Newbridge
HOME LOANS

5 steps to doing your first **home loan** right.

Everything you need to know.

Life is full of **firsts.**

First pet, bestie, car, kiss, job, mortgage
- some easier than others.

Do your first time right. Do your first **home loan** right.

You're only five steps from everything you need to know:

1. Nail your deposit and budget
2. Navigate the loan process
3. Get the right loan
4. Understand industry jargon - the loan cheat sheet
5. Find your dream home

Excited to learn how to make it happen?

1 Nail your deposit and **budget.**

Money, money, money...

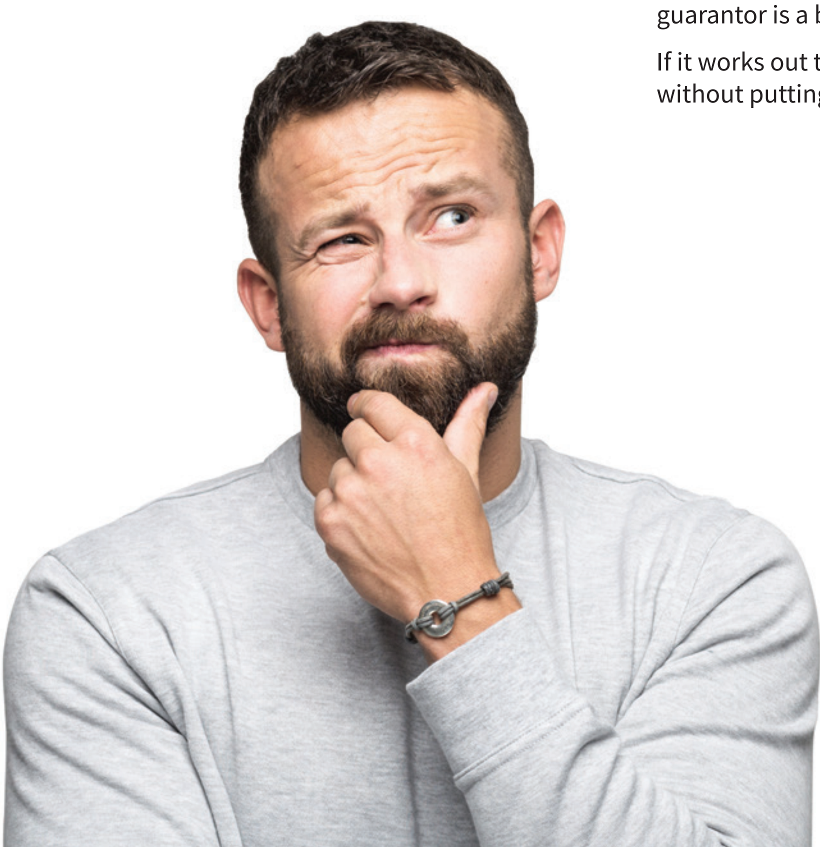
Buying a home can be hard. And unless you're a rock star, Insta-famous, or about to marry into the Royal family, it means going without some things now, so that down the track you're better off.

Getting a deposit together

Most lenders want to see a deposit of 20% of the total house price before they'll consider giving you a loan. For example, if you're buying a house worth $500,000, you'll need to find at least $100,000 up front. Otherwise you could get hit with Lenders Mortgage Insurance (LMI). However, if you don't have a 20% deposit it's still worth speaking to a broker about saving for your deposit and how to get a loan.

What is LMI?

Lenders Mortgage Insurance is insurance you pay to protect the lender. The lender can make you pay this if your deposit is less than 20%. If you default on your loan, the insurance only helps the lender.



It's normal to worry about the deposit. There's only so many Saturday nights you can spend at home and only so many days you can rock the same look at work. Saving and budgeting is part of buying a home but there's "old fashioned saving" and "non-genuine saving." Here's two ways to help get a deposit together that you might not have thought about:

Grants, Exemptions and Deductions

As a first home buyer, there are a bunch of grants, exemptions and deductions offered by the Australian Government to help you get into your first home. They vary depending on where you live, so speak to your Loan Market broker to find out what you're eligible for. For more information, flick to the next page.

Guarantors

A guarantor can be your parents, parents-in-law, step-parents, grandparents or siblings. They must own a certain amount of their own property (their equity) which effectively becomes your deposit.

If it turns out you can't make your payments, the guarantors will have to find the equity they guaranteed and pay it to your lender. If they used their family home, they could be forced to sell. So, asking someone to go guarantor is a big deal.

If it works out though, you get into the property market without putting up any cash and everyone is happy.

Know if you're eligible for any grants or exemptions.

Great news! There are a number of grants, deductions and exemptions you could be eligible for as a first home buyer to get into your home sooner and save you money.

First Home Owner Grant (FHOG)

A government program to help first home buyers build or buy a new or established home. The eligibility criteria and the amount you can receive depends on the state where you live and ranges from $0-$26,000.

Chat with your broker and check out what's possible where you live.

First Home Loan Deposit Scheme (FHLDS)

An Australian Government initiative to support up to 10,000 first home buyers per year. If eligible, first home buyers with at least a five percent deposit saved will have their home loans guaranteed by th Australian Government, avoiding the need to pay Lender's Mortgage Insurance (LMI).

First Home Super Saver Scheme (FHSS)

You can make voluntary contributions of up to $15,000 per year, or a total of $30,000 across all years, into your super fund. You can then apply to release these funds and the associated earnings to help you buy your first home.

Chat with your broker to find out if you're eligible and start supercharging your savings.

Stamp Duty Concessions

Most Australian States and Territories offer stamp duty exemptions for first home buyers. The exact discounts or exemptions range depending on where you live and the value of your first home. The table below shows an example of how much you could be saving on stamp duty as a first home buyer.

Speak with your broker to find out how you can take advantage of stamp duty concessions where you live.

State or Territory	Purchase Price	Usual Stamp Duty	Stamp Duty for First Home Buyer – New Build	Savings for First Home Buyer
NSW	$650,000	$24,585	$0	$24,585
ACT	$500,000	$11,400	$0	$11,400
VIC	$600,000	$31,070	$0	$31,070
QLD	$500,000	$8,750	$0	$8,750
SA	$500,000	$21,330	$21,330	$0
NT	$650,000	$32,175	$8,246	$23,929
WA	$500,000	$17,765	$13,433	$4,332
TAS	$350,000	$11,935	$11,935	$0

**Figures up to date as of Sept 2020. Based on a first home buyer of a residential new build. Eligibility criteria varies.*

Good old fashion saving

Lenders (banks and institutions) love this stuff. If regular savings have been in your account for at least three months, it shows them you have a pattern of managing your money responsibly. People have been doing it forever, but you need to make a game plan.

Firstly, set a budget and stick to it. Work out how much money you earn and then, for a month, record your living expenses so you know your spending habits. Factor in presents, bills, general living and treats. Set up a savings account and make sure you commit to putting a certain amount in it each week and do not touch it. Spend only what is left. It will get easier as you adjust to spending less.

Tips for spending less

- **Shop from your kitchen.** Forget buying work lunches and organise lunch the night before. An average lunch costs $12, that's $60 a week. You'll potentially save around $2,880 a year.
- **DIY coffee or tea if you're game.** Drink the stuff they provide free at work. With savings of $25-$50 a week (depending on your current habit), who really needs "the perfect latte"?
- **Choose now to save the planet.** Turn lights off when you leave a room, don't leave electrical items on stand-by, and rug up or strip down so you use and pay for less heating or cooling.
- **Save on your home running costs.** Make sure you're not paying too much on home utilities (electricity, gas, internet and phone). Concierge Living can review all of your plans for free to make sure you've got the most competitive deal.

Number crunch - can I make a deposit happen?

You earn a base income of $110,000 a year
and pay around $1,500 in monthly rent.

You have your eye on a new house
and land package for around $580,000.

You'll need $116,000 for a deposit—
20% of $580,000.

You've saved $26,000
and are eligible for a first home owner grant of $10,000.

Your parents go guarantor
for the remaining $80,000.

=

You have your deposit of
$116,000

2 Navigate the loan process.

Getting a deposit together is a great first step. But between then, and when you're hanging photos on walls, there are more hills to climb. We've broken down the process into eight steps.

1. Chat with your broker

Here we'll nut out your financial and lifestyle goals and what you can reasonably borrow. We'll then hunt through our panel of over 60 lenders to find a loan best suited to your needs. You get on with life, while we do the work.

2. Create a game plan

Your broker will get back to you in a few days with loan options to consider. Once you've chosen one, your broker gets to work preparing and submitting a pre-approval application.

What is pre-approval?

Pre-approval is when a lender has looked at your finances and is satisfied you could pay off the type of loan you applied for. It basically means you:

- Know what you can spend
- Can bid at auction
- Know what your loan repayments will be

3. Get the green light (pre-approval)

If everything goes well, you'll get pre-approval in a few days. It usually lasts for three months and gives you a clear idea of what you can spend - yay!

4. Organise a conveyancer

You should think about getting a conveyancer or solicitor on your side. They'll take care of the property transfer process; including final checks on the property and council reports.

5. Bring on the house hunt

We know you've looked already… but this is where the fun officially starts. Now you know how much you can spend, you can search online, visit open homes and attend auctions feeling like a pro.

What is stamp duty?

Stamp duty is a state government tax on your property to cover things like transfer and mortgage duty, mortgage registration and transfer fees. Each state charges different amounts based on how much your property costs. There are schemes to reduce stamp duty for first home buyers so ask your conveyancer or broker if they apply to you.

6. Make an offer

Once you've decided on a property, it's smart to get a building inspection. They cost $600-$1000 but, if it means the house you buy has no major defects or other problems, it's money well spent.

With everything in order, it's time to make an offer! There are two types:

- An **unconditional offer** is an outright offer to buy the property, according to the terms set out in the purchase agreement (unconditional offers are the only choice at auctions).

- A **conditional offer** is when your offer to buy has conditions attached—you get to decide the conditions and they could be things like being satisfied with a building report, or having the current owner fix a broken door.

7. Let's make it official (formal approval)

You've found the place. And you got it! Now all that's left is the paperwork – and your broker can help sort all that out. During this part of the process, your property will be accepted by the lender. The details of your valuation and insurance will be provided, if needed, and a settlement day will be put in the calendar.

8. Settlement - one of the best days ever!

The property is almost yours. In this final stage, your broker will organise settlement with your conveyancer and the lender, as per the date on the contract of sale.

Pick up the keys.
It's celebration time!

3 Get the right loan.

You're going to want a broker on your side when it comes to getting a loan. We have access to a panel of over 60 lenders, from the biggest Australian banks right through to specialist lenders. We will negotiate with them on your behalf to find the most competitive loan for your situation

Negotiate and save

There's plenty of options and product features that come with different loans; offset accounts, redraw facilities, fixed and variable rates. We've got your back. We can access home loan offers, talk you through them

and negotiate a competitive deal. We look to save you money in interest payments and fees by finding the right loan and repayment structure for you.

4 Understand industry jargon - the **loan cheat sheet.**

Selecting a home loan can feel daunting. You'd think a loan was a loan, wouldn't you? But there's a surprising number of variations. It's worth running your eye over our little cheat sheet.

Variable rate loan:

The interest rate varies over the life of the loan. If interest rates rise, you pay more, and vice versa.

Fixed rate loan:

This is the opposite of a variable rate loan. Your interest rate and repayments stay the same, no matter what. No surprises.

Split loan:

You're able to fix part of your loan, and leave the rest variable. It's like the best of both worlds.

Packaged loan:

Professional packages offer discounts on standard variable and fixed rates, the waiving of fees, and in some cases, great deals on other products from the same lender.

Introductory rate loan:

Also, known as 'honeymoon' loans, these offer a low interest rate for a short period (eg. a year), and then the rate moves to the standard variable rate.

Construction loan:

If you want to build a home, this could be the loan for you. You get the money you're being loaned in instalments (drawdowns), as you need it for construction. Interest is only charged on the amount you've drawn down, so you pay less at the start. Even better, these loans are often interest-only for the first year while the build is underway.

There are some tricks you can use along the way to try to pay off your loan quicker, or take the financial pressure off.

Offset account:

This allows you to keep money in an account attached to your home loan. The money in it offsets what you owe on the loan. You need to make sure the account includes a redraw facility so you can still access the money if you need to.

Redraw facility:

This allows you to make extra payments whenever you want, but also take the extra out if you find yourself in a pickle and need cash urgently.

Additional repayments:

Making additional repayments throughout your loan term could potentially save you thousands of dollars in interest.

Interest-only repayments:

You can reduce your monthly loan repayments by only paying the interest. This can seem like a good idea in the short term but it means you're not making progress toward paying off your home loan principal, aka everything you owe.

Clear as mud? Don't worry.

Part of getting a broker working for you is knowing how much you can afford in repayments each fortnight or each month, and what features would make your life easier.

5 Find your **dream home.**

Whether it's your dream home, or the dream you can afford right now, owning is a big but exciting commitment.

Once you've set a budget and know roughly where you'll buy, find out the future plans for your suburb, and decide on the type of property you want. These three factors might affect the longer term value, so here's the lowdown on the pros and cons...

BUYING A HOUSE vs BUYING A UNIT

BUYING A HOUSE

+ Often in suburban areas; have potential to grow in value
+ Scope to improve value and appeal through renovations, additions, and landscaping

- Cost more to buy and you are responsible for all repair costs
- Council rates can often be higher
- Insurance may be more due to size and security requirements

BUYING A UNIT

+ Often cheaper to buy; and the smaller size means less space to maintain and furnish
+ Owners often share repair costs so it can be cheaper
+ You could luck out and get shared facilities like a gym, pool, or elevator

- Older units or buildings can incur high maintenance costs
- Body corporates may limit renovations and additions: you may share walls with neighbours and you may need to pay strata insurance for common areas.

BUYING NEW vs BUYING EXISTING

BUYING NEW

+ Immediate repairs shouldn't be needed
+ A new house means you could be in an area with new parks and facilities

- If you buy off the plan you might not get exactly what you hoped for
- Newer properties can cost more than established or older ones

BUYING EXISTING

+ Maybe cheaper than new properties
+ You can renovate to create your dream home

- It could require immediate repairs or upgrades if it's very old

Property buying **checklist.**

What you should look for and consider when buying a home:

- [ ] Is this the suburb you want to live in?
- [ ] What are properties going for in the area?
- [ ] Is the house close to important facilities like public transport, shops and schools?
- [ ] Is the neighbourhood too noisy?
- [ ] Does the building have structural issues; including termites, plumbing, wiring, dampness, cracks in the walls?
- [ ] Are any developments planned nearby?
- [ ] Will the garden/backyard space suit your needs?
- [ ] Are there enough parking spots?
- [ ] Is the property at risk of flooding or natural disasters?
- [ ] What are the plans for properties around you? Eg. will apartments or roads be built?
- [ ] What are the ongoing costs for the property; such as strata insurance or rates?
- [ ] Are there zoning or building restrictions on the property?
- [ ] Will you need to renovate?
- [ ] Have you inspected the property at least twice at different times of the day to check traffic, noise and sun exposure?

Don't forget to organise your finances first.

Make the right call.
Get a broker working for you.

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