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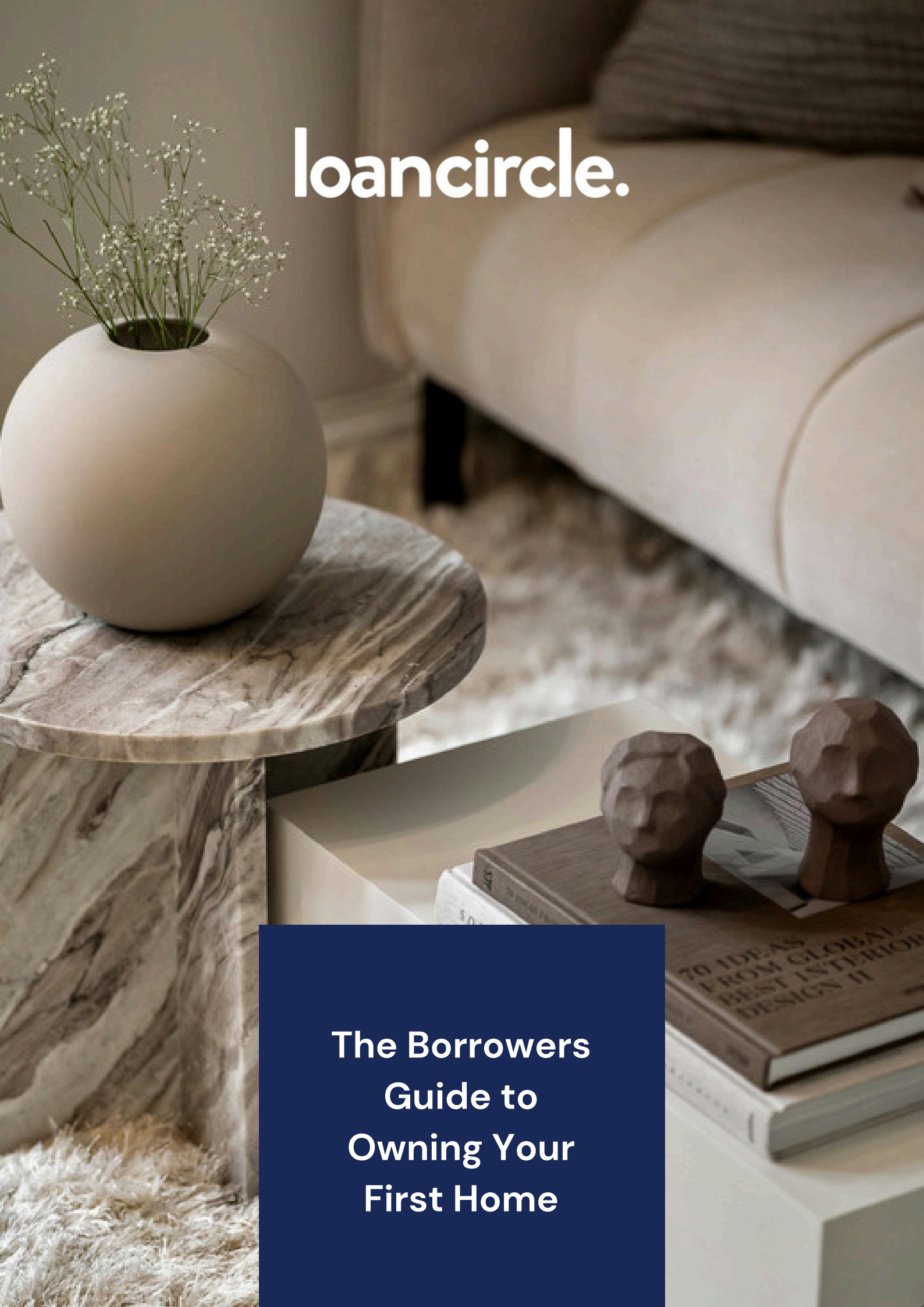

The Borrowers Guide to Owning Your First Home

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Buying your first home can be exciting and overwhelming at the same time. We have provided this guide to assist you in preparing for the home buying journey and we will be here with you, every step of the way.

Talk to your Mortgage Broker!

The lending process is complex, so it is important to engage your broker early in the piece. There is the deposit to think about, your borrowing capacity, the type of security and even the type of loan. Even if you are not quite ready to buy, we are here to get you prepared for the process so you can get into your new home sooner.

Your Deposit

Most lenders will want to see evidence of consistent savings over a period of 3-6 months. This is to show you have the funds to complete the transaction AND you have the discipline and commitment to pay your ongoing mortgage repayments once you settle your loan.

The amount of the deposit can be varied, some lenders will allow you to borrow up to 95% of the value of the property requiring you to only have 5% of the value of the property saved. This will require you to pay Lenders Mortgage Insurance (LMI).

LMI is a cost which you the borrower pay at settlement of your loan that protects the bank in case you default on the loan and they must sell the property at a loss. It is important to understand that LMI does not protect you if you get sick or lose your job. To avoid paying LMI you generally need to borrow less than 80% of the value of the property.

Possible borrow up to:

Avoid LMI:

There are other options available to you too if you do not have the full 5% of the deposit saved, let us explore a couple of those now.

Family Guarantee

A Family Guarantee allows your family, generally your parents, to provide their property as additional security to guarantee part of your home loan. This would allow you to borrow a high percentage of the property value (even up to 100%) without having to pay LMI.

It is important to understand the risks as well as the benefits. Assisting your children into their first home is a wonderful thing to do and a Family Guarantee can help them do it faster. However, it is important to understand that if the borrower defaults on their loan and the bank has to sell the property and there is a shortfall to clear the loan, the bank will then look to the guarantor to provide the shortfall up to the value of their guarantee. Given this, most banks do require the guarantors to receive independent legal and/or financial advice.

Rent In Lieu of Genuine Savings:

Some lenders recognise that it is hard to save your full 5% deposit while you are also paying rent. In some instances, lenders will allow you to use your rental ledger from your real estate agent to demonstrate capacity and commitment to meet the repayment obligations in the future. This then allows you to get a cash gift, generally from a family member, to make up the deposit.

Grants and Incentives:

There are several grants and incentives available to First Home Buyers at both the state and national level. Your Mortgage Broker can help you navigate which ones are right for you and links to the relevant state and national based schemes are in Appendix B.

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Costs of buying your first home

In addition to your deposit, it is important to factor in the other costs associated with buying your first home to ensure you have all the funds necessary to complete the transaction. These can include things such as:

Bank Fees

Including application and valuation charges.

Stamp Duty

Please note you may be eligible for a waiver of the stamp duty depending on the state you are borrowing in and your circumstances. Your Mortgage Broker or conveyancer can assist you.

Government Fees

These include things such as mortgage registration and transfer fees and title searches.

Legal Costs

This is for your solicitor or conveyancer.

Property Checks

Building and Pest inspections or maybe a Strata Report.

Other things you should factor in:

Removalist Costs

Will you do this yourself or hire a company?

Utilities

Set up of utilities which may include a connection fee and up to 2 months of charges as they may charge in advance.

Appliances

Do you need to buy a fridge or a washing machine?

Furniture

Are you moving straight out of your parent's house? Do you have the furniture you need to furnish your new home?

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Tips for Saving

Understand where you are spending your money. Your Mortgage Broker can help you with this.

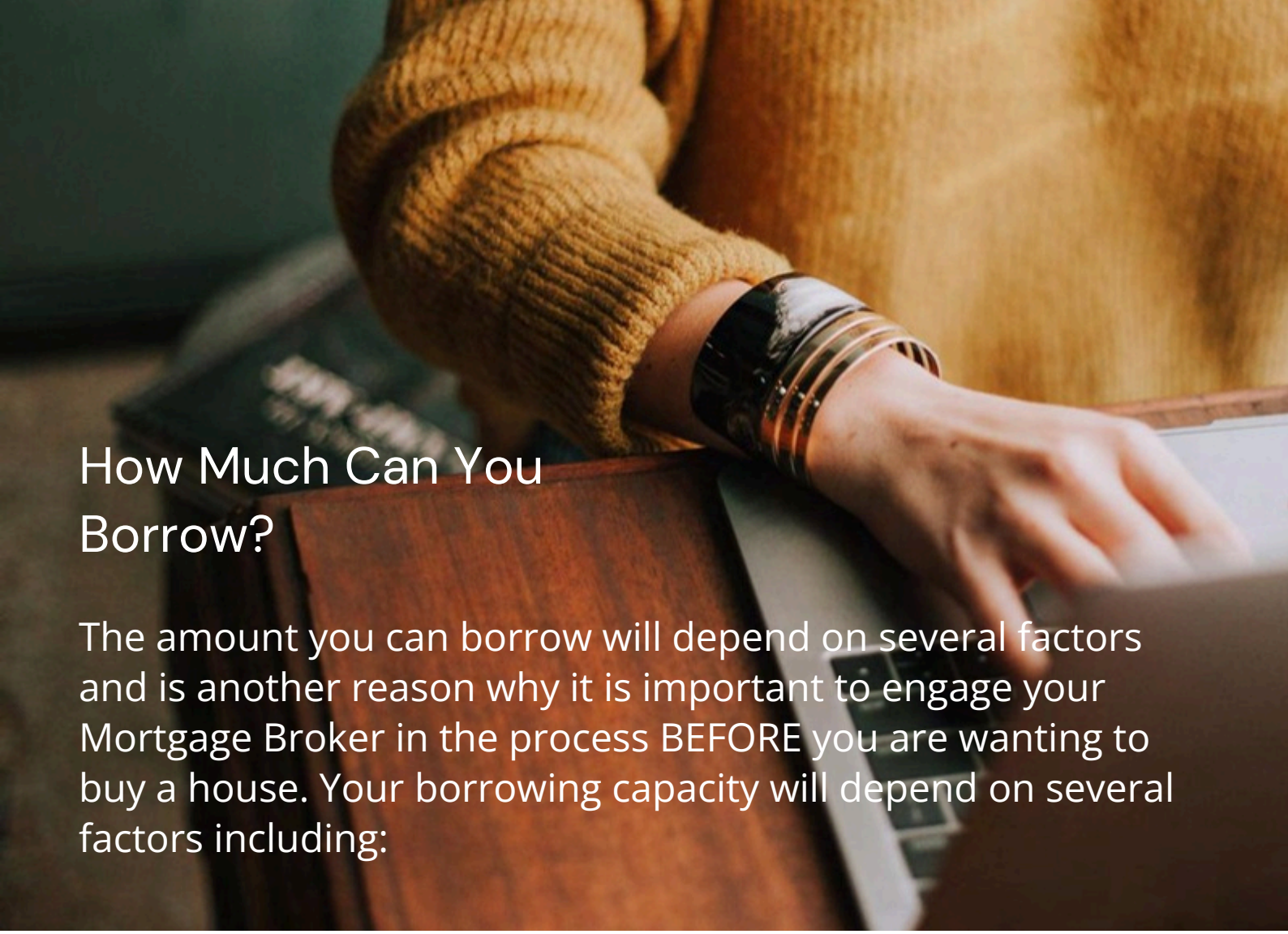
Review discretionary spending to see where you can cut back to save more. Be realistic though to ensure you can still enjoy your lifestyle.

Work with your Mortgage Broker to understand how much you will need to save.

Set small goals and save to a different, interest earning account than your everyday transaction account so the funds are separate. You will be surprised how quickly it can add up.

Save your tax refund instead of spending it.

Review things like subscription TV, mobile plans and other subscriptions or memberships. Cutting down on some of these things can add up quickly.



How Much Can You Borrow?

The amount you can borrow will depend on several factors and is another reason why it is important to engage your Mortgage Broker in the process BEFORE you are wanting to buy a house. Your borrowing capacity will depend on several factors including:

Your Income

This includes your fixed remuneration and any bonuses or allowances you receive. It is important when discussing your income with your Mortgage Broker that you disclose the types of income as some lenders may assess different types of income at different rates. As an example, your overtime might only be assessed at 80% of your income, but if you were in essential services it may be assessed at 100%.

Your Financial Liabilities

This includes things such as credit cards, personal or car loan and HECS debt. It also includes After Pay and Zip Pay and any interest free loans you may have. Credit cards with no debt owing but still active also need to be disclosed.

Your Living Expenses

Mortgage Brokers and lenders have an obligation to ensure they are not putting you into a loan that would cause you undue hardship. A key factor in assessing this is reviewing your living expenses. This is normally done by assessing your last 3-6 months transaction and credit card statements to assess how and where you spend your money.

One of the key benefits of working with your Mortgage Broker before you are ready to buy a property is that they can help you identify any changes in your spending habits that you could make to provide a more favourable view to the lender.

Please note, whilst it is good to review your living expenses and reduce discretionary costs, it is also important that you balance that with your lifestyle. You want to ensure that this is a budget you can stick to long term and not feel like you are sacrificing too much for the sake of buying a house.

How Much Should You Borrow?

Once you have worked through your income, liabilities and living expenses with your Mortgage Broker, they will provide you with your maximum borrowing capacity.

However, just because you can borrow an amount does not mean you should. A mortgage is a long term commitment and you need to take into consideration things like if you are planning on starting a family in a few years or if you have family overseas and you like to return regularly to visit them.

You do not have to borrow the maximum amount and your Mortgage Broker can work through this and guide you to a comfortable solution.

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Choosing the Right Home Loan for You

This is where working with a Mortgage Broker really pays off. Unlike the banks, who can only recommend their own products, your Mortgage Broker literally has 100's of loan products to choose from and can help you pick the right choice for you.

Your Mortgage Broker will discuss with you whether a variable rate loan or a fixed rate loan is right for you as well as the features that you will need in your loan product. Some of the things they will consider are:

All of these are described in detail in the Glossary of Terms 0n Page 24

Pre-Approval or Conditional Approval

Now that you have worked out the amount of your deposit, your borrowing capacity, and the type of product that best suits you, it is time to consider getting your Pre-Approval. Often called an Approval
in Principle, this is a crucial first step in your loan process. Essentially it is confirmation from the bank that, based on the evidence provided to them, they would consider approving your loan. To do this they assess your income, your liabilities, your expenses,
and your credit history to determine if they would consider approving your loan, subject to you finding an appropriate property.

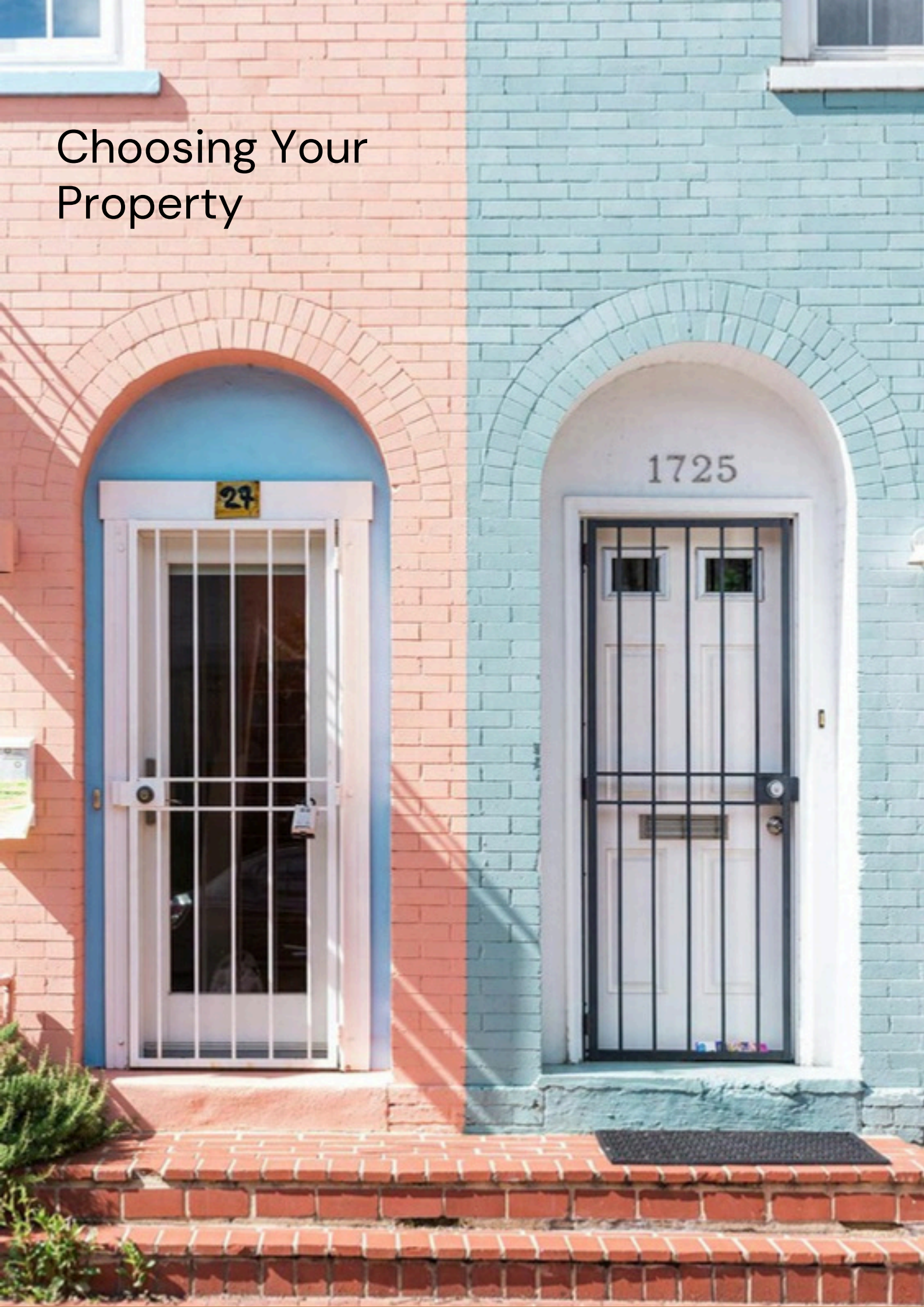
Important Things

A Pre-Approval is not an unconditional approval. There are still many factors that will need to be considered, please do not sign a contract to purchase a home
without speaking to your Mortgage Broker first! Do not make any big life changes without speaking to your Mortgage Broker. This includes getting additional credit cards or a car loan. It also includes any changes to your employment or income.

Engaging a Conveyancer or Solicitor

The other key person to assist you on your home buying journey is your solicitor or conveyancer. They play a key role in that they are your legal representation in this process and do things such as property searches, read through contracts, calculate government charges, and coordinate settlement. If
you are unsure of who to use you can ask friends and family for recommendations or speak to your Mortgage Broker, they will be able to recommend someone.

Choosing Your Property



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Once you have your pre-approval in place, it is time to go shopping! Picking your first home can seem like an overwhelming task so here are some tips:

Stick to your budget

You already have your preapproval in place so make sure you are looking at properties that fit within your price range.

Have a plan on the type of property you want

Have an idea of what is on your "Must Have" list and what would be "Nice to Have". This can assist you to narrow down your search criteria.

Start online

Property websites are a great place to start and you can even sign up for alerts that will advise you when new properties come on the market in your chosen area that meet your criteria.

Real Estate Agents

Visit your local real estate agents and start the conversation about what it is you are looking for. They are always very eager to help you find the right property to suit your needs.

Negotiate the price

Once you have found a property that you like, it is okay to negotiate on the price. If you are uncomfortable doing this, ask a family member or a friend to assist.

Do your checks

Once you have made an offer and it has been accepted, make sure you consider getting a building and pest report.

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Buying at Auction

Buying at auction can seem like a daunting task but it is a common way that properties are sold, and it does not need to be scary if you follow a few tips:

1. Ensure you know what your budget is, and stick to it!

2. Research the property ahead of time and get your pest and building inspections done ahead of time.

3. Have your conveyancer or solicitor review the contract prior to the auction.

4. Ensure you have your pre-approval in place.

5. Organise your deposit. If you are successful at auction, you are expected to sign the contract on the day and pay your deposit. Speak to your Mortgage Broker to discuss how they can assist you with a deposit bond if you do not have the cash for the deposit.

Unconditional Loan Approval

Once you have found your property and made an offer, your Mortgage Broker will again liaise with the bank to get your unconditional approval. This generally includes a valuation being done on the property and a review of everything provided in the Pre-Approval. The bank may ask for additional information at this stage, it is important that you provide the information requested in full and in a timely manner so there is no delaying in getting your unconditional approval. We have provided a helpful Home Loan Application Checklist in Appendix A to assist you with gathering the type of documents you might need.

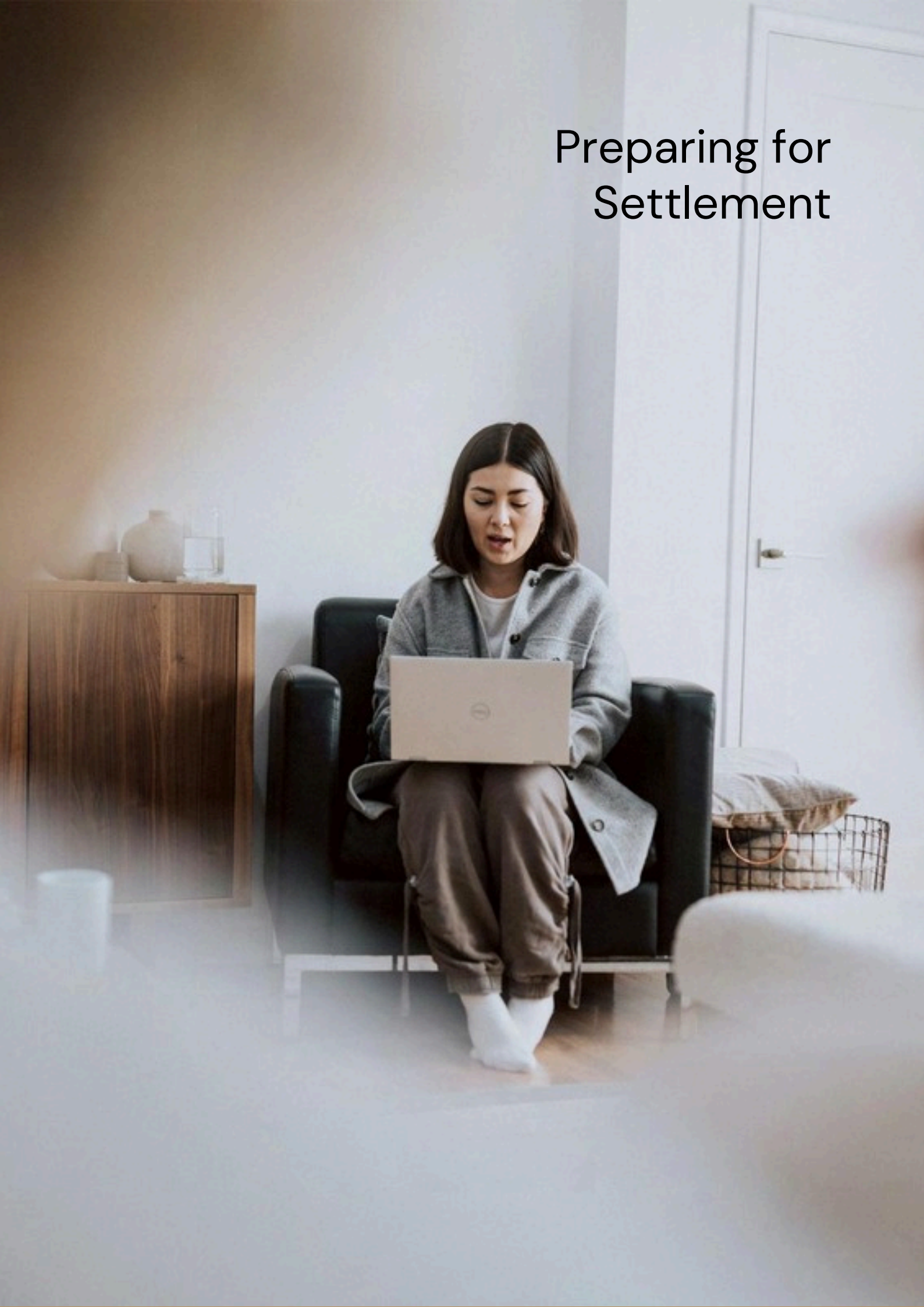
A Note on Lenders Mortgage Insurance (LMI)

During the unconditional approval process, the lender may need to get approval from the Lenders Mortgage Insurer. LMI is there to insure the bank in the unlikely event that you default on your loan and they must sell the property for a loss. It is not there to protect you in the event of illness or loss of job. Your Mortgage Broker will discuss with you what you should consider insuring yourself.

Signing Contracts

Once your loan has been approved unconditionally, it is time to sign contracts. There are two sets of contracts, one for the purchase of the property which your conveyancer or solicitor will assist with and one set of loan contracts from the lender. Your Mortgage Broker will review the contracts with you highlighting things like the product type, interest rate, fees and charges and any special conditions. It is important to remember that your Mortgage Broker is not a lawyer and cannot therefore give legal advice. It is recommended if you have questions about the contract to discuss these with your conveyancer or solicitor.

Preparing for Settlement



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Home Loan Application Checklist

- **Proof of Identity**
  Generally two pieces of ID
- **PAYG**
  Two Most Recent Pay slips
- **Evidence for Bonuses, Commissions, Overtime or Allowance**
  This could be an employment contract, letter from the employer or tax returns
- **Self Employed**
  Last Two Years Full Financials and Tax Returns
- **Centrelink Income**
  Most recent statement less than 30 days old
- **Child Support**
  Evidence from the Child Support Agency or Court Agreement

Savings Statements
Last 3-6 months to evidence savings

Transaction Statements
Last 3-6 months

Credit Cards and Personal Loans
Last statement

Breakdown of Your Living Expenses
Including fixed commitments and discretionary spending.

Contract of Sale for Property Being Purchased

Building Contract and Plans for Construction

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What Additional Documents Do I Need?

In addition to your standard Documents relating to income, Expenses and other debts, you will also need to provide the following:

Building Contract

This includes things such as the building stages, the drawdown schedule, how long construction should take and the final price.

Building Plans

This is the specific drawing that outline what it is you are building, they don't need to be council approved at this point but are required to provide the valuer with an idea of what it is you are building.

Specifications

This outlines the type of materials you are using including the quality of the finishings and appliances.

Quotes for Additional Works

It is important to read your building contract carefully as sometimes there are things not included and you may have to get quotes for these additional works.

Typical things not included could be:

- SWIMMING POOL - SHED
- LANDSCAPING AND RETAINING WALLS - DRIVEWAY - FENCING

What Do You Need to Provide After Approval?

Once your loan has been approved and you have provided the approval to your builder, they will start the process of finalising the plans and sending them to council for approval. Once this is completed, you will need to provide the following to the bank prior to them releasing funds for the construction:

- Signed Contract (fully signed by builder and purchaser)
- Signed Specifications (fully signed by builder and purchaser)
- Council Approved Plans
- Builders Risk Insurance
- Arrange insurance covering the full replacement value and ensure that your lender is listed as Mortgagee.

Owner Builder

You may decide that you have the skills and resources to either build your home yourself or manage the process, this is called an Owner Builder. Whilst there are the obvious advantages of saving money and building the house exactly to your specifications, there are some things you need to take into consideration before you proceed down this path.

Level of Experience

Whilst you are not required to be a licensed builder to get an Owner Builder license, the majority of the lenders now will require you to have experience building a home before they would lend to you in an Owner Builder scenario.

Loan to Value Ratio

The banks consider Owner Builder lending to be higher risk and as a result will lend a lower loan to value ratio, generally around 60-65%. This means you would need to have significantly more equity or cash in the project before they would consider you.

Cashflow

Like a standard construction loan, the lender will only release the funds once the stage has been completed. They will generally send a valuer out to inspect the progress and if satisfied, release the funds to you. The challenge this can present is that you need to have the cashflow to pay for things before the bank reimburses you, so having funds to complete is imperative.

Speak to your Mortgage Broker to find out more about if Owner Builder would be right for you.

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Tools to Assist

To ensure you have the best experience possible, we have provided a few handy checklists:

Required Documents Checklist

This will allow you to prepare for your first meeting with your Mortgage Broker and ensure you have the right documents ready, to avoid delay.

Budget

It is important to understand what you spend and what you can afford. Your Mortgage Broker will review this with you, but this document will help get you started.

Preparing for Settlement Checklist

There is a lot to think of when you are buying your home and this will assist you in ensuring there are no delays on settlement day.

Grants Available to First Home Buyers

For first home buyers, there are a range of state and federal incentives you may be eligible for.

First Home Super Scheme

On a national level, the First Home Super Saver Scheme can be a useful vehicle to help you save up for a deposit. It offers tax concessions and a higher interest rate than what is available in savings accounts. There is fine print involved, so it is important to read through the guidelines carefully and make sure you speak with your super fund before you engage.

Home Guarantee Scheme

The Home Guarantee Scheme requires the buyer to have between a 2 per cent and 5 per cent deposit saved. It comes with its own caps and restrictions but if you qualify this scheme also voids the need to pay lenders mortgage insurance.

State and Territory Grants and Scheme

At the state or territory level, first home buyers may be eligible for grants. For example, the Victorian state government offers a $10,000 grant if you're buying or building a new home for $750,000 or less. In Western Australia, New South Wales, Tasmania and there are potential grants of $15,000 in South Australia, $15,000 or $30,000 in Queensland and $50,000 in the Northern Territory.

Stamp duty is a tax on property collected by the state or territory you buy in and exemptions or reductions are available for many first home buyers. In Victoria for example, a first home buyer is exempt if their home has a "dutiable value" (this is the price you paid for the property or its market value, whichever is greater) of $600,000 or less. While homes with dutiable value between $600,00 and $750,000 are eligible for concessions, which apply to both new and established homes.

Fun Fact: First home buyer grants and schemes can be combined. Ask us how.

Required documents checklist

Identification

☐ Driver's License	
☐ Medicare Card	
☐ Passport	

Statements - less than 30 days old

☐ Savings Statements	3-6 months to verify income & living expenses
☐ Home Loan Statements	In the event of refinancing, 6 months loan statements will be required, otherwise a minimum of 1 month statement to verify details of the loan
☐ Credit Card Statements	1-3 months may be required

PAYG Income

☐ Pay Slips	Last two pay slips, less than 30 days old
☐ Payment Summary	Most recent may be required
☐ Employment Contract	May be required to validate overtime/bonuses

Self Employed Income

☐ Tax Returns	Last two years of personal/business/company/ trust income tax returns no older than 24 months old.
☐ Notice of Assessments	Last two notice of assessments, no older than 24 months old
☐ Financial Statements	Last two years financial statements for the business

Additional Income Documents

☐ Rental Income	Rental ledger or letter from the real estate agent
☐ Centrelink Benefits	Most recent Centrelink letter, less than 30 days old, outlining details of benefits

Potential Additional Documents

☐ Superannuation Statements	Depending on your circumstances, your most recent superannuation statement may be required
☐ Share and Dividend Income	Share statements and personal tax returns may be required
☐ Building Contract and Plans	For construction loans
☐ Contract of Sale	For purchases

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Monthly Budget

Food Expenses

Food & supermarket	$
Coffees, lunches takeaway	$
Cigarettes & alcohol	$

Discretionary Expenses

Entertainment	$
Domestic holidays	$
Clothing, shoes & accessories	$
Hairdressing & grooming	$
Phone, Internet & pay TV	$
Media streaming & subscription services	$
Gifts & celebrations	$
Other discretionary expenses	$

Children and Education Expenses

Public education costs	$
Private education costs	$
Tertiary & vocational education	$
Childcare	$

Health & Wellness Expenses

Gym fees, sport, other health & wellness	$
Private health insurance	$
Doctor, dentist, pharmacy, glasses	$
Life, trauma, income insurance	$

Transport Expenses

Recreational vehicle running costs	
Essential vehicle running cost	$
Essential vehicle insurance	$
Public transport, taxis, ride share, commuting airfares	$

Property Expenses

Primary residence running costs	$
Primary residence body corporate	$
Secondary residence running costs	$
Secondary residence body corporate	$
Investment property running costs	$
Investment property body corporate	$

Other Expenses

Pets	$
Child or spousal maintenance	$
Current rent expense	$
Ongoing board expense	$

Total Monthly	**$**

Preparing for Settlement Checklist

PAYG Income

☐ Funds to complete	In the nominated account at least 2 days prior to settlement
☐ Building Insurance	Organized and provided to the mortgage broker
☐ Utilities	Electricity/Gas/Internet/Phone/Pay TV organised
☐ If currently renting	Notice has been given to real estate and utilities disconnected at old address
☐ Forward mail	Electricity/Gas/Internet/Phone/Pay TV organised
☐ Organise removalists	Electricity/Gas/Internet/Phone/Pay TV organised
☐ Set up direct debits	Transfer all direct debits to your new account including things like Netflix and mobile phones

Glossary of terms

Home loans come with lots of new terms. Here's a quick guide to help you go from zero to hero in no time.

Borrowing Capacity

The maximum amount a lender will let you borrow based on your income, expenses, and debts.

Deposit

The upfront amount you contribute towards your property. Typically 5–20% of the purchase price.

Lenders Mortgage Insurance (LMI)

A one-off insurance fee you pay if your deposit is less than 20%. It protects the lender, not you.

Pre-Approval (Conditional Approval)

Initial approval from a lender based on your financials. Helps you shop with confidence but isn't a guarantee.

Conveyancer/Solicitor

Handles the legal side of buying a property—reviewing contracts, doing property checks, and managing settlement.

Stamp Duty

A government tax paid on property purchases. Concessions may be available for first home buyers.

Offset Account

A transaction account linked to your loan. Balances in this account reduce the interest charged on your loan.

Redraw Facility

Lets you access any extra repayments you've made on your home loan.

Fixed vs Variable Rate

- Fixed: Interest rate stays the same for a set time.
- Variable: Rate can go up or down based on market conditions.

Principal & Interest vs Interest Only

- P&I: You repay both the loan and interest.
- IO: You repay only interest for a set time (usually used by investors).

Building & Pest Inspection

A check to ensure the property is structurally sound and pest-free before buying.

Loan-to-Value Ratio (LVR)

Loan amount divided by the property value. A lower LVR (under 80%) means less risk and no LMI.

Notes

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Talk to your broker

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