



The First Homebuyers Guide



By Jane Purnell [in](#) and Mark Holzworth [in](#)

Buying your first home can be an exciting time and a stressful time. This booklet helps guide you and take some of the unknown away to smooth your way through the house buying process.

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How much deposit do you need?

The 20% or Larger deposit

A deposit of 20% of the total cost of a home is ideal, but not always required (keep reading). A larger deposit means a smaller home loan, and could help you avoid Lender's Mortgage Insurance - also known as LMI. It may even secure you a lower interest rate. Your deposit will generally need to be 20% of the property value, plus fees and stamp duty.

Less than 20% deposit

Don't have a 20% deposit right now? There are low-deposit options out there. Depending on your circumstances and the property you want to buy, the minimum deposit amount can vary and be as low as 5% of the property value, plus fees and stamp duty. With a lower deposit, you may need to pay LMI.

The genuine savings rule

If your deposit amount is less than 10% of the property value - the 'genuine savings' rule applies. Genuine savings of 5% of the property purchase price must be held for a minimum of three months in an account in your name. The genuine savings amount can be made up of savings, the sale of shares or non-repayable gifts from immediate family.

Lenders Mortgage Insurance

LMI insures the Bank in the event that you can't pay your mortgage. LMI applies if your deposit is generally less than 20%. You can pay LMI upfront or include it in your home loan. Keep in mind if you include LMI in your loan amount you will pay interest on that amount. Make sure to get the full low down from your Home Finance Manager or Broker.

Why not use the Holzworth Partners Client Portal Budget tool?

Hot tips for getting financially fit

Remember when your parents told you to spend less and save more?

Yeah - they were right.

The key to saving is knowing what you earn and what you spend.

Sound simple? It is.



1. Get started

Once you're armed with all the information, you'll find it easier to set realistic savings targets. Have a good look at your bank e-statements or your on line banking to see where you're spending and where you can start saving.

3. Aim for the goal posts

Visualise your goals. Having something to save for can make saving feel worth it. Write down your goal and how much money you want to save. Then stick it on the fridge. Having it as a visual reminder could help keep you on track.

2. Budget, budget, budget

Know the numbers? Right, let's set some budgets.

First, how much money do you need to cover expenses and the fun stuff you simply cannot go without.

Think about all the unnecessary things - do you really need that new designer t-shirt?

Okay, now, what's left?

Be realistic and start small, don't stop doing the things you love, but make sure you start spending less elsewhere.





4. Managing debt

Got a personal loan or credit card to pay off? You're not alone.

Chat to your financial provider about consolidating your debt. When you have multiple debts, the fees and interest can stack up.

5. Your credit report

Most people are guilty of paying the odd bill late. But, it's important that you think about how this affects your credit report. Your credit report is what helps determine your suitability for a home loan, so it's important. It also helps your lender understand whether a home loan might put you in financial difficulty.

Your credit report will include certain information about your credit history provided by your bank, as well as other financial institutions who provide information to credit reporting bodies. The good news? If you're already making repayments on time there shouldn't be anything to worry about. And if you're not, you can start taking steps to get things sorted and build a healthy credit report.

Is your goal your first home?

Holzworth Partners can help. And not just with the paperwork. We can also help with savings plans to get you those keys even faster.

How about a helping hand?

When stepping onto the property ladder, the first step is often the hardest. Luckily, help is at hand with grants available for first time buyers.

Let's discuss.

The First Home Super Saver scheme. Aka the FHSS scheme.

The FHSS scheme allows you to save money for your deposit in your superannuation. You can make voluntary contribution to your FHSS fund (up to \$30,000) from any age, but your money cannot be released until you're over 18.

Super.

**“Grants can
really help.”**

Do you qualify?

To qualify for the FHSS scheme, you'll need to meet a few requirements. See if you can tick all the boxes below.

- ☐ You have never owned a property in Australia.
- ☐ You're not purchasing a houseboat, motor home, vacant land (unless you intend to build a house within 12 months) or premises not capable of being used as a residence.
- ☐ You intend to live in the property for at least 6 months after settlement.
- ☐ You have not previously released FHSS funds.

If you can't tick all the boxes, there may be exceptions. Talk through your options with a professional advisor or check out the ATO website for more information. Some rules and restrictions will apply.

FHSS facts

The FHSS is only available on some superannuation schemes. Check with your provider to find out if this is available to you.



Once your FHSS funds are released, you have up to 12 months to sign a contract or construct a home.

**For all the information search
'FHSS' or check out ato.gov.au**

The First Home Buyers Grant

Want to get into your first home sooner and reduce your home loan?

The First Home Buyers Grant could be just the ticket.

The First Home Buyers Grant is a one-off payment to help you into your first home. Just be aware that the qualification rules change from state to state.

When applying, check your area at www.firsthome.gov.au.

*Generally, your loan officer will handle the approval on your behalf and ensure that your grant is available in time for settlement.

Handy.



**For all the information search
'FHSS' or check out ato.gov.au**

3 types of common home loans

There are lots of home loans out there, and yes, it can get a little confusing. That said, most lenders offer three basic types of home loans - Variable, Fixed, and Mixed.

Variable Home Loan

- The interest rate can go up and down
- Your repayments can vary. If your interest rate increases, so will your repayments. If your interest rate goes down, your repayments will go down too.

With most Variable Home Loans, you'll generally have the flexibility to make extra repayments into your loan too.

Fixed Home Loan

- Can't decide whether Variable or Fixed is for you? No worries - you can choose to split your home loan between the two options and get the best of both.
- The amount you can split between variable and fixed will depend on your lender, and you should consider what option is best for your situation.
- This approach gives you the certainty of a fixed rate loan on a portion of your loan and the flexibility of a variable home loan on the rest.

Mixed Home Loan

- Your repayments are locked in for a set period of time, usually one to five years.
- The interest rate will not change over the agreed term, giving you certainty of interest repayments for the term.
- If the interest rates go up or down, your rate will remain the same until the Fixed Home Loan term ends.
- After the Fixed Home Loan term ends, your home loan will revert to a Variable Home Loan.
- A Fixed Home Loan generally restricts your ability to make extra repayments, use offset accounts or redraw.

Repayment types

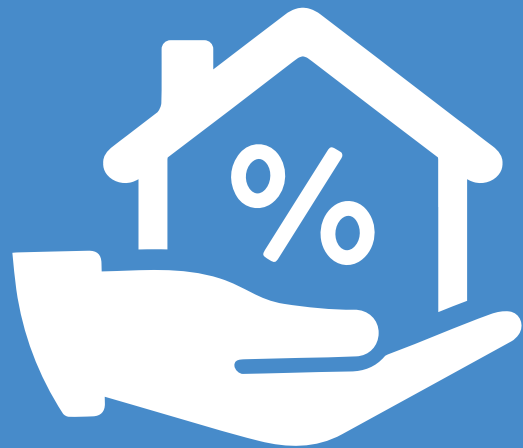
Principal and Interest (P&I)

A home loan repayment consists of two parts. Your principal (the amount you borrow) and interest. You'll have a set term to repay both the principal and interest amounts.

Here are three things to know about (P&I) repayments:

1. Typically lower interest rate

By choosing to pay down a portion of the principal amount and the accrued interest each month, this could give you access to more competitive home loan rates.



2. Building equity

Equity is the difference between the value of your home and the balance owing on your loan. When you start to pay off the principal of your loan, and if the value of your property grows, that gap (your equity) increases.

3. Pay it off faster

Your loan is designed to be repayed over a certain term (usually 25 or 30 years). However, by paying P&I, and making extra repayments - you could further reduce the interest you pay over the life of your loan, paying your loan off sooner. Be sure to check out whether any restrictions apply for making extra repayments on your loan.

Interest Only (IO)

An IO loan requires you to make the monthly interest repayments on your loan for an agreed period - usually one to five years. The principal amount of the loan (the amount you borrowed), will not reduce during the IO period.

Here are three more things to know:

1. More interest, long term

You won't start paying off the principal amount until your interest only term is up. Since the principal amount doesn't reduce over the interest only period, you'll end up paying more interest over the full term on your loan.

2. Lower repayment, short term

Paying only the interest for an agreed period, and not the principal amount, will mean your repayments will be lower. This can help free up some cash flow if you need it in the short term.

3. Higher repayments

You'll have a shorter amount of time to pay the remaining principal and interest amount on your loan. As the principal amount now needs to be repaid over a shorter period, the principal and interest repayments after the interest only period ends will be higher.

IO repayments generally attract a higher interest rate and have restrictions depending on your Loan to Value Ratio (LVR).

Interest Only repayments generally attract a higher interest rate and have restrictions depending on your Loan to Value Ratio (LVR)

What to look for in a suburb

According to industry experts, the top 5 things people are looking for in a suburb are:

1. Close to schools
2. Close to shopping centers
3. Parks, playgrounds and amenities
4. Close to good transport
5. Safe environment

Know what you're getting.

You have access to property and suburb reports while you find the right house. These reports provide property histories and area profiles to help you with your decisions.



**Did you know
Holzworth Partners
can help you find
your new home?**

The home search

What's your type?

With so many options out there, searching for your first home can be a little daunting. But it can also be a lot of fun if you start with a simple little question – What's my type?

You can choose an already built home or a house and land package where you build from scratch. It's up to you (and your circumstances) to work out which approach works best for you.

The established home



The positives.

Buying an existing home means that you might be able to move in quicker, since you don't have to wait for your home to be built. And you can see exactly what you're going to get.

The watch outs.

It can be difficult to tell how well a home has been maintained - so to avoid any nasty surprises later - consider the age of the home and always carry out all the relevant inspections.

With the information at hand, you can plan for any future work required. Will the kitchen or bathroom need an update in a few years? And at what cost?

As soon as you get the keys you'll start repaying your mortgage amount straight away.

In many states the First Home Buyers Grant is not available for existing homes.

The Apartment

The positives.

Less gardening and possibly a view too. Apartment living suits those who are looking for a low-maintenance lifestyle and are a good choice for those taking their first step onto the property ladder.

Just like with a house, you'll have the option to buy an established or a newly built apartment. The same maintenance and grants considerations apply too.

The watch outs.

When you own an apartment, you need to also be prepared to pay strata fees – and climb stairs occasionally. Also, for high density apartments you may need a larger deposit towards your home loan.

Strata fees are paid by all apartment owners in the building but be sure to check what it covers. Usually it covers things like communal utilities and maintenance.

Apartments in new buildings could have lower strata fees when you first move in but may increase as the cost of maintaining the building are determined.

Make sure that you can cover these fees moving forward.



Off-the-plan new build



The positives.

Off the plan builds can be exciting for people who like to see their home come to life from scratch, without the hassle of designing themselves.

These apartments are not yet built but all the plans are in place, so if you do find design daunting, you won't have a lot, if any input in the design.

The watch outs.

You could be waiting longer for the build to complete, unlike the new house build option. However, you don't have to deal with progressive draw down payments during the build. You won't have anything to pay until you get the keys.

To buy off the plan, you are generally required to pay a deposit upfront to the developer – usually around 10%. For high density apartments you may need a larger deposit towards your home loan.

The build



The positives.

Looking for a home just how you want it? Building a new house gives you the flexibility to pick the design of your build, furnishings and features. And, in most states, the First Home Buyers Grant is available for first home builders.

The watch outs.

You might not be as central as you like. Often vacant land and new developments are further out of town, so you may have a longer commute to work.

Also note, you'll need to budget for paying rent and your mortgage repayments whilst the house is under construction.

How this particular loan works

- ① Once you've found your land and builder, you take out a loan to cover the land and build.
- ② Before construction starts you make repayments to cover the loan amount for the land.
- ③ Once building starts, the loan will be drawn down periodically and paid directly to the builder at each stage of the build. You only pay interest on the portion of the loan that has been drawn down.
- ④ Once you receive the keys (exciting times) your full home loan repayments will begin – less exciting, but there's no getting round that.



The costs

When buying a home, there are always costs involved. However, you can avoid any nasty surprises, by knowing exactly what you're in for. Here's a guide to some of the typical costs:

Stamp duty

A state or territory government tax that's charged for your legal documents to be stamped. The amount to be paid varies from state to state (some states might even waive it) and depends on the cost of the property.



Conveyancing fee

As you go through the home buying process, you might enlist the help of a solicitor, settlement agent, or licensed conveyancer to carry out the process of transferring the property from the previous owner to you, these are the fees associated with these services.

Title transfer fee

A state or territory government fee for transferring the ownership of title. The cost varies from state to state.

Mortgage registration fee

A state or territory government fee to register the mortgage on the property title.

Bank fees

Different home loans come with different benefits and fees. Make sure you understand any fees incurred when you take out a loan.

Home insurance

For settlement to go through, you must have building insurance. Also consider getting contents and portable contents insurance.

Valuation fees

Fees for bank or independent valuations of a property.

Moving costs

You'll probably need to pay for a removalist to help you move. Also allow room in your budget for the connection of utilities like electricity, gas, water and internet.

Inspections

Building and pest inspections are essential to ensure the property is structurally sound, and that there are no termites or other pests.



Types of sales

To make this less baffling, we asked an expert to explain.

Auctions

Auctions require the buyer to be unconditional, the offer is usually accompanied with a 10% deposit on the day and the settlement terms are stated most times by the vendor.

An auction is a great way to buy, it's a transparent environment where you can clearly see and identify your competition. There is no 3-day cooling off period, so if you bid at auction and are successful you are locked into the sale.

Private sale

Allows the buyer to add special conditions to their offer.

e.g "This sale is subject to finance, building inspection, sale of another property, etc."

This gives the buyer more loopholes if their financial situation isn't 100% confirmed. However, depending on the market most sellers will usually entertain an unconditional offer vs a conditional offer. Once again, this really depends on the competition for the property and the type of market that you're buying in.

If the offer is successful, buyers will usually receive a cooling off period, however, there are some exemptions to this rule.

Michael Richardson

Auctioneer and Director, Fletchers

Living-in vs rentvesting

If you are thinking of renting out your home, you'll be a 'Rentvestor', Sounds fancy doesn't it?

Things to consider first

Your grants

The First Home Buyers Grant and the First Home Super Saver scheme is only available to people who intend to live in their first home.

Tax

Owning an investment property has tax implications. The upside? You might be able to claim a tax deduction on eligible expenses associated with your rental property. The downside? You'll need to declare the extra income you've earned from your property too.

Your loan purpose

You'll need to take out an investor home loan which generally has higher interest rates and different deposit requirements.

Your ongoing costs

Owning any home costs money, but when you're renting it out you'll need to consider the extra costs, like property management fees, landlord insurance and possible vacancy periods.



**Find out more at ato.gov.au or
talk to your Holzworth Partner
Adviser.**

The process



Stress less

Make sure you sort out home insurance. It's usually a condition of your new mortgage, but you've also done the hard yards for your new home – so make sure you're covered for the unexpected

Conditional approval

Getting conditional approval before the house search is often a good idea. It tells you just how much the bank is likely to lend you so that you can confidently make an offer on your dream home.

Having a conditional approval also lets the seller know that you are a serious buyer.

Can't find the one?

Have a conditional approval but haven't found the right house?

If you don't find a house within three months - don't worry.

You can simply reapply for a conditional approval and, if approved, you'll be set for another 3 months.

To apply for a conditional approval, you'll typically need:

- Your deposit sorted - including savings.
- One month's statement for any debts - car loan, credit cards, etc.
- One month's bank statement - where your salary or wage is paid.
- Recent bank statements - showing your savings.
- Estimate of the value for any assets - car, superannuation, shares etc.
- Calculation of your living expenses - rent, utilities, childcare, transport etc.
- Details and value of any personal insurances - Life Insurance and Income Protection Insurance for example.
- Last two pay slips. Or income documents if you're self-employed.
- PAYG Payment Summary.
- Driver's License or Passport - for identification purposes



Making an offer

Let's get serious

When you make an offer or win at auction you'll be asked to complete an Offer & Acceptance form or a Contract of Sale - depending where your property is.

This will show the specific details of your offer and any other requirements, property inspections for example.

In some cases, if your offer is accepted, you will need to pay the seller an up-front deposit.

Get organised

- When you sign your loan document, don't forget to take the opportunity to review your banking needs too.
- Do you need to discuss any other accounts with your new lender?
- Opening offset accounts with your home loan? Set these up now too.

Unconditional approval

Once the seller has accepted your offer, you will need to submit your home loan application along with all the supporting information required to your chosen lender. Unconditional approval occurs once all the information you provided in your application is validated by your lender.

Your lender completes a valuation inspection of the home you want to buy and, if applicable, arranges the Lenders Mortgage Insurance (LMI). There are some instances where LMI may not be approved. Check with your Bankwest Home Finance Manager or Broker before making an offer.

Your loan documents will then be provided, and you put your signature on the dotted line.

Settlement

At last, its time to settle



Home



Home loan



Settlement – HERE'S HOW



Settlement occurs on a specific date, decided only by all parties. Once settlement occurs – you'll be the proud owner of a new home.

But before you start packing, there's a few more things to tick off.

It's time to settle. Hoorah!

Settlement checklist

- ☐ Book final inspection
- ☐ Check you have your remaining deposit for settlement day in the right account
- ☐ Organise home and contents insurance
- ☐ Set up utilities at your new address
- ☐ Book a mover (or ask a friend)
- ☐ Redirect mail to your new address
- ☐ Know when your first home loan repayment is due
- ☐ Organise exit from current property
- ☐ Buy yourself a congratulation present

Holzworth Legal is here to help you every step of your settlement.

Settlement advice



How to settle like a star

Contract conditions can be complex and it's always recommended to seek advice before signing on the dotted line.

Most settlement agents will happily provide you with some tips before you start house hunting, and will check your contract before signing. They can give you some hints and great information which can make the process easier and help you to avoid some common pitfalls.

Some conditions you could include in your contract are:

- A 'significant structural defect' condition that allows you to arrange for a building inspection at your expense.
- 'Subject to a building report to the buyers' satisfaction' rather than a 'significant structural defect report' - If you're concerned about the general state of the property.
- All structures and improvements on the property have approval from the relevant government authorities.
- All gas, plumbing and electrical equipment and appliances are in good working order prior to settlement.

Keys and devices for all locks on the property will be provided.

Managing your Home Loan

Once the dust has settled, it's always worthwhile keeping an eye on your home loan to make sure you've got the right set up, as your circumstances or the market may change.



Offset Transaction Accounts

An Offset Transaction Account works like any normal transaction account, except it's linked to your home loan and any money you have in your Offset Transaction Account is 'offset' against the balance in your home loan account. This reduces the amount on which interest is calculated on that day.

In short: The more money in your Offset Transaction Account, the less interest you pay on your home loan.

Extra repayments

Making extra repayments on your home loan could save you thousands in interest over the life of your loan and you might have it paid off before the end of your term.

This could be as simple as transferring additional funds from your online banking into your home loan.

Holzworth Partners Group

Your friends in the know

When it comes to buying your first home, having someone in your corner can really pay off.

Holzworth Partners can support you every step of the way.

From Budget to Settlement.

Saving that deposit.

Plan ways to get into your new home sooner and get a clear picture of the home buying process.

Free property reports:

Make a more informed offer on a home, with property histories and area profiles at your fingertips.

Conditional approval for your loan.

Get a clear idea of what you can afford and be in a strong position to make an offer when the right home comes along.

Finding the right home loan for you.

Home loans come in different shapes and sizes. It's important to find one that's right for you and your financial situation.



A guide to home loan jargon

Equity

The difference between your property's market value and what you owe on your home loan.

Capital growth (also known as capital appreciation)

An increase in the value of your property over time.

Conditional approval

A document from your lender that states how much they're likely to let you borrow based on a review of your financial situation, objectives and requirements, and it's subject to terms and conditions.

Standard Variable Rate (SVR)

The SVR is the standard home loan rate charged by the lender. It's normally used as a benchmark rate from which other variable products are priced.

Lenders Mortgage Insurance (LMI)

If you take out a home loan with a deposit generally lower than 20%, you may have to pay LMI. This can also depend on the property type that you're purchasing.

LMI insures the bank in the event that you cannot pay your mortgage.

Loan to Value Ratio (LVR)

LVR is the amount you're borrowing as a percentage of the value of the home. For example, if your property is worth \$400,000 and you've borrowed \$320,000, your LVR is 80%.

Your LVR is a main consideration when the bank assesses your loan. The lower your LVR, the lower the risk to the bank.

Comparison rate

A comparison rate is a rate that all lenders must legally display when a home loan rate is advertised. It's a tool that can help you identify the truer cost of a loan. It's calculated using a standard formula that includes the interest rate, as well as certain fees and charges relating to a loan (not all fees and charges are included).

Stamp duty

This is probably one of your largest upfront costs. It's a state or territory government tax that's charged for your legal documents to be stamped. Depending on your circumstances and where you live, you could get stamp duty exemptions or concessions when you buy your first home. The laws on stamp duty are always subject to change, so be sure to check your state or territory government's housing website for the most recent information.

Settlement agent

Buying a house can be overwhelming, but the settlement agent helps you here. A settlement agent will ensure that the correct documents are signed and lodged, and they are responsible for the transfer of titles and rates from the seller to you. Most importantly, on settlement date they will act for you and attend to the settlement on your behalf, so you have less to think about. Alternatively, you can also employ a solicitor or licensed conveyancer.

Vendor

Generally, the person or people selling their house. In some cases, this could refer to the real estate agent who has listed the house.

Bridging finance

A short-term home loan to finance the purchase of your new property, before you sell your existing property

Split loan

In most cases, this is where one home loan portion is on a fixed rate and the other is variable rate.

Progress payment

Payments made from your construction loan to your builder when you're building or renovating. The loan funds draw down in stages as the building work progresses.



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