

# Top tips for first home buyers

## Make purchasing your first home simple and fun!



Financial  
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Group

With plenty of things on your mind before buying your first home you can often forget about some important issues. Outlined are a few things you might have forgotten or not even thought about.

### **How much can I borrow and what will be the repayments cost?**

A number of factors play a part in determining how much you can borrow, including your deposit, any existing debts, credit card limits as well as your current income. See CA's 'How much can I borrow?' flyer for more information and examples.

### **Are you eligible to apply for the First Home Owner Grant?**

The First Home Owner Grant (FHOG) scheme was introduced on 1 July 2000 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. The scheme is subject to frequent change, so please contact CA to discuss your eligibility.

### **Have you prepared a budget?**

The use of a budget planner will help outline all your everyday expenses and see what excess/savings you have left over. From this you can work out how much you can afford to pay in loan repayments.



### **Will mortgage insurance be payable?**

If you plan to borrow more than 80% of the value of the property being purchased you will most likely have to pay a Lenders Mortgage Insurance (LMI) i.e. borrowing over \$400,000 for a \$500,000 property. Lenders require LMI premiums to protect themselves in the instance that the borrower defaults on the loan. This premium is a one-off charge payable on settlement.

### **How much deposit will I need?**

Most lenders will require a 10% deposit as well as sufficient funds to cover stamp duty and other costs. A 20% deposit is the recommended minimum deposit as it saves you from paying any Lenders Mortgage Insurance (LMI), as discussed above.

### **What type of loan is right for me?**

The basic low interest loan without any extra costs is common for first home buyers. You need to consider your circumstances as some products might suit you better than others. The use of 'Family Guarantee' can be useful for first home buyers. See CA's 'Understanding your loan options' flyer for more information.

### Have you negotiated?

Negotiating fees with your solicitor or conveyancer can help to reduce additional expenses; don't just accept their 'set fee'.

### Have you worked out your property stamp duty?

Stamp duty charges have changed over recent years and will differ from state to state. You should discuss your personal situation with your conveyancer to determine if you'll need to pay any fees. Factors that will change the stamp duty include whether the property is an investment property, the value of the property, among others. This charge is also subject to frequent change. Please contact CA to work out your property's stamp duty.

### Are you eligible for a rebate on the stamp duty you pay for your property?

Check with your State Revenue office.

### Are you aware of mortgage stamp duty?

You might need to pay mortgage stamp duty on your loan. Amounts will vary from state to state.

### Have you done enough research?

Try to visit at least 10 to 15 properties before you buy; the more the better. This should provide you with a good idea of the current market.

### Have you included moving costs and additional costs in your budgeting?

These additional costs can add up quickly so they must be included in your budget. Some of these costs include the loan application fee, valuation, mortgage registration fee, removalist costs and more.

### Have you arranged to insure the structure once it is yours? Have you thought about contents insurance?

Insuring your property has to be done prior to your loan being approved. Whilst it's always a good idea to insure the contents of your home before you move in. Security systems can help to reduce the amount you pay in insurance. CA can help organise the Home & Contents Insurance right for you.

## FAST TRACK TO YOUR FIRST HOME

- ✓ **Set-up a First Home Savings Account (FHSA)** as a means of your deposit. Arrange for some of your pay to be directly deposited into this account every month. This will stop you from dipping into your home savings.
- ✓ **Cut out extras** such as only going out one night a week or renting a DVD rather than going to the movies.
- ✓ **Create and maintain a budget**, try not to spend over this set budget, and put money away at the time you get paid.
- ✓ Consider living with family to help save on rental costs.