

BUY THAT HOUSE! THE FIRST HOME BUYER'S DREAM

Buying your first home is an exciting milestone in life. It is usually something you have saved for and worked towards for ages, sometimes years.



You have often made sacrifices to cut back on your spending, go on fewer holidays, skip expensive nights out. You have had a goal and a purpose, and you are now at the point where you have a deposit saved that will buy you a home in the price range you can afford. So, what do you do next?

Fortunately for you, you do not have to do this alone. Here at Mortgage Choice in Fortitude Valley, we have helped hundreds of first home buyers take that leap into property ownership and we would love to do the same for you.

Read on to find out all you need to know about purchasing your first home.

SEEING A MORTGAGE BROKER IS ONE OF THE FIRST THINGS YOU SHOULD DO!

Many first home buyers will start shopping for a property before they even know what, and if, they can borrow. Knowing your options before you start house hunting puts you in a great position to make an informed decision and helps you buy a property you know you can afford.

Buying a first home can be a daunting time, but all through the process, myself and my team are there to help answer any questions you may have.

When you see a mortgage broker for the first time, we will look at what you earn, what you have saved, and your current debts and assets. We also discuss your loan requirements and what your future plans entail. We will talk you through the world of jargon... what is LMI, redraw, or an offset account (*see [Understanding the Jargon below!](#)*) and explain how as a Mortgage Choice broker, we are paid the same commission by the banks, regardless of the bank you decide to go with. And to stay

one step ahead of the lenders, we will do a credit check when we meet too.

From here, we are then able to calculate what is known as your borrowing capacity. We will then talk about the features and benefits available in the different types of loans offered by the different lenders.

Once you know your options, you are in a much better position to decide on both the home you are going to buy and the home loan that best suits your circumstances today, and for the next couple of years.



WHAT IS PRE-APPROVAL?

Pre-approval can happen before you have chosen your dream home. It means a lender has agreed in principle to lending you a certain amount of money towards the purchase of a property. To do this, they assess your financial situation and determine how much you can afford to borrow.

It is important to remember that a pre-approval is not a guarantee of funds. It is an indication that should your personal circumstances remain the same, you are likely to have a loan of this amount approved.

The biggest advantage of obtaining a pre-approval before you start looking for a property to purchase is you start looking for a home with a clearer sense of what is and is not within your price range. This also helps you negotiate confidently and tells prospective sellers and agents that you are serious. It also means you can go to auction on a property with a firm budget and can bid confidently.

AM I ENTITLED TO ANY GOVERNMENT INCENTIVES?



The great news is there are various Government incentives available to those purchasing a first home within Queensland.

As a first home buyer, you could be entitled to the \$15,000* [First Home Owners Grant \(FHOG\)](#) or the [Home Loan Deposit Scheme](#) where you would only need to save a 5% deposit to purchase your first home, or as a single parent only 2%.

You could also be entitled to the [First Home Super Saver Scheme](#), which allows you to save

money for your first home inside your super fund. This helps first home buyers save faster with the concessional tax treatment of superannuation and enables you to apply to have a maximum of \$15,000 of your voluntary contributions from any one financial year be released under the FHSS scheme (or up to \$30,000 of contributions across the years from 2017).

Another grant you may be entitled to is the [First Home Concession](#). This would apply to a home valued under \$550,000 and can save you up to \$15,925.

During your meeting with your broker, they will advise you if you are entitled to any incentives for your purchase. All up, you could claim up to \$55,000* in existing grants to help you get into your home quicker.

**current grants that are available to Queensland residents*

ARE THERE ANY HIDDEN COSTS WITH PURCHASING A PROPERTY?

The simple answer is yes, and they are unavoidable. But being prepared and knowing what to expect can make the whole process less stressful.

Building and Pest inspections are a must!

Protecting yourself against any potential structural issues with the property that may be invisible from the outside, as well as any hazardous pest or termite infestations is essential. In total, you can expect to pay around \$500 for an inspection.



Unless you are a qualified conveyancer or solicitor, you are going to need the help of a **legal professional** who will conduct title searches and review the contract of sale if necessary. These fees often range between \$500 and \$1,300 in Queensland, and generally include professional fees and searches. but

There may be additional fees for adjustments at settlement (council/water rate, body corporate, searches etc.).

Once you have signed a contract of sale, you immediately assume responsibility for that property and as such, will need to have a **Building Insurance** policy in place. Coverage is as simple as answering a few questions about the property you are purchasing over the phone and can be immediate.

Stamp Duty & Transfer Fees are another unavoidable cost and are a State Government tax

issued on a property purchase. The good news is there are incentives if you are a first home buyer in Queensland. If you purchase a new or established property in Queensland for \$500,000 or less, you do not have to pay any Stamp Duty! The bad news is, for those of you who have purchased a property greater than \$500,000, these fees will fluctuate depending on the value of your purchase. If you are purchasing an established property for \$750,000 within Queensland, you can expect to pay almost \$20,000 in Stamp Duty.

Click [here](#) to calculate how much Stamp Duty you will need to pay.

Here at Mortgage Choice in Fortitude Valley, we give you a full list of all expected costs when we discuss your borrowing capacity at your initial meeting.

RESEARCH WITH A BIT MORE RESEARCH

Before you start looking for a property make a list of all your “must-haves” as well as your “nice to have’s”. How many bedrooms would you like and what are the features that are non-negotiable on a property? Off-street parking maybe, or an ensuite and walk-in-robe?

Once you have decided on what you would like in your new home, you need to decide what area you would like to live in. Can you find any properties within your budget, or do you need to expand your

search to some surrounding suburbs? Sometimes, viewing sold properties on realestate.com.au or domain.com.au can give you an indication of whether that suburb will be within your budget.

Now it is time to view 4 in 4! Find 4 properties in the same suburb as you are interested in purchasing in, with the same attributes, and go and view them all, within the same month. I can assure you this will make you an expert on current market value and is exactly what valuers do when they write a valuation.

PUTTING IN AN OFFER AND GOING TO AUCTION

You have done your research and now you are ready to speak to some real estate agents in the areas you are interested in. This can lead to being notified of upcoming houses for sale before hitting the market, which is a huge benefit in the current conditions, and because you already have pre-approval in place, the real estate agents will already know you are a serious buyer!



This strategy could put you ahead of any competitive bidders who do not have finance organised. When you have pre-approval in place you can start to confidently negotiate on a property you are interested in buying.

If you're ready to take action on making your homeownership dreams come true, and would like an obligation-free chat with one of our experienced brokers who will understand your needs, get in touch today. I love nothing more than helping first home buyers achieve their goals! Click [here](#) to make an appointment online.

Good luck and happy shopping!

UNDERSTANDING THE JARGON!

Purchasing a property is a stressful time and understanding the jargon can get confusing! Below is an explanation of some of the jargon used in the Mortgage industry.

LMI – Lenders Mortgage Insurance

If you borrow more than 80% of the value of your property it can make a lender nervous! LMI is therefore payable on loans greater than 80% in most circumstances.

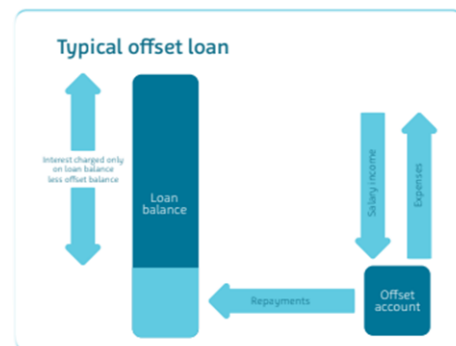
LVR – Loan to Value Ratio

Lenders often set policy and interest rates based on LVR's. The loan to value ratio is the amount of your loan as a percentage of the value of your property. For example, if you are borrowing \$400,000 to purchase a \$500,000 property, your LVR is 80%.

Offset Account

An offset account is an account linked to your mortgage account, with the balance reducing the interest payable on your loan by the amount in the account.

For example, if you have \$100,000 owing on your home loan, and have \$10,000 in your offset account, you will only pay interest on \$90,000.



Redraw

If you have made extra payments on a home loan (above the normal mortgage repayment), this is the money you are able to withdraw. But be careful, it is not free money, and your loan balance will increase again accordingly if you do a withdrawal. Redraw is always at the lender's discretion.

KNOWLEDGE IS POWER!

There is more to buying a house than turning up to an open house or an auction. Your dream of homeownership does not have to be just that! The more you know, the more power you hold and going into a purchase well informed and prepared will give you the confidence to step into the property market now.

If you are ready to start this journey and want someone who will guide and educate you, and reassure you every step of the way, come and see me!