

**The
Essential
Guide to
Buying Your
First Home**



Oz Home Finance is dedicated in finding the best home loan and banking solutions for you that fulfil your requirements and save you heaps of money. We will also simplify your home loan process taking all hassles out of your next purchase or refinance.

We understand how important it is to receive a fast and personal response to your financial needs. That's why at Oz Home Finance, we're focused on providing you personal one-on-one service, at a location convenient to you.

In this eBook we have summarised our years of experience of helping our clients through their journey of turning a dream home into reality. While we have covered all important aspects, we have tried our best not to make it overwhelming with details. We will cover each aspects in details in our upcoming eBooks. Please feel free to contact us if you have any further questions.

ILA Neupane

Mortgage Adviser

Oz Home Finance

Mobile 0401786975

www.ozhomefinance.com.au

info@ozhomefinance.com.au



Oz Home Finance
Mortgage Brokers

1 Save, save and save

You will need at least 5% deposit to buy a home, however having 20% is ideal as banks charge you mortgage insurance (called LMI) to finance more than 80%. In addition, you need to consider all other incidental costs at settlement of your home including stamp duty, legal and government costs.

Below table gives a rough idea on how much savings you need (Based on concessional Stamp Duty applicable from 1 July 2017 for first home buyers).

House Price	5% Deposit	Stamp duty and other incidental costs (Approx.)	Total Min. Savings Needed
\$500,000	\$25,000	\$4,000	\$29,000
\$600,000	\$30,000	\$4,000	\$34,000
\$700,000	\$35,000	\$14,000	\$49,000
\$800,000	\$40,000	\$35,500	\$75,500
\$900,000	\$45,000	\$40,000	\$85,000

Note: Mortgage Insurance applies for above, however, banks generally add it to loan amount. First home grant for purchase of new house is not considered above.

2 Keep your credit clean

Credit history is affected by various factors including past loan/ credit card default and non-payment of bills. If you are unable to make any such repayments due to temporary hardship such as illness or unemployment, get in touch with your credit provider immediately to agree on alternative arrangement.

If you are unsure about your credit history, please contact us for a free assessment.

3 Get your borrowing capacity assessed

Your savings and your borrowing capacity are two different things which affect the price of property you can afford.

How much you can borrow depends on your regular income and family situation. In other words, your monthly income should be sufficient to pay your living expenses and monthly interest and repayment of your loan.

Based on your savings, borrowing capacity and all the costs associated with the purchase your Mortgage Broker may be able to advise you the maximum price of the property you can afford.

You can also self-access your borrowing capacity based on how much monthly repayment of loan instalment you will be able to make from your take home salary.

Here are equal monthly instalments for different amounts of 30 years loan at 7.4% *(This rate is much higher than the current interest rate. This is to cover any interest rate increase in future).*

Loan amount	Equal monthly instalment
\$300,000	\$2,077.14
\$400,000	\$2,769.52
\$500,000	\$3,461.90
\$600,000	\$4,154.28
\$700,000	\$4,846.66
\$800,000	\$5,539.04

You can also get your home loan preapproval at this stage. It is sensible to get your loan preapproved before making an offer. Preapproval also helps speed things up after the offer.

4 Look at the big picture

Look at your budget and determine how a house fits into it.

Find out what your total monthly housing cost would be, Include loan repayment, taxes and home insurance in your cost.

You will no longer be paying rent; however, there might be unexpected costs for new appliances, roof repairs and plumbing problems.



Be mindful of unexpected costs associated with ownership; roof repairs, plumbing or electric problems etc.

5 Consider your options

Now you know what you can afford it is time to decide what you want in terms of location and type of property.

Do the homework- what are your requirements with regards to the area like the public transport, schools, hospitals, etc.

Do a research of the locations and areas that can offer the basic requirements that you have (be flexible with your secondary requirements if you have any, especially at this period of time when the property prices are at the pick properties that are close to everyone's attraction could be very expensive).

Identify your basic and secondary requirements as to the type and location of your first home.

6 Start Searching

Once you have a sense of your budget and requirements, you can start searching for your house with confidence. Websites and apps from Domain.com.au/ Realstate.com.au eliminate some of the work by automating the search. The sites will email you new listings that meet your requirements, save them and notify you when there are open houses.

7 Hit the Streets

It's helpful to visit a range of open houses in order to narrow your preferences, including how far you really



Mobile apps are great way to automate your search and get alerts whenever a property meeting your criteria is listed. – Source domain .com

want to be from the train station, what sized backyard you want, how far you want it from a busy road etc.

Here are few important things you need to look for.

- Location – distance from public transport, schools, shops etc.
- Condition of property – Condition of roof, whether there are any damp patches on walls and ceiling, damp or mould along skirting boards walls and ceilings, cracks on walls. Be cautious of paint jobs used to cover up mould or cracks.
- Noise – Is there excessive noise generated by nearby busy road, school, train line etc.?

House hunting process can be very lengthy it can take months so don't give up even when you are not being able to find anything within your preference and the budget.



Give particular attention to damp patches on walls and ceiling. Be cautious of paint jobs used to cover up mould or cracks.

8 Further Research

If you are seriously considering a property here are the further steps to take.

- Suburb profile – Check the price trend to find whether the properties are growing in value. From the council website find out the projected population growth which could also affect future property value.
- Development plan – Check with the council what developments are planned for the area. Major future infrastructure projects could have significant impact on property growth.
- Schools - If you have children or planning on starting a family nearby schools play a big role when deciding on a suburb.
- Research prices for similar properties.

9 Make an Offer

- Get copy of contract of sale before or as soon as you make an offer and get it examined by a solicitor or licenced conveyancer. **Do not sign on anything before getting the contract examined.**
- If the offer is accepted you will be required to pay a 0.25% holding deposit.
- You will have a minimum of 5 days cooling off period after exchanging contract and paying a further deposit of 10% (you can negotiate to change this deposit amount).
- Get building and pest inspections done during the cooling-off period. You will still be able to back out if there is a major problem. However, your 0.25% deposit will not be refunded.

(Please Note: This guide does not cover buying property at an auction)

You have the right to examine the contract at any time once a property is on the market.