

• PURCHASING YOUR • FIRST HOME



Buying your first home is a huge step, both financially and emotionally. If you can plan effectively and get the money side of things right, you'll soon be sleeping soundly – under your very own roof.

First home buyers are in prime position to take advantage of the exciting buying conditions present in the market. With the First Home Owner Grant, falling interest rates and a decline in property values - conditions are now stacking in favour of the buyer.

There is little competition, plenty of stock and buyers have the upper hand in dealing with a vendor. If that's not enough reason to start thinking about buying your first home, fast-rising rents and limited rental opportunities are a further incentive for prospective first home buyers.



Most homes are purchased via a real estate agent but there are a few websites available now that arrange home sales for private sellers. When you purchase a home via a real estate agent there is no cost to you as the home seller pays commission to them, but you may find you are able to purchase a new home from a private seller for a slightly lower price if they take into consideration the real estate agent commission that they do not have to pay.

First Home Owner Grant (FHOG)

The FHOG is an Australian Government funded scheme. First home buyers who purchase established homes will receive a grant of \$7,000.

Eligibility of FHOG

- You must be an Australian citizen or permanent resident buying or building your first home in Australia.
- The property must be a recognised house, home unit or flat specifically designed for people to live in.
- If you've already claimed the grant, you can't get it again.
- You must occupy the home within 12 months of purchase settlement or building completion for a period of 6 months continuously.
- Purchase price must be below \$750,000.
- Application for the FHOG must be made within 12 months of settlement or building completion.

The tax-free, one-off payment is not means tested, so any first home buyer who meets all the criteria is eligible. Applications made in joint names will only be entitled to one payment for the single property.

The different State and Territory Governments around Australia also have additional eligibility criteria, such as minimum age limits and periods of occupancy. All are different so check with your local authority for their specific details.

If you apply for the grant through an approved bank or lending institution you may receive the grant sooner than if you apply directly through the Government.

To see if you're eligible or for more information, visit www.firsthome.gov.au.

Important Information to Consider

- Ideally you should try to save at least 10% for a deposit.
- Sit down and work out a budget. You can download our 'Cashflow is King' budget planner from our website.
- Clear your credit card debt as soon as possible.
- Set up automatic payments into a separate nominated savings account.
- Find a high-interest savings account or an account that pays bonus interest to reward you for saving.
- Check out the Governments First Home Saver Accounts (FHSA) to help kick start your savings plan. For more info click [here](#).
- Avoid costly mistakes! Do some research and get yourself some professional legal and financial advice.
- Don't borrow more than you can afford.
- Be prepared for interest rate fluctuations.
- Don't be afraid to ask about fees and charges.
- Be aware of credit card balances and limits and ensure you can afford your repayments.
- Repay extra when you can.
- Make your payments on time to keep your credit history clean.
- Beware of hidden costs like legal's and stamp duty.

Speak to a Mortgage Broker

Discuss your loan options with a mortgage broker.

The first few years of your mortgage can be tough. So to help out, most first-timers are offered a lower interest rate. Bear in mind that these are considered 'honeymoon rates' and can sometimes skyrocket after the honeymoon period.

Your broker will inform you of the different options available in the market and recommend which ones are right for you.

Don't have a deposit? You could still borrow up to 100% of the property value on selected loans. However, deposits are becoming more important as an increasing amount of banks do not allow this type of borrowing.

You will have to pay mortgage insurance on anything over 80%.

There is also with some banks an option whereby parents can guarantee either/or past deposit and income to service.

Get a pre-approved loan before you start looking. Pre-approved loans mean that you will know your budget limits and be in the perfect position to bargain. Remember pre-approved loans are only available on certain conditions.

Don't forget hidden costs! The real price of your new home will include things like government fees, stamp duty, legal costs, insurance, building inspections, utility connections, moving costs and council rates.

When buying a house it's important to draw up a detailed budget that takes into account all possible costs to make sure you aren't in for any nasty surprises.



Initial Costs

Almost all lenders charge a loan application or establishment fee on new home loans, which can be as much as \$1,000

Your lender is likely to require the property you are buying to be valued, this cost is about \$300 and is usually incorporated into the total loan application fee.

Almost all lenders will charge you mortgage insurance if you borrow more than 80% of the value of the home. Costs may differ between insurers and home loans. For a \$450,000 loan the costs (not including mortgage insurance) may be about \$2,500.

Government stamp duty is charged on the amount borrowed and the property purchase price. In Queensland a first home buyer will pay no stamp duty on properties up to the value of \$500,000 and vacant land up to \$250,000. This concession potentially saves first home buyers up to \$8,750 on transfer stamp duty costs.

When you buy a property legal ownership needs to be transferred to make it officially yours. This process is called conveyancing. You can do this yourself but you need to realise that the documentation can be quite complicated. Most home buyers use the service of a solicitor or conveyancer, an expert in the field who will ensure it runs smoothly. Depending who you use this cost can range from \$700 to \$1,500.

It is also important to obtain a Building Certificate and Building and Pest Report of the property you want to purchase. This certificate gives you the comfort that the local council won't require you to rectify parts of the property that don't comply with building and development regulations.

A building and pest report will tell you any internal and external faults and potential problems with the home that may alter your decision or give you negotiating room on your purchase price.

There are usually costs involved in moving your furniture into your new home. Before you move in you will also need to organise the connection of electricity, gas and telephone services which usually require security deposits and connection fees.

Ongoing Costs

As a home owner you will have to pay council rates and charges to cover rubbish collection, maintenance of footpaths and parks, and water and sewerage services.

You will also be responsible for the upkeep and regular maintenance on your property. This will help retain the value of your home and you may find that fixing minor problems as they arise a lot cheaper than waiting until maintenance problems become serious and costly to repair.

Other costs to consider are building and contents insurance, loan repayments and if you have purchase a unit Body Corporate Fees.

As you can see there is more to buying a home than simply handing over a deposit. It is important that you know your budget and are fully aware of the upfront costs before you launch into a mortgage.

Disclaimer

This Fact Sheet has been prepared for general information purposes only and not as specific advice to any particular person. Any advice contained in this document is General Advice and does not take into account any person's investment objectives, financial situation and particular needs.



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