

### What Is It?

- A combination of fixed and variable rates. You can split your loan so that a portion has a fixed rate and the rest a variable rate.

### Who It's For?

- Borrowers who want to hedge their bets - enjoying the stability of fixed rates while benefiting from the flexibility of variable rates.

### Key Features:

- Balances predictability and flexibility.
- You decide the split percentage (e.g., 50% fixed, 50% variable).
- May come with different features for each portion of the loan (e.g., an offset account on the variable side).



## INTEREST-ONLY LOANS

### What Is It?

- A loan where you only pay the interest (not the principal) for a set period, typically 1 to 5 years. After that, the loan reverts to principal-and-interest repayments.

### Who It's For?

- Investors looking to minimise short-term expenses or buyers who anticipate their financial situation will improve after the interest-only period.

### Key Features:

- Lower repayments during the interest-only period.
- Higher repayments once the loan reverts to principal-and-interest.
- Usually more expensive over the life of the loan, as you're not reducing the principal.



## GUARANTOR LOANS

### What Is It?

- A loan where a family member (usually a parent) uses the equity in their property as security to help you purchase your home. This reduces the deposit required and can eliminate the need for Lenders Mortgage Insurance (LMI).

### Who It's For?

- First-home buyers with a smaller deposit who have a family member willing and able to provide a guarantee.

### Key Features:

- Allows you to borrow up to 100% (or more) of the property value.
- No LMI costs.
- The guarantor is liable for a portion of your loan if you default.



## LOW DEPOSIT LOANS

### What Is It?

- Loans that let you borrow with as little as 5% deposit, often aimed at first-home buyers. These loans typically require Lenders Mortgage Insurance (LMI) if your deposit is under 20%.

### Who It's For?

- Buyers keen to get into the property market sooner but who haven't saved a large deposit.

### Key Features:

- Higher LMI premiums due to a smaller deposit.
- Stricter lending criteria from banks.
- Helps you avoid delaying your purchase if property prices are rising.



# HOUSE HUNTING

what to look for and avoid

- Proximity to future infrastructure
- Neighbourhood vibe
- Orientation and energy efficiency
- Zoning and future plans
- Multiple bathrooms or plumbing to allow for extensions
- Asbestos or other costly fixes
- Soil quality in any gardens
- Drainage issues
- Cracked walls or uneven floors
- Overgrown landscaping as this may conceal damage
- Location risks - floods, fires



# MAKING AN OFFER

## and understanding costs

### Private Treaty

- **Understand Market Value:** Research comparable properties to ensure your offer aligns with market expectations.
- **Conditions of Sale:** Specify any conditions, like "subject to finance" or "subject to building and pest inspections."
- **Deposit Amount:** Clarify how much deposit is required and when it's due.

### Auctions

- **Get Comfortable with the Rules:** Know your state's auction laws, as terms vary across Australia.
- **Have Your Finances in Order:** There's no cooling-off period after an auction, so ensure pre-approval is in place.
- **Set a Walk-Away Price:** Decide on your absolute limit before bidding to avoid emotional overspending.



# MAKING AN OFFER

## and understanding costs

### Under Contract' vs. 'Sold'

- **Cooling-Off Period:** In most states, a private treaty sale includes a cooling-off period (typically 2-5 days) to withdraw after signing a contract. Auctions usually don't.
- **Contract of Sale:** Make sure the signed contract includes all negotiated terms, such as settlement dates and inclusions (e.g., appliances, fixtures).



# DUE DILIGENCE

inspections and legalities



## Building and Pest Inspections

- **Additional Inspections:** Consider specialist checks if the property has pools, asbestos, or complex structures.
- **Negotiate Based on Findings:** Use the inspection report to negotiate repairs or price reductions if significant issues are found.
- **Watch for Cosmetic Cover-Ups:** Fresh paint or new carpets might hide damage - flag any suspiciously quick fixes.

## Legal Review

- **Inclusions and Exclusions:** Ensure the contract specifies what's included in the sale, such as fixtures, fittings, or appliances.
- **Council Compliance:** Verify that all renovations and additions have the required approvals and certifications.
- **Encumbrances:** Check for easements, caveats, or shared access that could limit how you use the property.





# SETTLEMENT

## and moving in

### The Settlement Process

- **Organise Insurance:** Each state is different so research your state's laws and ensure your insurance is active from the day you are responsible.
- **Prepare Funds Early:** Ensure your deposit, fees, and transfer costs are ready in your account to avoid delays.
- **Understand Settlement Delays:** Know the penalties or costs if either party fails to meet the settlement date.

### Moving Day Tips

- **Declutter First:** Use the move as an opportunity to get rid of items you no longer need. Try and sell or donate!
- **Change Your Address:** Notify utilities, banks, and other services of your move to avoid disruptions.
- **Talk to Australia Post:** Consider setting up a mail redirect, to catch anything you miss.
- **Meet the Neighbours:** Introduce yourself to build a good relationship from day one.

# COMMON PITFALLS

## and how to avoid them

- **Skipping Loan Features:** Look beyond interest rates and consider loan features like offset accounts, redraw facilities, and flexibility for extra repayments.
- **Rushing the Process:** Take your time with inspections, research, and reviewing contracts to avoid costly mistakes.
- **Underestimating Stamp Duty and Fees:** Use online calculators to estimate upfront costs and ensure you've budgeted for them.
- **Neglecting Post-Purchase Costs:** Plan for maintenance, rates, and unexpected expenses after moving in.
- **Overvaluing 'Cosy' Homes:** Don't let cosmetic touches or staging overshadow practical flaws in size, layout, or condition.



# BONUS TIPS AND TRICKS



- **Ask Agents the Right Questions:** Ask why the property is being sold, how long it's been on the market, and if there are any known issues.
- **Inspect at Different Times:** Visit properties at varying times of day to spot issues like traffic noise or poor lighting.
- **Explore Government Support:** Check eligibility for grants and schemes, like the First Home Owner Grant or First Home Guarantee.
- **Negotiate Settlement Periods:** If the seller needs flexibility, agreeing on a longer or shorter settlement period could make your offer more appealing.
- **Document Everything:** Keep a clear paper trail of inspections, negotiations, and contracts to avoid misunderstandings.



# TALK TO A MOVE BANK LENDER TODAY!

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XOXO

