



First Home Buyers

A helpful guide for buyers

Introduction

Buying your first home is an exciting journey but it's also one with pitfalls that can catch out the unsuspecting. This guide is designed to give you a brief outline of things to consider and how to prepare so as to make the journey as stress free as possible.

How Much Deposit Will I Need?

Banks are generally looking for a minimum deposit of 5% of the purchase price plus your purchase costs (see below). The deposit must be saved progressively e.g. from salary, over a minimum of 3 months. Some banks require a greater deposit, so it may mean being flexible on which lender you use depending on what percentage deposit you have.

What If I haven't Saved Enough Deposit?

There are a couple of options in this situation:

- 1. Family Guarantee** – this is where a close family member who has equity in a property allows you to "use" some of that equity to cover for the absence of a deposit. You can borrow the full purchase price plus costs if necessary and the family member's property secures 20% of the purchase price plus any costs borrowed. Mortgage insurance would be avoided in this case.

Bear in mind, you will be required to prove you can meet the repayments on the full loan amount i.e. the guarantor's income is not able to be used to help in this case.

- 2. You Are Renting Your Current Home** – there are a small number of lenders who recognise it is difficult to pay rent and save a deposit at the same time. These lenders will waive the need for the 5% minimum deposit to be saved over 3 months if:

- You have been renting for a minimum of 6 months
- You have been renting through a licenced estate agent (no private/family rentals allowed)
- Your rental history has been clean, confirmed by a letter from the agent
- The names on the lease agreement are the same as the proposed borrowers

In this case you still need to have the money for your deposit and costs, it just doesn't have to be saved. So, the funds can come from a gift from family, sale of an asset e.g. motor vehicle etc.

What Are The Costs?

If you have less than a 20% deposit you will need to pay lender's mortgage insurance (LMI) – see a separate guide that has useful information on LMI. In addition to your deposit you will need to have funds for the costs that still apply even though you are a first home buyer:

- Some State Government fees
- Building and pest inspection (if buying an established property)
- Solicitor or conveyancing costs
- Bank loan set up costs (if applicable)

First Home Buyers receive stamp duty exemptions or concessions in most States, depending on the value of the home. Get an idea of what you will be up for by pasting this link in your web browser -

<https://www.suncorp.com.au/banking/government-fees-home-loans-calculator.html>

What About The First Home Grant?

This varies from State to State but as a rule the grant is only paid to first home buyers purchasing a newly built property that has never been lived in or for the construction of a new home.

In the case of construction, the grant is paid to the bank when the slab stage of the build has been completed.

It is worth bearing in mind that most banks will retain the grant money until the construction is complete to make sure there are enough funds to cover unforeseen costs. At the end of the build the remaining grant funds are released to the customer's account.

Please check the Office of State Revenue website in your State for eligibility details and the relevant application form.

If you would like to discuss any of these items in more detail or if you have any questions in relation to the First Home Buyer finance process, please contact me.

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