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First Home Buyer's Guide

Buying Your First Home the Assured Way!

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Wherever you see this symbol, an Assured resource is available

We'll done for taking your first step

Thank you for taking the time to download and read through the contents of this guide. Your decision to research your options before jumping into the market is an important step towards planning to buy your first home.

Purchasing a home is the biggest financial investment many people make in their lifetime, so it makes sense to create and develop a plan of action.

If you're like most first home buyers, you'll already be aware of the need to save for a deposit. You may also have started looking at the prices of different properties to gain an understanding of what you'll be expected to pay.

However, there are plenty of other stressful decisions to make along the way.

This guide was written to provide you with an overview of the home purchase process, from saving your deposit, taking advantage of government incentives and securing the right home loan, to negotiating your property purchase and moving into your new home.

You'll also learn a bit more about alternative methods you might take advantage of to help you get into the property market sooner.

Our goal at Assured is to make the home buying process as smooth and simple as possible. We'll take the time to understand your current financial situation and provide advice to help you achieve your financial goals.

Our consultants will work with you as you develop your savings plan and prepare the right home loan to suit your needs. We're also available at any time to answer any questions you have about the home buying process so you'll always have the confidence you need to move forward with your goals.

Are you ready to get started?

Creating Your Strategy

Turning your dream of buying a home into a reality requires a strategy to help you achieve your goals.

You might already know you'll need a deposit. You might also have an idea about the type of home you'd like to buy or the area where you'd prefer to live or how much you think you can afford to pay on mortgage payments each month.

However, there are plenty of other things to take into account before you rush into a decision. Take some time to really think about the goals you're aiming to achieve and focus on the end results you want to reach. Your end goal is your destination. Your starting point is where you are right now.

Everything in between your starting point and your end goal forms your strategy. Your plan of action should include specific steps that will take you from where you are right now to the point where you've reached your destination and you're ready to move into your first home.

Seek Advice

A crucial component in creating your strategy should include advice from people with experience and expertise. After all, each step in your plan of action needs to be clarified so you'll know what's expected of you and what you need to do at each stage.

Many people turn to friends and family for advice as they may have experience in the home buying process. They can often offer tips or suggestions about what worked for them in the past or things they wish they'd done differently. It's important to remember though that everyone's circumstance is different and many things can change, so the best advice is always expert advice.

However, you also need advice from people who are experts in their individual fields.

Speak to a mortgage broker and learn all you can about the type of home loan that might suit your needs. Your mortgage broker will be able to help you work out your monthly repayments, how much deposit you'll need, and how much you can potentially afford to borrow.

It's also wise to speak to a conveyancer to gain a clearer understanding of the purchasing process and how settlement works. A conveyancer will also be able to explain some of the terms that will be on a purchase contract and some things you might want to watch for.

Speak to different real estate agents and ask for any tips or suggestions they can offer. Real estate agents may also be able to warn you to avoid certain situations that may have stopped other first home buyers from successfully purchasing a home.

When you take the time to educate yourself about any process, it becomes less daunting and much easier to stay motivated.

Saving Your Deposit

It's common for many first home buyers to begin putting money aside into a savings account, but they don't often have any real idea how much they need or whether they're on track to reach their goals. They simply keep depositing money into a savings account.

Yet if you're serious about buying your first home, you need to know what your goal is.

How Much Do You Need to Save?

If you've taken the time to discuss your plans with a mortgage broker, you should already be aware of approximately how much money you'll need to have saved to put towards your deposit.

Some lenders may allow first home buyers to borrow up to 95% of the home value, meaning you'll need to contribute at least 5% deposit. Obviously, the amount you spend buying your home will impact how much deposit you'll need to save.

For example, if you buy a home valued at $350,000 then you may need at least 5% as your deposit. The calculation is simple:

$350,000 x 5% = $17,500

The actual amount you'll need to save for your deposit will be determined by how much you spend buying your first home and how much the lender is prepared to lend you.

Remember, when a lender assesses your deposit to buy a new home, they often use the calculation given on the previous page. However, they also take into account whether you have enough funds to complete the purchase.

Even if you have saved enough money to cover your deposit, you'll also need to source additional funds to ensure you can afford to cover the fees associated with buying a property.

Associated Costs of Purchase

You'll need to have sufficient funds to cover all the other costs associated with buying a house. Once again, the amount you spend buying your home will impact how much the associated fees will cost you.

The type of home you decide to purchase may also impact how much you spend on fees. For example, you may pay far less stamp duty by choosing to buy a house and land package and construct your new home as compared to the stamp duty charged on an established home.

You will also need to ensure you have sufficient funds to pay some of the following fees:

- Stamp duty
- Transfer fees
- Building & pest inspection
- Registration of title fee
- Mortgage documentation fee
- Settlement fee
- Title insurance fee
- Conveyencer's fee
- Legal searches
- Loan application fee (if applicable)
- Lenders valuation fee (if applicable)
- Lender's mortgage insurance (if applicable)

Of course, there are cases where you won't be required to pay all of these fees. For example, some lenders won't charge a separate valuation, mortgage documentation or settlement fee. Or you may find your stamp duty costs are considerably lower due to government rebates or because you've chosen to construct a new home.

The easiest way to check what fees you're likely to pay when you buy your home is to talk with your mortgage broker.

Lender's Mortgage Insurance

Lenders Mortgage Insurance is an insurance that protects the lender if a borrower is unable to meet their mortgage repayments and the property must be sold. Borrowing more than 80% of a home's value generally incurs a Lender's Mortgage Insurance (LMI) premium. Many first home buyers will pay an LMI premium when they buy a home, simply because they don't have a 20% deposit saved.

The actual premium amount is calculated based on the amount you borrow and the loan-to-value (LVR) ratio of your home loan. Some lenders allow you to add (or capitalise) the cost of your LMI premium to your home loan amount. This is determined by each individual lender's policy and is usually included in the maximum LVR. Some lenders will make you pay the lenders mortgage insurance upfront.

Essentially, the lender determines the loan amount you need to complete the purchase of your home. From there, they calculate the amount of LMI you need to pay.

Once again, the amount each person pays will depend on a number of factors. Your loan amount and the purchase price of your home will impact your overall LMI premium. The easiest way to determine how much you're likely to pay in LMI premiums is to talk to your mortgage broker.

Remember, the amount of LMI you pay covers the lender – not you – against the risk associated with your home loan.

Genuine Savings vs a Gift from Mum and Dad

When lenders assess your ability to repay your mortgage, they take into account where your deposit came from. They look closely at your ability to reliably put money aside to add to your savings balance. They look at your savings account statements to ascertain where the deposit amount actually came from.

Some people are also fortunate enough to have parents who will happily contribute a sum of money to put towards a deposit on a home. If you put those funds into a savings account as a lump sum deposit, the lender is likely to ask where those funds came from. Even though you might have enough money to complete the purchase, many lenders may still require you to provide proof of your genuine savings as well.

Lenders consider genuine savings a form of evidence of your level of financial responsibility. It shows them you're able to commit to saving and still paying for your living expenses, which indicates that you'll be more likely to keep up with the responsibility of paying your mortgage payments too.

Even if you have a gift from a family member as your deposit, make the effort and commit to making regular deposits into your savings account over a period of time too. You'll find it easier to verify your financial responsibility and improve your chances of having your home loan application approved.

Rental history may also be taken into account by some lenders, in lieu of, or in addition to, genuine savings, so make sure your rental history shows you always make your payments on time.

Most lenders require 3 months saving history showing genuine savings.

Speed Up Your Saving Plans

Once you've made the decision to start saving for a deposit on your first home, it's easier to make the commitment to put money into a savings account. It's likely you'll already be contributing a portion of your income to your savings goals each week, fortnight or month.

No matter how much you're putting aside right now, there could be ways to speed up your savings plans so you can reach your goal faster.

Control Credit Spending

If you're trying to save money but still have outstanding debts owing, chances are you're paying far more in interest charges than you're earning on your savings. Those high interest credit card balances or personal loan debts could be slowing down your progress.

Besides, the amount of money you put towards keeping up with your monthly repayments on those debts is cash you're not adding to your savings balance.

As part of your overall savings strategy, start working on ways to pay those debts off. Focus on the debt that has the highest interest rate first. In most cases that will be your credit card. If you're not able to pay off your credit card debt in one first sum, commit to paying more than the minimum balance each month and work on reducing the debt quickly.

If you're committed to paying off credit card debts, it also makes sense to limit your use of that available credit. Stop using your credit cards to pay for things you want, or you'll only end up increasing your debt levels again. Find other ways to pay for the things you need, or resolve to pay off everything you spend and continue paying extra off the outstanding balances as well.

Once your debts are out of the way, the money you were spending on repayments can be put towards speeding up your savings goals.

Automate Your Savings

One of the easiest ways to build up your savings balances faster is to automate your savings plan. Set up an automated direct debit or direct credit agreement with your bank or credit union to have a dedicated amount of money paid into your savings account each time you get paid.

By automating the amount of money being deposited into your savings each time you get paid, you begin to get used to paying your expenses based on the amount of money you have left over in your regular transaction account. You also have the benefit of being able to show your lender evidence of your genuine savings.

It's still fine to manually deposit any extra cash you have available into your savings account.

Just be sure you have a dedicated amount going into savings automatically each week or fortnight.

After all, once you have a mortgage you'll be living in much the same way. Your mortgage payments will be automatically debited from your transaction account leaving you to pay for your living expenses with whatever is left over, so it makes sense to get used to living this way now before you buy your first home.

Speed Up Your Savings Efforts

Most people cringe at the idea of creating a budget, but it's really a simple account of how much income you earn and how much money you spend each month. Writing down your income and expenses allows you to see at a glance any areas of spending that might be cut back.

There's no need to live like a miser, but it may be possible to reduce some of your current expenses a little to ensure you have some extra cash left over after each pay to add to your savings.

For example, you might be able to negotiate for a better deal from your internet or mobile phone provider. Shop around for more competitive premiums on your insurance policies.

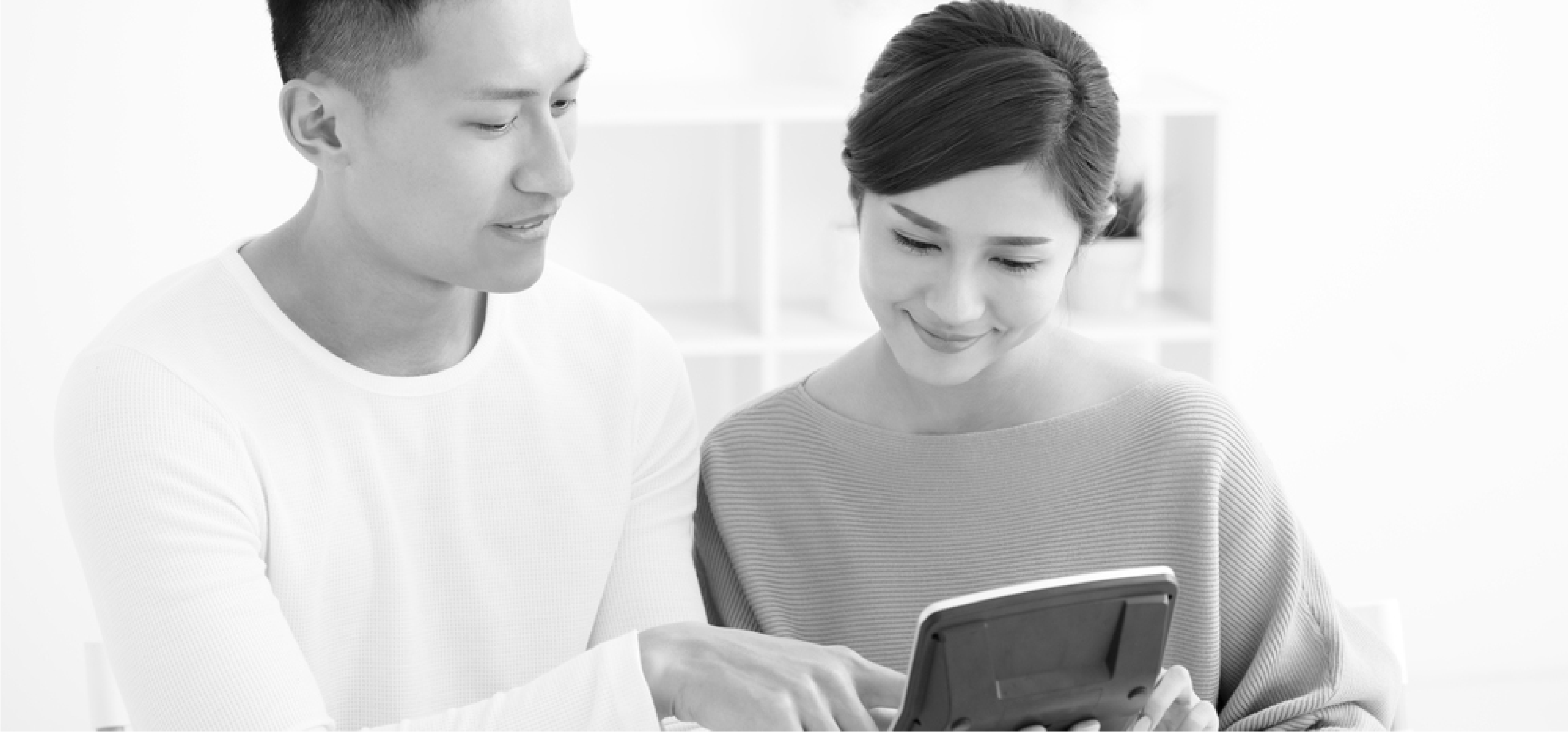
Take some time to ensure you're not paying more interest than you should on any outstanding debts you have. If you can't pay off your credit card balances immediately, think about ways to negotiate for lower interest rates so your hard-earned cash is being put to better use.

If you receive a bonus from work or get a tax return or earn some extra cash doing overtime, put the extra cash into your savings to boost your efforts.

No matter what you decide, the more you sacrifice now, the faster you'll reach your savings goals.

Likewise, if you have unwanted or unused items, consider selling them on eBay or Gumtree to help increase your savings balance a little faster.

If you need help budgeting or setting up your savings, see an Assured consultant about a free budget planning session. Visit www.assuredhomeloans.com.au/free-budget-planner



Get Your Savings Working Harder

The vast majority of first home buyers already have their savings tucked away in an interest-bearing account. They may be committed to depositing a defined amount of money into the account each time they get paid and may be adding to their savings balance on a regular basis.

Yet there are some things everyone can do to get their savings working harder.

Is the interest you're earning from your bank the best option available? Take a bit of time to shop around and compare what other financial institutions are paying for savings.

In many cases, online savings accounts tend to pay slightly higher interest on your savings balance. Many people also prefer the option of a term deposit account, as they may have the opportunity to earn a little more interest. They also know they can't withdraw money from a term deposit account until the end of the agreed term, which reduces the temptation to withdraw funds and spend it elsewhere.

Always take time to check the terms of any savings account you choose. Some may offer bonus interest for sticking to minimum deposit amounts each month. Others may penalise you for withdrawing money from your savings.

Remember, when it comes time to submit your application to a bank or financial institution, they'll want to see the statements from your bank showing your regular contributions.

Be absolutely sure your money is parked where it's providing you with the best possible benefits.

Alternative Deposit Sources

Most people automatically assume that they need to provide the entire deposit amount on their first home purchase from money they've saved in a bank account. However, you might be able to take advantage of alternative options to help boost your overall deposit.

Taking Advantage of Government Incentives

In an effort to help make it a little easier for first home buyers to enter the market, there are some government incentives and rebates available that you might take advantage of.

First Home Owner's Grant: The First Home Owner's Grant (FHOG) is a one-off grant payment for any first home owner meeting the eligibility criteria. The amount payable varies between different states and territories and may only apply to newly-constructed homes.

For example, at the time of printing in South Australia first home buyers entering into a contract to build a new home may qualify for $15,000. You're able to use those funds to help cover the costs associated with buying your home.

To find out how much you may be eligible to receive in your state, check the website:
www.firsthome.gov.au

Stamp Duty Concession: Some first home buyers may qualify for a concession off the stamp duty payable on the purchase of their home. Once again, the concession amounts vary between different states and territories and may apply to properties up to a specified value. The concessions and rebates available can be found for each individual state at:
www.firsthome.gov.au

For example, at the time of printing in South Australia first home buyers purchasing a new or substantially refurbished apartment may be eligible for a stamp duty concession of up to $21,330. Partial concessions may also be available in some cases. By comparison, first home buyers in New South Wales may qualify for a stamp duty exemption on new homes up to a value of $550,000 and concessions for homes valued between $550,000 and $650,000.

Using Your Superannuation

In the 2017 Federal Budget, the government introduced the new First Home Super Saver Scheme to help first home buyers save a deposit. If you stick to the savings scheme, you could potentially withdraw up to $30,000 from your superannuation to put towards your deposit.

But keep in mind that you aren't able to withdraw from the balance you already have in your super account today. Instead, you're given the opportunity to build your deposit savings within your superannuation fund and withdraw them when you're ready.

After 1 July 2017, first home buyers can choose to make voluntary concessional (before tax) and non-concessional (after-tax) contributions into their super to help save for a deposit. You will need to open a First Home Super Saver account with your super fund in order to access those additional funds at a later date.

For many people, contributing extra money into super reduces the temptation to spend those funds on other things, which could help boost savings faster. However, the scheme does have some rules and regulations to consider.

The scheme caps the amount of contributions you're able to make, so you're only allowed to contribute a maximum of $15,000 a year or a total of $30,000. If you're purchasing a property with your spouse, you'll be able to save up to $60,000.

When you're ready to withdraw the funds you've saved, you're only able to withdraw the additional contributions you've made into the First Home Super Saver Scheme. Those contributions are counted towards both your concessional and non-concessional contribution tax, so you will pay tax on the amount of money you withdraw at your current marginal rate with a 30% offset.

It's also important to remember that lenders currently don't view the funds from your super as being genuine savings, as a portion of your salary is already applied to superannuation with each pay anyway.

If you're thinking about using your superannuation fund as a way to build your deposit balance, discuss your options with a mortgage broker and seek financial advice. It's important to determine whether contributing to super or depositing money directly into a savings account is right for your individual financial situation.

Family Guarantee Loan

If you're struggling to save a large enough deposit to get started in the property market, you might have the option of asking a family member to help out.

A Family Guarantee Loan allows the lender to use a portion of the equity available in your family member's property to add extra security to your loan. Mum and Dad aren't required to put the whole house on the line to help you buy a home.

Instead, the bank allocates only enough equity from your parents' home to cover your 20% deposit. The loan amount stays in your name – not Mum's and Dad's names – so you're responsible for repaying the total loan amount and they would only be liable for the deposit amount borrowed against their equity should you default on the loan.

Here's how it works. Let's assume you want to buy a property for $300,000.

In normal circumstances you would traditionally need to save a 5% deposit, or $15,000 in this case. You'll also need to save sufficient funds to cover the stamp duty and other associated legal costs of buying your home. Then there's the Lender's Mortgage Insurance premium of around $8,500 on top of all that as well.

Now let's assume that Mum and Dad are happy to offer a Family Guarantee Loan. Their family home is worth $500,000 and they're willing to 'lend' you $60,000 from their available equity to use for your deposit.

Keep in mind you'll still need to save enough money to cover your stamp duty and other fees though!

It's also worth remembering that not all lenders offer a Family Guarantee Loan, so it's important to discuss your options with a qualified mortgage broker.

How Much Can You Borrow

Before you can work out exactly how much you need to save for your deposit and how much you can afford to spend buying your first home, you first need to understand how much you can borrow.

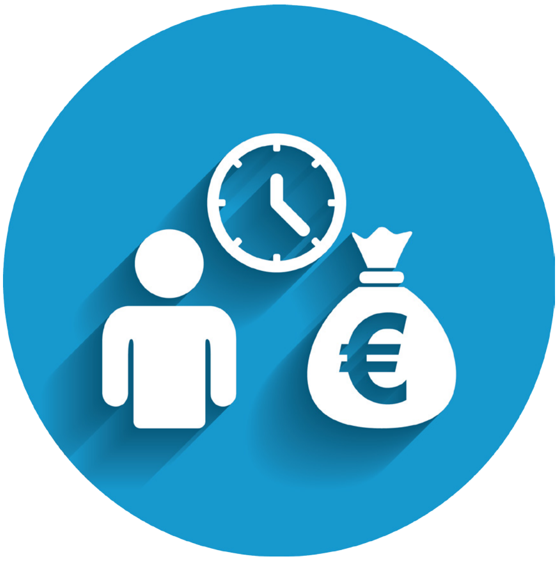
Every bank and financial institution across Australia will have different policies and lending criteria, so the amount you can borrow might vary between different lenders. However, in general every lender will take into account the same things.

In order to work out how much you can borrow, your bank will look at the following things:

- All verifiable net (after-tax) income coming into the household
- The interest rate
- Your current debt repayments
- Your credit history.
- Your liabilities

There are plenty of online calculators available from most lenders, but they're never going to be completely accurate. It also takes time to go through the calculations individually to figure out which bank will lend you the amount you want.

To make things easier speak with one of our mortgage brokers and ask them to do the calculations for you. As mortgage brokers we have access to over 1300 loan products and are able to see at a glance what interest rates you're likely to pay and how much each bank would potentially be willing to lend you.



Remember, your borrowing capacity is the maximum amount a bank or other lender is willing to lend you. Some people may find that the maximum loan amount they might get is much higher than they imagined. Others may find that it's not nearly enough for their needs.

Visit www.assuredhomeloans.com.au/calculators

Borrowing Within Your Means

How much you can borrow and how much you should borrow are two very different things. This is especially true if you're buying your first home with a partner or spouse and you've used two incomes to qualify for your home loan.

Your lender might indicate they're willing to lend you $750,000. It might seem like a great idea to go shopping for a more expensive home than you thought you'd get, but always keep in mind your monthly repayment commitments.

You'll also need to take into account the deposit needed and fees associated with buying a more expensive property. If your current savings will only be enough to cover the deposit and fees on a $400,000 home, there's little point trying to borrow much more.

So, work out your estimated monthly repayments at a higher interest rate and be honest about whether you can comfortably afford to keep up with them.

There's no sense in over committing yourself. Borrowing too much money can cause a huge financial drain on your personal life and your lifestyle.

Will you be able to cover all your living expenses and other costs associated with owning a home?

If something happened to one of your incomes, would you still be able to keep up with payments?

If you spend all your income covering your mortgage repayments, will you be sacrificing other aspects of your lifestyle?

Most importantly, consider how any interest rate rises in the future might impact your ability to keep up with repayments. If you do not have a fixed rate, a standard variable loan rate can increase and decrease throughout the life of the loan.

Be realistic about your expectations for your first home and only borrow what you can comfortably afford. After all, your first home doesn't necessarily have to be your dream family home. You can always start small, build up some equity, and trade up for the larger family home you really want as your income and financial situation strengthen.

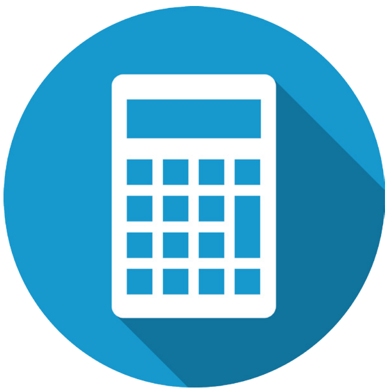
Boosting Your Borrowing Capacity

In some cases, you might be disappointed by the amount of money the bank says you can borrow. A low borrowing capacity can make it very difficult to buy a home in the price range you hoped for.
Fortunately, there are some things you can do to help boost your borrowing capacity. You can either:

- Increase your income; or
- Decrease your liabilities.

When lenders assess how much you can borrow they look at all your income and then deduct your debt repayments and living expenses. The money left over after all your expenses are paid is the amount they use to calculate how much you can borrow.

Most people don't have the option of increasing their income right away. Even if you take on a part-time job or do some extra overtime at your current job, lenders may not always take that additional income into account when calculating your borrowing capacity.



Choosing the Right Mortgage

A major component in buying any home is choosing the right mortgage to suit your financial needs and goals. It's common for many people to assume that all home loans are the same. After all, you're just borrowing some money that you promise to pay back, right?

> In reality, there are a number of different loan types that all offer different benefits or drawbacks, depending on your particular needs.

If you're like most people, you'll tend to shop around for the cheapest interest rate available. While finding a competitive interest rate will help keep your repayments as low as possible, it's just as important to consider the type of loan you're getting.

Added Extras or No Frills

It's easy to think of a home loan as being just like any other loan. You might have had a car loan or personal loan in the past, where you're told what your monthly repayments are and you simply keep making payments until the debt is repaid.

A 'no frills' or basic home loan is exactly the same. You know what your minimum repayments are and you keep making payments until you've repaid the amount you borrowed.

Most lenders offer a basic home loan option that usually comes with a cheaper interest rate than other types of mortgages available. In some cases, a basic home loan may allow you to make extra repayments if you wish to pay off your debt a bit faster.

By comparison, some home loans come with added options and extras. Some may also offer a redraw facility that gives you access to any additional funds you've paid into your loan account if you need them for emergencies. Others may offer an offset account, which is a transaction account linked to your home loan that can help reduce the amount of interest you pay.

While some of the added extras can offer plenty of advantages, they may also come with slightly higher interest rates.

Fixed or Variable

The debate about whether to choose a fixed rate home loan or stick with a variable rate has been ongoing for many years. A fixed interest rate gives you the peace of mind of knowing your repayments won't change over the fixed term. You're protected against future interest rate rises while your loan remains fixed. However, if your circumstances change and you need to break out of the fixed rate, there may be substantial break costs.

By comparison, the variable interest rates available are often lower than the fixed rates, so you could potentially be paying more on interest charges than you should. If interest rates do rise, your repayments will go up with them. On the other hand, if interest rates fall, your repayments will drop accordingly.

There are also the differences in flexibility to take into consideration. A variable rate home loan may offer slightly more flexibility in terms of making extra repayments, redrawing additional payments, or linking an offset account.

Choosing the right home loan can be challenging, but your mortgage broker can help explain the pros and cons of each option.

Applying for Pre-Approval

Far too many people don't even think about submitting a home loan application until after they've already found their dream home. Others may be putting themselves at a disadvantage by waiting until after they've signed contracts.

Yet a pre-approved home loan could give you a head start in your search for your first home.

A pre-approval is also sometimes called an 'approval in principle' or a 'conditional approval' and is an indication from your lender of how much you're able to borrow based on the information you provided them.

Far too many people don't even think about submitting a home loan application until after they've already found their dream home.

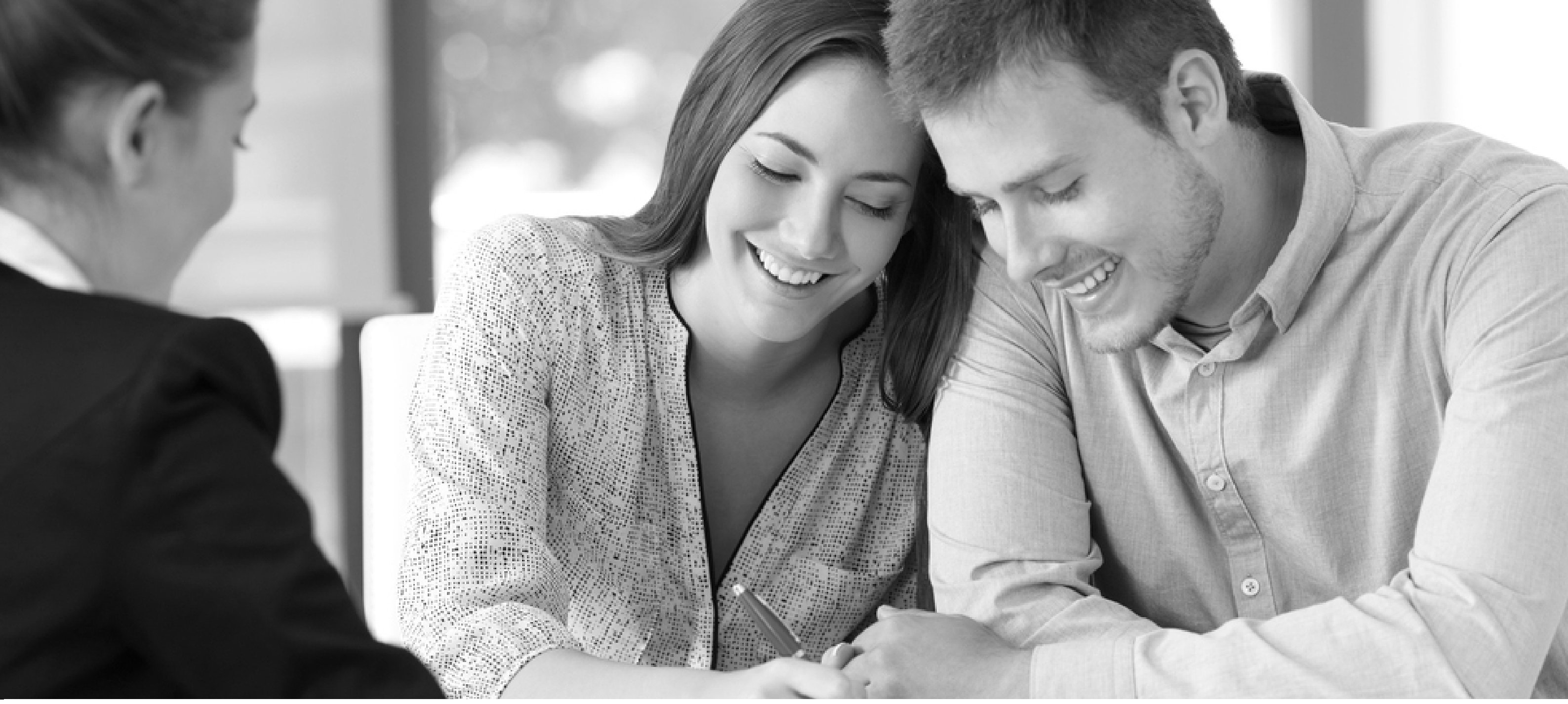
There are some immense benefits to applying for pre-approval before you head out house hunting. These include:

Boosting confidence: When you already know your bank has pre-approved you to borrow up to a specified amount of money, you can feel more confident about shopping for homes within your price range. The real estate agent may also feel more confident in presenting an offer from you to the vendors.

Improving bargaining power: Having a pre-approval on hand could sometimes help you negotiate a better price with a vendor, as it's likely your offer may have fewer or less stringent conditions than other buyers have to offer.

Giving you a head-start: The home loan approval process is comprised of several components. By getting your personal and financial details on file with your lender in the form of a pre-approval, you've essentially jumped the queue for the following stages of the approval process.

Ability to bid at auction: If your dream home is being sold at auction, having a pre-approval on hand allows you to bid with more confidence up to your pre-approved amount.



Qualifying for a Pre-Approval

Qualifying for your pre-approval is relatively simple. You will need to provide some documentation that will verify your ability to repay your mortgage. Some of the documentation you'll need includes:

Proof of all income coming into the household

Provide the last two payslips and a copy of your last PAYE statement (formerly group certificate) from your employer. If you are self-employed provide 2 years' financials and ATO notices of assessment (NOA). If you have rental income, child support payments, family allowance payments, or income from shares or other investments, provide evidence of these amounts too.

Evidence of employment stability

Lenders want to see that you have a stable employment history. A simple letter from your employer or payroll officer stating the length of your employment can be helpful in strengthening your application.

Bank Statements

You will need to supply at least 6 months' worth of savings statements to verify your savings history. Your savings statements also show the bank the funds you have available at the time of assessment to complete your purchase. Some lenders may even ask for 12 months, so check with your mortgage broker for what they expect.

Loan Statements

If you've been making additional payments off a personal loan or car loan, some lenders may view those excess payments as contributing towards your genuine savings. Provide copies of loan statements to show that you're keen to pay down your debt obligations.

Rental Statements

If you're currently paying rent to a landlord or to a property manager, provide rental statements showing your payment history. Many lenders view paying rent on time as a positive indication of your level of financial responsibility.

When you have all your documentation together, speak with your mortgage broker about submitting your pre-approval. Your mortgage broker will also happily provide you with any tips or advice that might be relevant to your individual financial situation.

If you're currently paying rent to a landlord or to a property manager, provide rental statements showing your payment history. Many lenders view paying rent on time as a positive indication of your level of financial responsibility.

Finding Your First Home

If you've already done all your homework, you'll know how much you can potentially borrow and how much deposit you'll need. When you feel that you're ready to start looking at houses, you'll also know what price ranges you need to stick to.

Of course, one of the major decisions you'll need to make is choosing the type of home you want to buy. Will you start out with a unit or apartment and spend a bit of time building up your equity?

Perhaps you might prefer to buy an established home so you can move in right away after settlement. Maybe building a brand new home in a new estate is more your style.

Researching Your Market

If you've been planning and saving a deposit to buy your first home, it's likely that you've already been keeping an eye on the real estate websites and pulling the real estate section out of the weekend newspaper for a while.

There are plenty of advantages to keeping a close eye on the market while you're still saving. You have the benefit of knowing approximately what price range certain types of properties are selling for in your preferred areas. You will also have a better idea of how long certain properties remain on the market before they're snapped up by eager buyers.

Your Assured consultant can help you research with a free property report.
See www.asssuredhomeloans.com.au/free-property-report

The longer you keep an eye on a certain suburb or location, the more familiar you'll become with what prices properties are selling for and what you could expect to pay.

Negotiating Your Purchase Contract

Before you rush into making an offer on the ideal home for you, be sure you're prepared with some basic buying skills. If you're hunting for an established home, you'll essentially have two options: buying by private treaty or bidding at auction.

There are pros and cons to both options.

Many buyers prefer the option of a private treaty sale. That's where the property is advertised at a preferred sale price. You submit an offer to the seller in writing and the seller either accepts or declines your offer.

In some cases, the seller may make a counter-offer. It's possible to make several offers over a period of time without being locked into a binding contract.

Of course, this also means many other buyers may submit their offers at the same time. You have no way of knowing whether yours is the most appealing offer.

The longer you keep an eye on a certain suburb or location, the more familiar you'll become with what prices properties are selling for and what you could expect to pay.

Download your free Assured House Inspection checklist from:
www.assuredhomeloans.com.au/house-inspection-checklist

When you submit your offer, you're also able to enter conditions on your contract. Most first home buyers consider adding clauses that may include "Subject to finance" and "Subject to building inspection".

Entering these clauses on your purchase offer gives you a measure of protection in the event that your finance is somehow declined or in the event that a building inspection uncovers something about the property's structure or integrity that may not previously have been known.

You also have the added protection of a cooling off period. You have the opportunity to withdraw your offer and pull out of the sale if you change your mind within the cooling off period.

By comparison, at an auction you're bidding against other buyers. The highest bidder on the day of the auction wins the sale. If the bidding stops at a price that was less than you expected to pay, you could potentially snap up a bargain.

However, there is a risk that other bidders could drive the price higher than you were willing to pay. If you happen to be the winner of the auction, you are expected to sign a purchase contract on the day that is 'unconditional'.

This means you aren't able to submit additional clauses on your contract. You don't have a cooling off period. The winning bidder is expected to complete the purchase by the agreed settlement date.

You're also expected to put down a 10% deposit immediately on winning the auction. If you don't have the 10% deposit amount available in cash, you might have the option of using a deposit bond guarantee to cover the amount due.

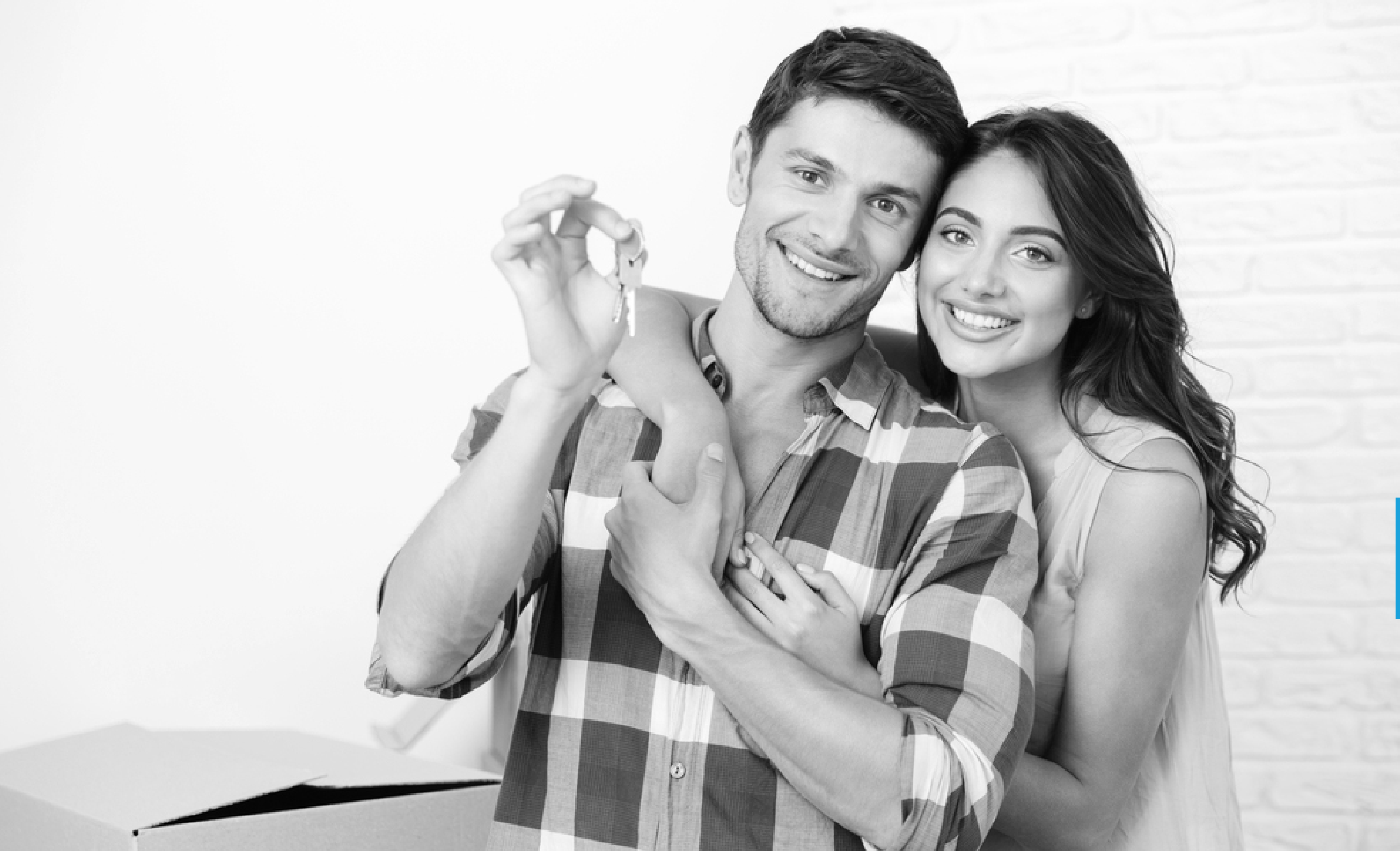
For example, your pre-approved loan amount might only be for 95% of the property value. You may have saved 5% deposit, plus enough to cover your fees. A deposit bond takes into account the funds that will become available from your loan amount, plus the amount you have in savings and then covers the deposit due at the auction on your behalf.

There are fees associated with deposit bonds, but a good mortgage broker can help you arrange one ahead of time if you know you're going to bid at an auction.

Getting to Settlement

Once your offer or winning bid is accepted, it's time to consider how you'll get through the settlement process. As soon as you have a contract of sale, it's important to contact your conveyancer.

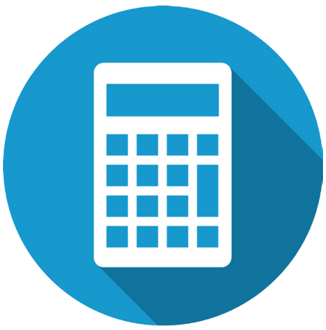
Your conveyancer is the person responsible for ensuring your rights are protected during the transaction. A conveyancer handles the financial side of the transaction, including confirming that your loan amount, deposit amount, and any government grants payable will be sufficient to complete the purchase.



Aside from dealing with the finances associated with your purchase, your conveyancer also conducts all the title searches and other legal searches to ensure your title is properly investigated to make sure there are no outstanding council or water rates due, illegal buildings on the site, encumbrances or easements present that could affect your title.

When all the preliminary searches are complete, your conveyancer will prepare a settlement statement, notifying you of the amount of money due from you to complete the purchase.

As soon as the transaction is complete, your conveyancer will contact you to let you know it's time to collect your keys from your real estate agent. You'll also be congratulated for finally becoming a first home owner!



Protecting Your New Asset

Home Insurance

There are some variations in property law across Australian States, however for most, the terms of a contract often transfer the insurance risks from the seller to the buyer once a contract is signed.
It's important then for a buyer to take out an insurance cover note on the property as soon as the contract is signed.

Your lender will perform a valuation on the property and this will confirm the minimum amount the lender requires you to insure the home for. It is also important that the mortgagee is noted correctly on the insurance policy (down to the letter in fact) so make sure you contact your mortgage broker or lender to find out exactly how this needs to be worded.

If you are purchasing a unit or townhouse etc that is overseen by a body corporate, check with the body corporate manager to see if the home insurance is covered by a group policy before taking out your own policy.

Income Protection

Buying a new home is an exciting stage of your life, but it's only natural to understand that sometimes things can go wrong so it's important to consider what would happen if you were injured or ill for a long period of time?

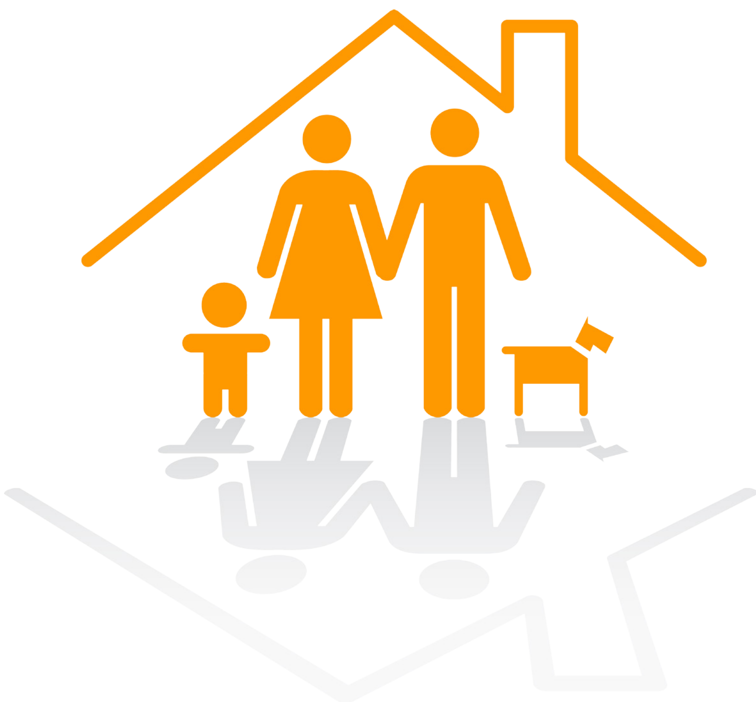
How would you keep making your mortgage repayments if you weren't able to work?

To give you piece of mind and ensure you can still keep paying for your home, it's wise to consider taking out Income Protection insurance. We recommend you speak with an expert financial planner to consider the best income protection options for you.

Your Will

Now that you have a new asset in your home, it's also important to plan for what you'd like to happen with your share in that asset in the unfortunate event you are no longer here. It's not the most pleasant thing to have to think about, especially if you're young, but it's a really important step to consider in the home ownership process.

That's why we also highly recommend that after you've bought a home, you seek help from a professional who can help you set up or adjust your Will for your piece of mind and to protect those you love.



The Option of Rentvesting

So far this guide has focused on finding ways to save a deposit and take advantage of various options to help you buy your first home to move into. This final chapter looks at a slightly different approach to entering the property market for the first time.

Rentvesting is the term used for people who buy a property with the intention of renting it out to tenants, even though they don't live in a home of their own.

In recent years, an increasing number of Australians are choosing to buy an investment property as their first purchase. They become landlords and charge tenants rent to live in the property they purchase, but they choose to remain either renting in a private rental property or living with family.

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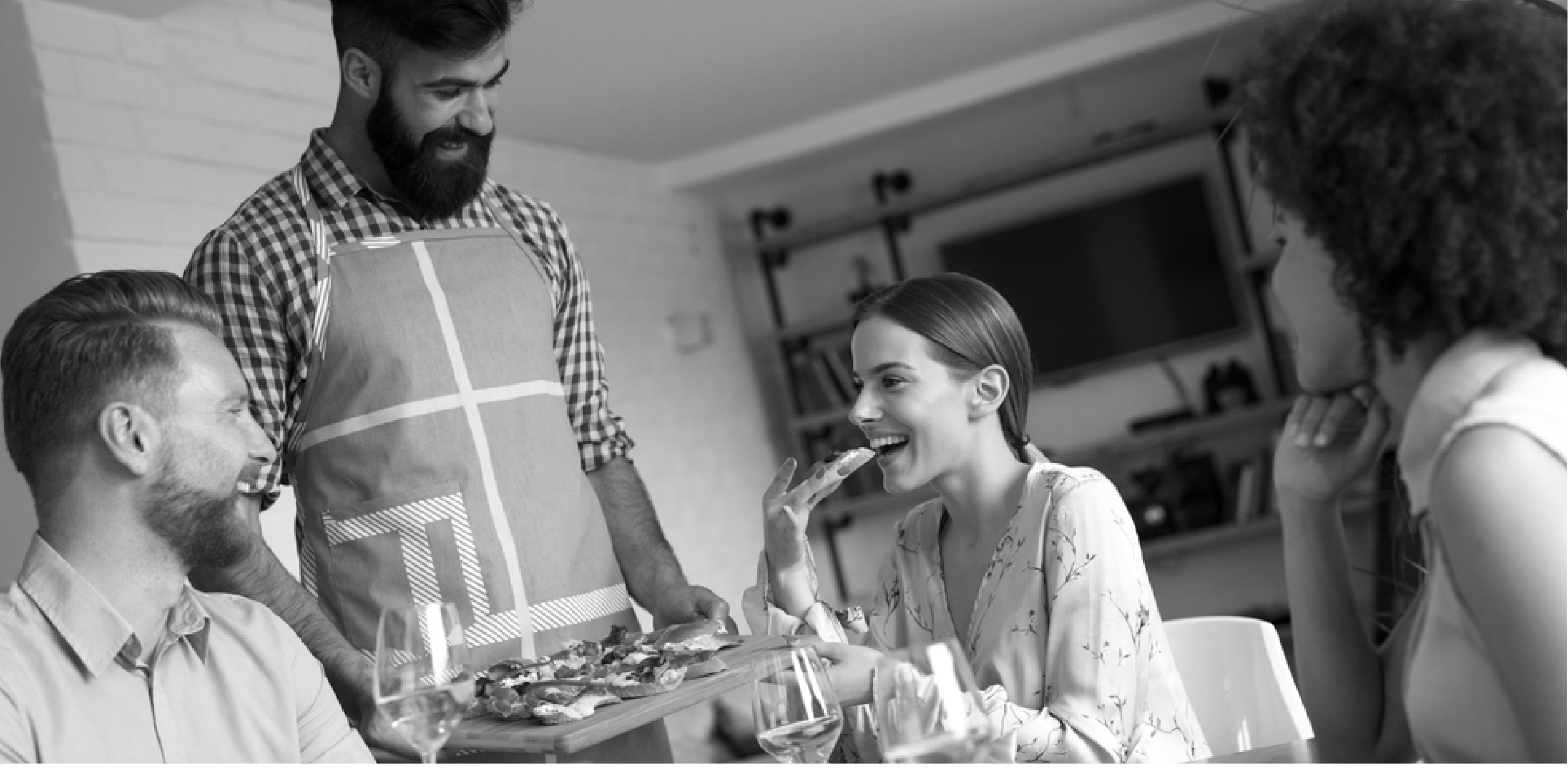

There are some benefits to rentvesting that could make it an attractive option for many people. These include:

Getting into the Market Sooner

When you buy a property with the sole intention of it becoming an investment, it's less important where that property is located. You have the opportunity to buy a less expensive property in a suburb that might be further away from the CBD.

Buying a less expensive property means you have the opportunity to get into the real estate market sooner.

Rental Income

As a landlord, you can charge your tenants rent to live in your property. The rental income you receive can be used to help pay off your mortgage and cover the costs associated with owning a property.

Build Equity

When you own a rental property, you have the opportunity to begin building equity in the home. The home's value may increase over a period of time and you may choose to begin reducing the balance owing on the home loan.

The difference between the amount you owe and the property value is your equity. If you're able to build up sufficient equity in your property, you may have the option of borrowing against that equity at some point in the future to buy your dream home in a suburb you want to live in.

Live Where You Want

Rentvesting gives you the freedom to continue living where you want to live. You might own a rental property that is a distance away from your work, but you can choose to rent in a suburb that is more convenient for your lifestyle choices.

Tax Benefits

Being the owner of an investment property offers the opportunity to potentially reduce the amount of tax you pay. The Australian Taxation Office (ATO) offers landlords the ability to deduct the costs associated with owning a rental property from their taxable income.

For example, the interest charges on your investment mortgage, council rates, landlord's insurance, and various other expenses may be deductible at tax time.

The result could mean a healthier tax refund at the end of the financial year. Alternatively, you could request the ATO to allow your employer to deduct less tax out of your income each week or fortnight, effectively increasing the amount of money you take home on pay day.

Buying a less expensive property means you have the opportunity to get into the real estate market sooner.

Let Us Help You Get Started

No matter what stage of the first home buying process you're in right now, the professional mortgage brokers at Assured are happy to help you every step of the way. Our goal is to ensure you have all the information and support you need to buy your first home with confidence.

From developing your savings plan, and choosing the right home for your needs, to deciding on the right type of home loan and getting to settlement day, we'll be there to help you reach your goals.

Simply let us know when you're ready to get started and we'll work with you to make your dreams of buying your first home a reality.

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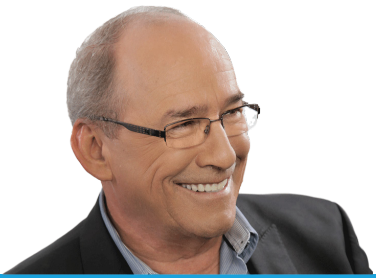

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