

Comprehensive Guide for the First Home Buyer

Everything you need to know when searching
for and buying your first home.

Introduction	03
Planning to buy a home? Begin arranging your finance	04
How much can I borrow?	06
Know the total costs involved	08
Why should you work with a mortgage broker?	10
Isn't approaching a bank a smarter option?	12
Arranging for the finance for your home	14
Loans from family	16
First home owner's grant	18
Choose the home of your dreams	19
Inspecting the property	20
Making an offer on the house	23
Finalising the contract exchange	23
Congratulations!	
You're now a proud owner of your first home	24



INTRODUCTION

So, you've decided to buy your first home and embark on the journey of the great Australian dream. That's great news! And we're honored to be right here with you.

We understand purchasing your first home can be filled with mixed emotions — it's an exciting time filled with lots of unknowns! We help ease your nerves by giving you a clear process to follow, so you can quickly and easily get to the fun part of enjoying your very own house on your very own slice of land!

Like most first-home buyers, you're probably wondering where to begin! We find the best place to begin is right at the start — so we can walk you through absolutely everything you need to know!

- How much deposit do I need?
- How much can I borrow?
- How will I find my dream home?
- Who do I get my loan with?
- Will I qualify for the loan?
- Should I buy a new or established property?
- When is the right time to enter the property market?

So, let's get into it! We'll walk you through the common and not-so-common things you may come across when beginning your homeownership journey. Armed with the knowledge that we've accumulated over decades will help make your first home buying experience a positive, memorable, and successful one.

Planning to buy a home? You're going to need a deposit.

While mortgages exist to help cover the bulk of your house purchase, you'll still need to have a bit of money saved up to use as a deposit. You'll generally need a deposit of at least 5% of the property's value — although a lender will typically look for a 10% deposit. What does that look like in real-life numbers? A house worth \$500,000 will generally need a deposit of between \$25,000 to \$50,000.

If that seems like a lot of money, there's some good news for you — there are various first homeowner grants that can sometimes be used to form a portion of your deposit. If you don't have much of a deposit saved up, it's time to get saving!

Here are some actionable tips to help you reach your deposit goal:

- **Periodically review your bills to see if you can get a better deal with your current or new supplier** — often, the threat of losing your business will motivate your current supplier to give you a better deal. Services such as gas, electricity, phone and internet bills are a good place to start, with insurances being another excellent opportunity to save some money.
- **Cut down your expenditure on takeaway.** You'll save money and possibly improve your health!
- **Make coffee at home.** You could save around \$1,500 a year just by forgoing your daily latte.

- **Use a budget.** If a budget isn't your thing, at least try to monitor your expenses — often, you'll pick up some non-essential expenses that can be reduced to speed up saving your deposit.
- **Pay off consumer debt.** Credit cards and personal loans can be a dangerous money pit. Getting these expensive debts paid off means you can stop paying high interest rates and put the money towards your savings.

These tips won't only help you save a deposit, but importantly, will also make a difference in how a lender assesses your ability to service a loan. A few dollars saved here and there can make all the difference in not only getting a deposit together but getting the approval for your loan.

Making some small changes to your daily and monthly expenses will mean you will save up for your deposit much quicker, so you can get yourself into your own home ASAP!

We don't just help you get the loan — we can help you develop a plan to effectively save up a deposit for your first home.

There is also the possibility of using a guarantor... we'll get to that a little later in this guide.

BOOK YOUR FREE FINANCE SESSION

As your mortgage broker, we'll provide you with a reasonable estimate of the amount you can borrow, so you'll have a good idea of the price bracket of homes to go searching in.

How much can I borrow?

When looking for a house to buy, the number one answer you'll want to know is how much you are able to borrow. Lenders consider several factors when determining your borrowing potential — each lender assesses applications on a slightly different basis, and they never tell people exactly what they're looking for! Some of the important factors they'll look at when determining your borrowing power and capacity to repay a loan are:

- Your income.
- Estimate of household expenses.
- Assets you own.
- Debts you owe.
- Number of dependents.
- Other financial obligations you have.
- Limits on your credit card.
- If you're buying the property as a sole owner or in partnership with another owner.

Lenders may also factor in other aspects such as:

- Amount of finance you're looking to borrow.
- The repayment terms of the loan.
- Applicable interest rates.

As your mortgage broker, we'll provide you with a reasonable estimate of the amount you can borrow, so you'll have a good idea of the price bracket of homes to go searching in. If your borrowing power isn't as high as you'd like it, we can provide a tailored plan for you to work toward to increase your borrowing potential.

Just remember that no matter how much the lender will give you, it's important to have a repayment figure that's comfortable for you.

Know the total costs involved

The repayments are normally what people think of when considering the costs of a home loan. Still, there are actually several other fees and charges that are incurred during the purchasing process.

Here are some of the main ones you should know about:

Lenders' Mortgage Insurance (LMI)

If you're borrowing more than 80% of the home's value you'll generally pay a premium called the Lender's Mortgage Insurance. This is a one-time payment that protects your lender from the possibility that you cannot pay back the loan.

While LMI can go up to several thousands of dollars, the additional expense does allow you to pay a lower deposit and secure finance quicker than if you were to wait until you had a 20% deposit saved. While LMI might seem inconvenient, some homeowners feel it's better to get into the market sooner and begin paying off their mortgage than wasting precious time putting together their deposit.

Some lenders only charge LMI when you borrow more than 85% of the value of properties, and for some professions you'll only be charged if you want to borrow more than 90%. It's best to discuss these with Own Home Loans so we can discuss your options.

Here are some additional costs we will help you understand and prepare for:

- **Stamp duty is the applicable state government tax that is based on the value of the property you're buying.**
- **Application Fee is charged when you apply for the loan.**
- **Building Inspection Costs are incurred when the lender sends someone out to value the property you are thinking of buying.**
- **Insurances need to be paid if you'd like to protect your home and contents.**
- **Legal or Conveyance Fee is paid to prepare and facilitate the contract of sale and other relevant ownership paperwork.**

Knowing about and planning for the fees and charges associated with a purchase means you avoid annoying surprises you may not have budgeted for.

We can help you get 'loan ready' and walk you through the process in its entirety so you are clearer and more confident regarding how things will work for you.

Why should you work with a mortgage broker?

If you're considering buying your first home, it is always advisable to work with someone who knows the finance and mortgage market well — like us!

Through many years of successfully helping organise loans for our clients, we have accumulated expert knowledge in the lending process to provide a professional service that makes it easier for our clients to get the outcome they want.

We've built strong relationships with several other professionals who collectively make the purchasing process much clearer and simpler for you as the client — and it also means we can secure even better deals for you!

When working with us, you can expect:

- We will spend time with you talking about the kind of home you're looking to buy.
- You will be given a clear indication of how much you can expect to borrow.
- We will work with you to help you increase your borrowing power and save for a deposit.
- We will listen to you and understand what is important to you in terms of your lending needs.
- We will help you obtain the right loan from hundreds of options available through the lenders we work with.

- We will NOT charge you any fees, and all lender fees paid to us will be fully disclosed.

- Once you make a choice, we will prepare your application for you on your behalf and submit this to your chosen lender for approval.

- We will also track your loan through to settlement and keep you informed every step of the way, so you know the exact status at all times.

- We are legally obliged to work in your best interests!

Buying your first home requires you to liaise with several different parties to ensure everyone understands the status of the loan process and a smooth and successful outcome is achieved.

And this is one of the many benefits of utilising an experienced mortgage broker. Great brokers typically have trusted relationships with several other professionals who collectively make the purchasing process much clearer and simpler for you as the client.

Without the advice of a mortgage broker, the actual expenses and overheads can be confusing or easy to overlook.

Isn't approaching a bank a smarter option?

You can certainly approach a bank directly to enquire about their loan options, though you will only be presented with their loan products. This means you will not be given the opportunity to learn about other lending options that could possibly suit you better, such as non-bank lenders, credit unions, building societies, or the banks' direct competitors.

Sometimes, people think it's better to go to multiple lenders to get pre-approvals, but this kind of shopping around can negatively affect your credit score!

This means that when you approach future lenders, they will notice you have previously sought pre-approval. Depending on the lender you approach, it could affect your eligibility to qualify with them.

We've found homebuyers typically enjoy knowing about several options by working with someone privy to the constantly changing conditions of the finance market. And, since we're aware of the latest lending policies, we can find you a loan that will work better for you.

We can find you a loan that will work better for you.

Arranging finance for your home

While you're getting started looking for the perfect property to buy, we'll be busy finding the right lenders for you to consider. Given that the mortgage market is intensely competitive, we'll negotiate with lenders on the interest rates and additional perks to find you the most viable option — we've built strong relationships with lenders over the years, so we're in the best position to be able to negotiate amazing rates on your behalf!

We'll also work closely with you through each step of the finance process to ensure you are confident and successful with your application.

While it's common to get pre-approved so you have peace of mind and a clear indication of how much you can borrow, sometimes a lender who pre-approves you may not 'formally approve' your application.

This can happen for several reasons, including the lender changing their own lending policy between the time you were pre-approved and the actual time you bought your property — which in some instances, can be several months later.

To minimise this happening to you, we will run your personal scenario against multiple lenders (not just one) to give you a good indication of how to proceed.

That way, you will have different lenders to choose from and a clear indication of how much you can borrow.

Main loan options:

- **Fixed-rate mortgage** loans where you'll pay a set amount in repayments each month.
- **Variable rate mortgage** where the repayment amount changes according to the going market rates.
- **Split rate mortgages** where you pay a combination of interest rates.

Beneficial Loan Terms we can help you access:

- Loans with redraw facility or lines of credit.
- **Offsetting the loan** by connecting it to a savings account... or even better, having multiple offset accounts!
- Low-interest rate mortgages.
- Home Loan Packages.
- Cash Back Offers.

We'll work closely with you through each step of the finance process to ensure you are confident with your application.



Loans from family

In addition to taking loans from the open market or third-party lenders, you may also be able to reach out to family members for loans. This option can allow you to purchase a better home without exceeding the 80% threshold where LMI will kick in.

There are various ways to structure a loan when you borrow from a family member or get a guarantor that helps you secure your property.

Having a guarantor can significantly increase the chances of approval.

A guarantor is someone — usually a parent or close family member — who can guarantee the loan. Meaning, they offer up the equity in their own home as security in the event that the home buyer is unable to pay their mortgage for whatever reason.

Pros:

- Increase your chances of approval.
- Enter the property market sooner.
- Borrow up to (and sometimes above) the value of the home.
- Borrow without a deposit.
- Avoid lender's mortgage insurance (LMI) which can be thousands of dollars.

Cons:

- If the homeowner stops paying their loan, the guarantor is liable to cover it.

A guarantor could be the answer to getting yourself or a loved one into homeownership sooner and easier than expected.

If you need any advice to ensure that you and your family clearly understand the financial commitments you're getting into, you only need to give us a call. We will walk you through each step of the process so you can confidently decide on whether accessing the 'bank of mum and dad' is the appropriate loan option for you.

Having a guarantor can significantly increase the chances of approval.

First home owner's grant

Your state government offers several incentives to first home-buyers. With grants for tens of thousands of dollars available, we'll make sure you have all the relevant information about all the concessions you can get that will help offset some of the costs of buying your first home.

The grants vary from state to state and change according to economic factors. To find out more about the grant and options available in your state, visit www.firsthome.gov.au.

Choose the home of your dreams

Ready to search for the perfect home? As a first home buyer, you'll probably balance all your needs against what you can afford. A good move is to get a pre-approval for the loan — that way, you'll have a ballpark figure of what houses you can afford.

We'll help you get the necessary papers in order and go through the loan approval process.

Your pre-approval is valid for up to 3 months and provides a reasonable time to begin your house-hunting process; though more than just getting our clients pre-approved, we want to provide you with a clear process, so you formally qualify for a loan.

With this in mind, you can set about contacting estate agents or researching the Internet to look at houses. Some things you may wish to consider:

Do you buy in the suburbs or closer to work? Is it established or off-the-plan?

Is it in a quiet neighborhood with a garden and white picket fence or closer to transport so you can commute to work?

Also, consider what essentials you'll need for the next five years. Perhaps you'll want to be close to a good school, a nice local shopping centre and family and friends.

It can also be smart to study how well the prices have gone up or down in the past few years to estimate the future trends of the neighborhood and its potential for capital growth.

Get in contact with us for a comprehensive property report on a property that you're interested in, which gives you another perspective beyond what you'll hear from those selling the property. We're happy to give you as many of these as you like free of charge.

The checklist on the next page will help you work out what's important so you can short-list properties that match your criteria.

Checklist:

When looking for the perfect house to buy, you'll want to have a checklist of qualities you're looking for in a home. Some traits to consider are below. Fill out the checklist and then measure each house you look at by these standards.

Inspecting the property

In addition to finding a home you love, it's important you have peace of mind before committing to the purchase — which is where inspecting the property comes in handy.

Neighborhood

When attending an open inspection, take some time to drive around the area. Check out the local shopping centre and drive up some neighboring streets, so you get a feel for the area.

Here are some things to consider:

- Do the local shops look like a place you would want to spend your time?
- Are the front yards and properties near yours well cared for?
- Is it busy with traffic?
- Are the local shops easy to access?
- How close is the hospital or medical centre?
- Is local transport easily accessible?
- Is it close to parks or open spaces?
- Is it within a school zone?

House

When walking through the property, in addition to having the features you might want, it's important to consider any potential issues on the interior or exterior that might require fixing up and therefore affect the asking price.

You may consider taking some photos so you can review them after your visit, though it's polite to check with the agent first.

Questions

Most estate agents specialise in their local area and can be a great source of knowledge, so consider asking some of the following questions:

- How old is the property?
- How long has it been on the market for?
- What are council rates like?
- Is there a mains gas connection?
- Does the property have any special restrictions?
- Are there potential zoning changes in the future?

You might like to ask some additional questions about the local area, growth in property prices, body corporate and local schooling options, etc.

Depending on the age of the property, if you are serious about purchasing, it can be an invaluable investment to get an independent property inspection completed to address any structural, plumbing or other issues before you commit.

Check out the local shopping centre and drive up some neighboring streets, so you get a feel for the area.

Making an offer on the house

Having chosen the perfect home you see yourself living in, the next step is to make an offer on the house. Trust in us to help you with the negotiations and put forward the right value of the property.

For instance, you'll need assistance creating the sales summary and sending it over to the seller. This document will include details such as:

- Deposit amount you'll have to pay.
- Purchase price you're offering.
- Deposit and balance amounts.
- Details of your finance provider.
- Any other conditions involving the sale.

Once the seller accepts the private-treaty offer, and you accept the sale contract, we will help you in putting down the initial deposit and get things rolling with the lender who will be financing the purchase.

Finalising the contract exchange

Before you sign the contract, it is advisable that you get an expert lawyer to take a look at it and study it carefully for any red flags.

Several legal formalities need to be taken care of, but you can simply sit back and let us deal with them for you.

You may also want to contact a conveyancer who will contact the relevant government offices and perform the change of ownership on the title.

We'll also make sure to keep you in the loop, so you know exactly how things are proceeding.

We will make sure to keep you in the loop, so you know exactly how things are proceeding.

Congratulations! You're now a proud owner of your first home

This is the exciting part! You'll be exchanging contracts and handing over your deposit.

Once this has happened, the house is yours, and you can move into it as soon as you like! Pop the bottle of champagne!

Buying your first home is a major milestone in your life. When you achieve it, it's a feeling to revel in. It is a fantastic experience — One that will stay with you for years to come.

As part of our ongoing commitment to supporting you, we will keep in contact with you to ensure you're on the right track to kicking more financial goals.

Our needs change over time, and we will ensure you continue to receive the support, advice and solutions that keep you in the best position going forward.

We will also proactively keep you informed of your options should there be any future changes in the market.

Book your free finance session to discuss the path you need to take to get into your own home.

[BOOK YOUR FREE FINANCE SESSION](#)

*All advice in this guide is general and doesn't take your personal circumstances into account. Kickstart Finance group ABN: 96 688 299 489 (Credit Representative Number 571212) is a Corporate Credit Representative of Australian Finance Group Pty Ltd ABN: 11 066 385 822 (Australian Credit Licence Number 389087).



Kickstart Finance Group

Phone: 0422 905 666

Email: info@kickstartfinancegroup.com.au

Website: Kickstartfinancegroup.com.au

First Home Buyers | Pre-Approvals | Refinance | Construction Loan | Car Loans |
Investment Loans | Asset Finance | Business & Personal Loans