AFFINITY

The Complete Guide for First Home Buyers

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Getting Ready to Buy

Getting ready to Buy

Purchasing your first home can be a very exciting process, however it can aslo be a confusing time and quite daunting. It is important to not feel overwhelmed and as if you are going it alone.

Affinity Property works closely with some of Australia's leading independent mortgage brokers and property advisors, who are experts in helping clients with all their property needs. These experts can help you with detailed information and great tips on:

- arranging pre-approval to buy a property
- how to access government grants?
- how much you can borrow?
- getting ready to buy and implementing a savings budget that works
- how do family guarantors work for a home loan?
- why to use a mortgage broker?

To boost your confidence and your home loan know-how, here is a quick guide to help you get ready to buy your home with the following five key tips:

- **Plan your budget**. This will help you understand how much you can afford on repayments and other costs. It needs to be a long term workable budget that also has a little bit of room for fun or you'll never stick to it.
- **Know your limitations.** Once you have worked through a budget then this should be easy. Don't buy what you cannot afford. Your first home doesn't need to be your dream home. Knowing how much you can spend will give you comfort when you are chatting with real estate agents and other professionals.
- **Deposit, deposit, deposit.** Save the biggest deposit that you can put together. Firstly, it shows a lender that you can save and not waste money but it can also save you a lot of money in fees from the bank.
- **Consumer debt/excess debt.** Try and minimise your credit cards and personal loans before you buy your home. That being said it's not always possible to do. It's then important to look at whether it's better to pay off your loans first or what your next steps can and should be.
- **Are you entitled to any government grants?** Make sure you receive all that you can from the government in regards to any incentives. Make sure you are fully informed and know what is available to you.

As you can see from the above there is a little bit of homework to do. Working with a mortgage broker and locking in a pre-approval can help with all of the above. Yes - it sounds a bit obvious but surrounding yourself with a team of professionals who can support you on the journey really does make a difference. A broker will also have reliable contacts in the real estate industry who can help you with the property purchase as well as conveyancers to make it all run smoothly. All of that being said, the number one tip is to always deal with people you like as it can be a rocky journey and good relationships are essential.

To discuss if this could work for you or other options that may help you purchase sooner, please call Expert Mortgage Broker Eleanor Crosby on 0424 363 190. You can learn more about the services Eleanor offers here homeloanconnexion.com.au/team-member/eleanor-crosby/

or follow her on www.facebook.com/EleanorCrosbyMoneyMatters

Warning: This content is not designed to replace professional advice. It has been prepared without taking into account your objectives, financial situation or needs. You should consider the appropriateness of the advice, in light of your own objectives, financial situation or needs before making any decision as to whether this scheme is appropriate for you.

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Securing the Best Finance for Your New Home

Getting the Right Finance for Your Property

By: Finance Editor - Eleanor Crosby

No matter if you are a first home buyer, a seasoned investor, or looking to downsize, getting the right finance for your property is a must. Easier said than done sometimes. There are so many options available today some of which can save you thousands of dollars over the life of the mortgage. But it also means so many potential traps to work around as well. Let's have a look at some of the things you need to consider.

Fixed versus Variable?

I get asked this question a lot and the answer is: **'It depends on what your priorities are.'** I can tell you that a fixed rate is not a way to beat the market and pay less interest. That can go either way dependent upon the local and global economy.

Ultimately a fixed rate allows you to understand where your payments are for a chosen period of time. Bringing peace of mind that what you can afford today will not change due to interest rate fluctuations. Once you commit to one you need to keep it as the penalties can be very expensive.

They can be good if you have additional debt you are paying off over the short to medium term, if you have kids at home and intend to return to work in the near future or if you know your income is likely to increase. You can align the fixed rate with these events.

If you are concerned by the impact multiple interest rate rises might have on your ability to afford your repayments and maintain your lifestyle you should investigate a fixed rate.

Pro's	Con's
[illegible]	[illegible]

A package versus a basic product

A basic product provides you with less features at a lower rate of interest. A package on the other hand will provide you with an offset account and a linked credit card and potentially some other discounts on ancillary products such as for example insurances.

Today the basic products are not always cheaper. At the moment lenders provide discounts based on the size of your loan and it is possible therefore that if your loan is large enough, you could get all of the bells and whistles for the cost of a basic product.

Offset or only redraw?

This one depends on how much debt you have, and how much you have or plan to have in the offset account and a little bit about your discipline.

An offset makes it easier for you to transact with these savings which may or may not be a good thing.

If you are paying a higher rate of interest for the offset facility then you need to have enough money in the account to make it worth the extra interest payment.

For Example

$249,000 mortgage means a package which includes an offset account costs 4.25% and the basic with a redraw facility costs 4.00%. The extra interest is $622.50 per year. To save that money you would need to have around $14,500 in the offset at all times to break even.

To discuss your loan requirements please contact our preferred mortgage broker Eleanor Crosby on 0424 363 190. You can learn more about the services Eleanor offers here https://homeloanconnexion.com.au/team-member/eleanor-crosby/

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Accessing Government Grants

Accessing Government Grants - Understanding the First Home Owners Grant

The First Home Owners Grant (FHOG) was launched on 01 July 2000. It was designed to assist with offsetting the GST cost that was applied to home ownership.

In simple terms the First Home Owners Grant is a state government initiative to help first home owners buy their new first home sooner. It is a one off grant that is payable to first home owners that meet the 'required' criteria. This means that qualification rules, amounts, supporting information and payment process can differ from State to State.

The grant is paid by the Office of State Revenue / State Revenue Office, but if you meet the standard qualifying criteria it can be processed by your credit provider, as an agent, and is usually paid at settlement or first drawdown for construction finance.

The way the grant is processed will differ from institution to institution. For example, some institutions may require the original grant application others may work on an electronic copy. It is important therefore that you understand how the grant works in the State of purchase and what the credit providers requirements are or else the grant payment and settlement could be delayed.

The rules do change from time to time and if so usually at the beginning of the new financial year. To avoid being caught out by these changes it is good practice to register for updates and review their websites at the start of each financial year.

To discuss your eligibility for the First Home Owners Grant and securing a loan to purchase your first home give our preferred mortgage broker Eleanor Crosby a call on 0424 363 190. You can learn more about the services Eleanor offers here homeloanconnexion.com.au/team-member/eleanor-crosby/

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Getting Financial Help with Family Guarantors

What is a Family Guarantor?

There are many types of guarantor loan options but the most common is that of a family guarantor loan. This is when the guarantor is directly related to the borrowers. Grandparents, siblings and other family members can be considered on a case by case basis but is not as preferred as a direct parent.

So what are the benefits of a guarantor loan?

A family guarantor loan has 2 main benefits for a borrower or applicant.

- You don't need a deposit, which means you can buy your home now. (You may need to cover some costs along the way in most cases)
- Not having to pay Lenders Mortgage Insurance (LMI), which means a considerable amount of money saved.

How does it actually work?

The new loan is secured by both the new property being purchased as well as the property owned by the guarantor. For the majority of guarantor loans we ask the lender to limit the guarantee secured on the guarantor's property. This means that they are not liable for the entire amount of the loan, only a portion of it, usually only the 20% depending on the bank and situation.

What are the risks to 'mum and dad'?

On paper, the guarantor is ultimately liable for your home loan should you run into trouble. If you are having problems making the repayments on your home loan, seek assistance from the bank or your broker. Remember your house will be the first one where action is sought before the guarantor is contacted. One of the greatest fears is that the bank will sell the guarantors home to cover any outstanding debt should you default. In reality, the banks will try everything to solve the problem before taking this drastic action.

Summary

Overall a family guarantee can be a great choice for families who are able to help out. It can be cost effective and easy to set up. However, its not for everyone so always ensure you seek help to decide what option suits you best.

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Saving for your First Home

Building Your Savings

Buying a house is exciting and life-changing; saving the deposit is a little less fun. But the more money you put down upfront, the less you'll have to borrow. Here are some tips to help you save your deposit faster, so you can move into your own home sooner.

1. Work out what you can afford

Be realistic. You may need to consider a smaller property, an older property, or a property in a different area, just to get you started in the property market.

2. Check out property prices

The property market is always changing. To get an idea of property prices in the area you want to buy:

- Have a look at online real estate websites

- Go to auctions
- Read the property section in your local newspaper.

3. Check your loan to value ratio

When thinking about how much to save, check your loan to value ratio (LVR). This is calculated by dividing the amount of your home loan by the purchase price (or appraised value) of the property.

Lenders use your LVR to gauge how risky it would be to give you a loan. In general, the higher your LVR, the higher the risk the lender will not be repaid if you default on the loan and they have to sell the property. Having a high LVR may also affect your ability to refinance your loan later on, and you may have to pay mortgage insurance again if the LVR on the new loan is high.

Usually lender's mortgage insurance (LMI) is payable if your LVR is above 80%. This is a one-off insurance premium to protect the lender should you default on your home loan.

Some lenders also use your LVR to work out the interest rate on your home loan. For example, if your LVR is more than 80%, you could be charged a higher interest rate than a borrower with a lower LVR. This could make a big difference to your repayments, so it is important to save as much as you can towards a deposit to reduce the size of your loan and try to get your LVR under 80%.

Fast Ways to Build Your Home Deposit

1. Set, plan, track and manage your savings goals

Develop a plan to help you save your deposit. Work out how long it will take you to save the amount you need, and how much you'll have to put aside each pay.

2. See where your money is going by tracking your personal expenses on the go & cut back on extras

The easiest way to see where you can cut back is by doing a budget. Write down your essential costs, such as rent, bills and food, and subtract this amount from your income. What is left over is what you could potentially save for your deposit.

Give yourself some leeway - if your budget is too tight, it will be harder to reach your target. So don't cut out all your fun expenses. It's a good idea to set smaller savings goals along the way and reward yourself with low-cost things you enjoy when you achieve them.

3. Move back into the family home

While it may not seem that appealing, many young people choose to move back into the family home while they are saving for their first house. Rent is likely to be one of your biggest expenses, so if you can cut this right down, you could increase your savings very quickly.

4. Get a high interest savings account

Once you know how much you can save, make your money work for you. If you leave it in your everyday transaction account, you might be tempted to use the cash. You will also earn less interest than you would by transferring your savings to a high-interest savings account.

If you find a savings account that offers bonus interest for every month you don't make a withdrawal, you'll be less likely to touch the money unless it's an emergency.

5. Automate your savings

Boost the balance in your savings account by transferring money to it as soon as you get paid. You can set up automatic transfers to your savings account online, or you can also ask your payroll department to send part of your pay to your savings account.

Automatic transfers allow you to 'set and forget', knowing that your savings are growing without you having to transfer them manually every time you get paid.

6. Consider investing

Have you thought about investing your savings in shares or a managed fund? This is a good idea only if you plan to buy your home in a few years time because these investments are suited to long-term goals. For more information see investing.

7. First home super saver scheme

The first home super saver (FHSS) scheme allows first home buyers to save a home deposit within their super fund.

Under the scheme, you'll be able to make voluntary super contributions, within existing contribution caps, and from 1 July 2017 up to $15,000 of those voluntary contributions made in a financial year can be withdrawn to purchase your first home. The maximum that can be released is $30,000 in total, plus an amount that represents deemed earnings.

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Withdrawals can be made from 1 July 2018. Non-concessional contributions and earnings can be withdrawn tax free. Concessional contributions and earnings will be taxed at marginal tax rates with a tax offset of 30%.

More information is available on the Australian Taxation Office's website.

Buying a home is a big step and it's easy to be daunted by the large sums of money involved. With careful budgeting, saving money towards your own home is made much easier.

Track Your Spending

You may think that spending on big things is what gets you into trouble with money. But often it is the everyday little things that end up costing you more.

It's good to keep track of where your money goes so you don't live beyond your means. Here are a few things you can do to make sure your spending fits in with your money plan.

1. Match your budget with your bank statement

One way to keep an eye on your spending is to match your budget with your bank statement. Check your bank statements by looking at the money coming into your bank account and the money going out. Use both your transaction account and credit card statements to see if your budget truly reflects your spending.

2. Do a spending diary

Another way to work out where your money is going is with a spending diary. Make a note of everything you spend for one pay or benefit period or at least a week. This will only take a few minutes a day.

Here's what to do:

First, decide how long to track your spending (for example, for a week, a fortnight or a month). Choose a timeframe you know you can stick to. The important thing is to do it every day.

Get a small notebook to use as your spending diary. Take it with you wherever you go. Or, if you have a smartphone, **download the ASIC MoneySmart free spending tracker app TrackMySPEND**.

Record everything you spend (for example, groceries, bus tickets, magazines, clothes, bills). Do this straight away. Keep receipts if you buy a few things at once.

Don't try to alter your spending habits during the tracking period. Just notice where your money goes.

At the end of the tracking period, add up everything you have spent. Now you have a good snapshot of your day-to-day spending.

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3. Check for spending leaks

What would you do if you had $840? Use it for a holiday? Put it in a savings account? Pay off your credit card? Or buy a cup of coffee? That's right, just one $3.50 cup of coffee every morning will cost you $840 over a year.

Spending leaks are those small regular purchases, like a morning cup of coffee, that add up over a period of time. If you're trying to save some extra cash, think about your spending leaks.

Because spending leaks are often the fun things like drinks or entertainment, don't cut them out completely. Instead, choose just one or two things to cut back on. Or think of ways to spend smarter:

Instead of spending $3.95 on a magazine every week, or $205 over the year, take out a subscription, which will cost $148 for the year

Going to the movies once a week costs $20, or about $1000 a year, but hiring a DVD instead can more than halve this cost

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Learn About The Legal Process

1. Deciding on Your Offer

Deciding the price and conditions of your offer is a critical step that requires careful thought. Make an informed decision by researching how much the property last sold for and when, plus recent sale prices of comparable properties in the area (using a service such as Corelogic RP Data, for example). Getting an independent valuation by a professional valuer should also be considered (please note, real estate agents are not registered valuers). Keep in mind that sellers may consider conditions (or lack of) as well as price.

The best way to present a strong offer on any property is to follow the steps below. All offers must be presented to the owner in writing with all purchasing details correct so the contract can be counter-signed by the vendor.

STEP 1 - PROVIDE AGENT WITH YOUR FULL DETAILS SUCH AS:

- The actual purchase price you will be paying for the property
- The method by which you choose to pay the deposit eg: cheque/electronic transfer
- The settlement period that you require or the vendor has stipulated

- The name of your chosen Solicitor or Conveyancer (please refer to our recommendations tab)
- The name of your bank or financial lending institution
- Any special conditions or requests that you may have so tat we can inform the vendor (property owner)

STEP 2 - CONFIRM YOUR TIMEFRAME TO DO ANY INVESTIGATIONS/ CHECKS/SEARCHES

Find out if the property has a deadline on it, such as an Expressions Of Interest campaign, tender or auction.

STEP 3 - DECIDE IF YOU ARE GOING TO OBTAIN A PEST & BUILDING REPORT

Before you purchase any property - in particular a new home - it is important that you receive a copy of a Pest & Building Report from a qualified inspector.

2. Making an Offer

Putting your offer in writing shows the seller that you are serious, and avoids confusion that can occur with verbal negotiations. The real estate agent will present the buyer with a number of documents and is obliged to go through these documents to avoid any confusion. If a buyer still has queries at this stage, they are encouraged to seek independent legal advice.

The REIQ Contract of Sale (approved by the Queensland Law Society) has provision in the schedule for the contract to be subject to finance, a building inspection and/or a pest inspection if these are required. However, parties may also agree to vary the standard conditions in the contract.

Pay a Deposit

A buyer will be encouraged to pay a deposit when signing the offer. If the deposit is greater than 10 per cent of the price, the contract becomes an 'Installment Contract'. Whilst paying a deposit is not something that is legally required, by doing so buyers show the seller that they are making a serious offer and are showing their goodwill. Deposits can be paid by way of cash, cheque or electronic transfer of funds. They can also be paid using deposit bonds or bank guarantees. Buyers should seek advice from their financier as to any associated costs with deposit bonds or bank guarantees before paying a deposit in this form.

Conditions

If a buyer terminates the contract under the cooling-off period or another legitimate way, the deposit is refundable (excluding the termination penalty of the cooling-off if the seller elects to charge it).

It is important for a buyer to ensure building and pest inspections (if applicable) are carried out within the time frame set out in the contract conditions. With regards to finance, if an independent valuation is required as part of the finance

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process, buyers should ensure their financier has this arranged within the time frame of the condition.

If a buyer feels that any conditions may not be finalised by the applicable end date, they should seek legal advice from their solicitor as soon as possible. Commonly, a solicitor may suggest a buyer requests from the seller an extension to the condition date. It is the seller's discretion to grant, or not grant, the request.

The Contract

A standard contract for the conveyancing of residential property was developed by the Real Estate Institute of Queensland and Queensland Law Society.

When you have expressed your interest in purchasing a property, the real estate agent will prepare a standard contract for you to sign.

Seek advice before you sign - send a draft contract to your solicitor to make sure it is correct and meets your needs. A standard contract cannot deal with the individual circumstances of every transaction.

If necessary your solicitor can add special clauses to the contract, for example:

- the purchase may depend on the sale of your existing property
- the property is not subject to flooding and the sellers have obtained all necessary statutory approvals and complied with those approvals.

It is also recommended that you obtain an independent valuation of the property before you sign the contract.

There are a number of critical Warning and Disclosure Statements which must be completed and signed to ensure that the contract is properly formed. You should ask your solicitor to ensure that these are correct before you sign.

Special points for townhouse and unit buyers If you buy a townhouse or unit

You should ensure you:

- are informed of certain matters before signing the contract, for example, the annual contribution to the body corporate and how this is set;
- receive a copy of the Community Management Statement for the body corporate (which includes details of the annual contributions and the body corporate by-laws) with the contract;
- receive certain warranties from the seller, for example, that there are no hidden or obvious defects in the common property. If defects and liabilities are not disclosed in the contract you may be able to cancel the contract and recover any money paid.

Cooling-off period

All residential property sales in Queensland are subject to a buyer's cooling-off period of five business days commencing on the date the buyer or their lawyer receives a copy of the contract signed by both the buyer and the seller.

If you, the buyer, decide not to proceed with the sale within that period, you must give notice to the seller in the specified way to cancel the contract; you must pay the seller 0.25 percent of the purchase price of the property. If your deposit exceeds that 0.25 percent, the balance must be refunded to you.

Auctions

No cooling-off period applies to buyers who purchase at auction on the fall of the hammer. The cooling-off period applies if a property is passed in at auction and a bidder subsequently buys the property.

Buying a house

Your solicitor will:

- Check the title and plan of the land for easements, caveats, and other encumbrances
- Do all the other usual searches
- Inform you if these searches disclose any zoning and planning regulations or other restrictions affecting the property
- Check for any disputes or other charges affecting the unit or townhouse (community title land)
- Prepare all documents and make sure you gain good title to the property you are buying.

Buying a townhouse or unit

When you buy a townhouse or unit (community title) you take on a relationship with the other owners and the body corporate such as:

- sharing the ownership of common areas, e.g. lifts, stairwells and front entrances
- becoming a member of a body corporate which is regulated by fairly complex rules - you are jointly and severally liable for the bodies' corporate debts.

The body corporate is made up of all the owners. It decides issues about the common property, concerns of owners and maintenance of the complex.

Owners regularly contribute money to the body corporate for day-to-day ongoing expenses and anticipated long term costs.

You should ask your solicitor to explain the ramifications of buying community title.

3. Conveyancing

What is Conveyancing?

Conveyancing is the legal transfer of a property's title from the seller to the buyer. It is important that buyers research who they wish to use for conveyancing when they have a contract of sale.

Use a Solicitor

The REIQ recommends the use of a qualified solicitor (for details of qualified solicitors contact the Queensland Law Society) for any property matter, including conveyancing.

Using a solicitor often saves time on paperwork such as title searches and stamp duty, and can often provide peace of mind when making what may be the largest single financial transaction of one's life.

Conveyancing Costs

Conveyancing will incur costs such as searches of the:

- Titles Office,
- Certificate of Rates,
- Zoning
- Transfer duty
- Registration fees
- Standard professional services costs

Council and property searches can identify any planning issues or problems, and highlight what the area might look like in five to 10 years. They ensure major changes like new freeways and major road upgrades are not planned for a property's backyard.

Searches for zoning and titles will determine whether the property has any restrictions such as adverse planning, demolition orders, outstanding taxes or encumbrances on the title (for example, easements or caveats).

Most of these searches are standard in the conveyancing process but are often overlooked when buyers elect to do the conveyancing themselves.

4. Settlement

Once a contract has become unconditional it is time to start packing! It is important for a buyer to keep in touch with their solicitor through this time with regards to any issues that may arise approaching the settlement date.

Buyers are encouraged to arrange a pre-settlement inspection with the agent to ensure that everything is per the contract conditions, noting any included chattels or excluded fittings. Pre-settlement inspections should be conducted once the property has been vacated by the seller or its occupants.

Commonly, the solicitor will attend the actual settlement on the buyer's behalf and both the seller's and buyer's solicitors will notify the agent once settlement has occurred. Only after an agent has received notification from both parties, can keys be released to the new property owner.

Your quest of buying a house, unit, townhouse or any other property is now complete - enjoy!

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Register for First Home Buyers Seminar

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Here is a comment from our last First Home Buyer Seminar!