

HOME LOAN GUIDE

by

ez financing





ABOUT THIS GUIDE

It is an exciting time purchasing your first home, or for some this will be your second or maybe your third?

Regardless, this excitement often gets shadowed by the impending overwhelm of the buying process.

At Ez Financing, we value positive experiences which lead us to creating this home buying guide to simplify the process and ease the overwhelm.

This home buyers guide is filled with information, checklists, tips & tricks to help you along the way. But if by chance you do find yourself in a pickle, we have included the contact details for the right people to call, you can find them on pages 8 & 9.

Wish you all the best on your buying journey!



HOW DO CONSTRUCTION LOANS WORK?

THE DETAILS REQUIRED ALSO DIFFER DEPENDING ON WHETHER YOU'VE CHOSEN A REGISTERED BUILDER OR ARE COMPLETING THE CONSTRUCTION YOURSELF.

1. For owner builders we need:

- Copies of council certified approved plans/specifications/permits/licences for owner-builder construction works.
- Copy of Quantity Surveyor (QS) report detailing anticipated construction costs.
- A detailed outline of full construction costs that includes Progressive Payment Schedule and contingency/overrun – this must be presented in a format acceptable to the bank.
- Copies of all quotations/invoices/estimates.
- Copy of soil test and Quantity Surveyor's comments.
- Detailed timing schedule.
- Copies of insurance policies (required prior to first progress payment).

- Building Permit and Stamped Approved Plans
- Builder's Construction /Contract Works Insurance
- Public Liability Insurance of the Builder
- QBCC Home Warranty Insurance Certificate

2. For Registered Builders we need:

- Copy of signed Industry Standard Fixed Price Contract.
- Copy of plans/specifications/permits.
- Copies of insurance policies (required prior to first progress payment):
- Builders All Risk/Public Liability Insurance.
- Domestic/Home Warranty Insurance.
- Public Liability Insurance.

3. How do construction home loans' drawdowns or progress payments work?

Once your construction loan gets the approval, your lender will be able to make payments to your builder during every stage of construction. As each phase is completed, your lender will require you to present an invoice from your builder before it can issue a payment.

Your builder will outline the total amount needed to construct your home, dividing the expected costs into several segments. Lenders will be very involved in the process — they will typically send someone to check on the progress of construction before releasing the next payment to your builder. This move is to your advantage since it ensures the quality of your future dwelling.



4. How much do I pay at each stage?

The amount paid at each progress payment stage is based on a percentage of the total costs of completion.

As a general rule, the amount you pay at the different stages of construction is as follows:

Stage 1: The deposit: 5%

The first thing you'll normally have to do is pay your builder an upfront deposit to cover the initial cost of materials. Depending on the nature of the land, there may be soil testing, site-levelling and clearing undertaken prior to actual construction.

Stage 2: The slab or base stage: 15%

As the name suggests, this is simply when the foundation is laid.

It includes measuring out the design on the site, pouring the footings, under slab drainage, moisture barrier and special mesh for termite protection.

Stage 3: Frame stage: 20%

This includes the installation of your internal and external support structure, along with walls, a conduit for electrical and plumbing, the roof frame and sheeting, gutters and insulation.

Stage 4: Lockup stage: 20%

It's at this point where you can literally start "locking up" the property because your windows, doors and remaining walls will be installed.

It's also safe for plumbers, electricians, cabinet makers and other tradesmen to begin fitting out the property.

Stage 5: Fit-out or fixing stage: 30%

Plumbing, electrical (including lights and powerpoints) and other fixtures and fittings will be installed.

The design features that make the property a home will also be added such as cornices, tiling, cabinets and shelving, reveals and architraves.

Stage 6: Practical completion stage: 10%

This is basically where all painting, installations and detailing have been completed and you're effectively ready to move in.

5. Final payment.

Before your final progressive payment can be made, after the building has been completed, you will need to provide us with the following documents:

- For new homes: a copy of the occupancy certificate or interim occupancy certificate where only external items such as driveway and landscaping (not included in construction valuation) are outstanding.
- A copy of the building insurance/fire policy may also be requested.

6. How long does each stage of construction take?

It depends on the size and design of the build but generally speaking:

- The slab or base stage: 1-2 weeks
- Frame stage: 3-4 weeks
- Lockup stage: 4 weeks
- Fit-out or fixing stage: 5-6 weeks
- Practical completion stage: 7-8 weeks

7. What construction loan documents do I need to provide?

- A building contract
- Building plans
- Specifications
- Quotes for additional work
- Swimming pools
- Sheds
- Landscaping and retaining walls
- Power poles
- Driveways

PACKAGE HOME LOAN

Offset Accounts Explained

- The 100% offset loan is a common home loan feature that allows you to pay off your home sooner.
- This feature works by linking your loan to an account that you use every day, such as your saving account.
- The balance of your savings account then reduces or offsets against your home loan.

For instance, let's say you have \$50,000 in your everyday offset account, and you have a home loan of \$400,000. This \$50,000 then reduces your mortgage principal to \$350,000 so that you only pay interest on this amount, not the full \$400,000.

How does this loan feature help me?

The loan:

- Reduces the amount of interest you pay on your home loan.
- Helps you to pay off your home faster.
- Encourages you to build up a nest egg or a buffer, so you avoid mortgage stress.
- Creates good savings and money management habits.



BASIC HOME LOAN

The basic home loan is the no-frills product offered by most lenders with minimal extras (no offset account or a credit card). Different banks will use different names to describe these loans but the concept remains the same. You can choose either a variable rate or a fixed rate.

FOR EXAMPLE:

You may have an everyday transaction account with Bank A and may opt Bank B for your home loan. Usually, you can set up a direct debit weekly, fortnightly or monthly to make the mortgage repayments from Bank A to Bank B.

You have an option to contribute extra money into your loan (restrictions apply if your loan is fixed). This becomes your redraw and you can withdraw the extra money contributed from your loan at any time. Some banks may have minimum withdrawal limits and may charge a fee. Internet transactions are usually free.

Basic variable loans usually have an application fee, because lenders do not charge an ongoing package fee, and you also receive a discount in the range of 0.5%-0.7% off the standard variable rate. If you are someone who doesn't want a credit card or to pay a package fee, someone who is happy to just deposit extra money into your home loan when you want to, then this is the type of loan for you.

There could be variations of this loan with extra fees (offering offset account) or lower interest rates (honey moon period) and so on.

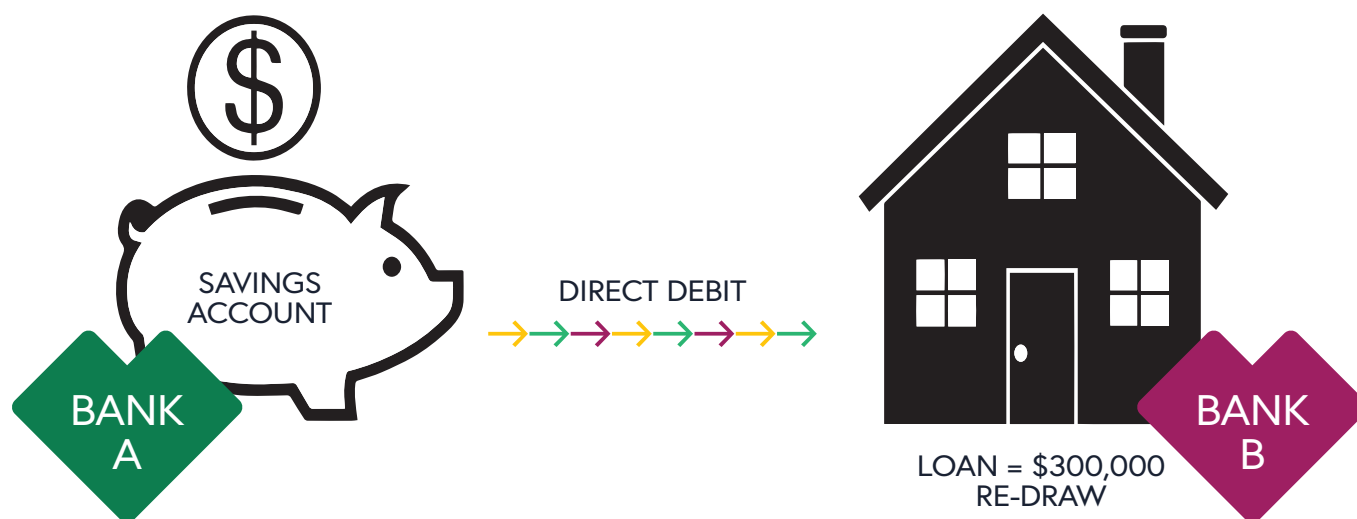
REDRAW FACILITY

What is a redraw facility?

A redraw facility is a home loan feature that allows you to withdraw extra repayments that you have made on your loan. These extra repayments accumulate separately to your normal repayments, which allows for withdrawal.

So for example, if your minimum monthly mortgage repayments are \$2,000 and in one month you repay \$5,000, you could withdraw the extra \$3,000 at a time of your choosing if necessary. These funds are available for use for pretty much anything, but you can use them for important things like:

- Paying down debts
- Paying for renovations
- Funding a holiday
- Funding a wedding



WHAT IS A FIXED RATE LOAN?

Fixed rate home loans are exactly that, a loan with an interest rate that is fixed and does not fluctuate. This fixed rate means your repayments will stay the same on your home loan for the term of your fixed-rate period.

A fixed rate period can last between 1 and 5 years, depending on your lender. After your fixed period ends, it will typically switch to a variable rate loan.

PROS OF A FIXED RATE

- Predictable repayments. This makes budgeting your finances a lot easier since you can be confident in how much you'll pay each month. This can be useful for first home buyers or anyone following a strict budget after the expenses of buying a home.
- If the interest rates rise, you will not be affected.
- Less hassle switching loans. Depending on your lender, variable rate loans typically do not have break or exit fees.

CONS OF A FIXED RATE

- If interest rates drop, you will not pay less.
- Break or exit fees apply if you wish to change or refinance your loan with your contracted period.
- Generally extra repayments cannot be made, or if they can, they will incur a fee.
- No access to redraw facilities or offset accounts.

WHAT IS A VARIABLE RATE LOAN?

A variable rate loan is a loan where the interest rate you are charged can fluctuate at any time as interest rates change.

These rates can rise or fall in accordance with the Reserve Bank of Australia cash rate changes as well as a number of other factors. Recently some lenders have increased their rates due to a rise in their funding costs (simply, the cost of borrowing money).

Most lenders offer a standard or basic variable loan. Standard variable loans offer the flexibility of a variable loan as well as additional features such as offset accounts, redraw facilities and the option to split the loan.

While a basic variable loan offers a variable rate, without the extra features of the standard variable rate loan, meaning it can be a cheaper alternative.

PROS OF A VARIABLE RATE

- If interest rates fall you'll pay less. This can save you money on not only your monthly repayments, but over the term of your loan as well.
- The flexibility to make extra repayments. If utilised, this can help you pay off your home loan quicker and minimises the total amount of interest paid over the term of the loan.
- You can reduce the amount of interest you pay by taking advantage of the redraw and offset account features of the loan.
- Less hassle switching loans. Depending on your lender, variable rate loans typically do not have break or exit fees.

CONS OF A VARIABLE RATE

- If interest rates rise, your repayments will increase.
- Unpredictability of monthly repayments - this can make it hard for borrowers to budget.
- Potential for mortgage stress - when choosing a variable rate home loan, ensure you are able to make monthly repayments if your interest rate increases.

FINANCE PROCESS

INITIAL APPOINTMENT

Your need and what is important for you out of the appointment
Borrowing capacity. Loan structure and compare all the bank rates.

YOU PREPARE FOR LOAN APPLICATION

You to complete our Fact Find.
Require supporting documents.

BROKER PREPARES FOR THE APPLICATION

Broker data entry the information you have provided.
The broker will email you all loan documents to review and sign.

SUBMIT LEND

Once you have document, Broker to submit your the le
We prepare you and upload lender's

CLIENTS CONTACT LENDER TO ORGANISE BANKING

Clients contact the branch to help with: account, internet banking set up.

LOAN OFFER ISSUED

The Broker will receive the loan documents in 48hrs.
The Broker will book an appointment to sign the documents with client.
Client gets JP to witness the Mortgage.
Client POST back to the lender.

1 WEEK BEFORE SETTLEMENT

Buyer's solicitor should email the breakdown of the amount needed for settlement.
Client needs to TRANSFER funds to Solicitors account 2-3 days before settlement avoid delay.

SETTLE DA

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Pre-approval lasts about 3-6 months, which is usually enough time to find a suitable property.

Usually, you can extend your pre-approval if needed by providing a new set of payslips.



Once you have chosen your desired property, a valuer will make an appointment to inspect the property.

The bank does not employ property valuers - they are separate companies which means their valuations are independent.



The bank will issue a letter confirming their approval so, at this stage, you can relax.

Email approval letter to Solicitor.



not need to
anything.

solicitor will inform
ement is done.

ck up the keys
e Agent.



The Broker gets all home loan account detail and repayment details then emails to client.



The Broker contacts bank to negotiation on the existing rate.

The Broker orders the valuation for the property.

The Broker calls the client to make sure everything is all good, or if it need to change anything.



Reviewing your interest rate.
Switching loan products.

Helping you make an educated decision on fixing your interest rate or staying variable.

Monitoring the value of your property so you can make better decisions about accessing equity to buy an investment property or moving house.

Switching the date frequency of your repayments so it better suits your financial needs and commitments.

WHAT IS ON YOUR CREDIT REPORT AND HOW LONG DOES IT STAY?

TYPE OF INFORMATION	HOW LONG IT STAYS ON YOUR CREDIT REPORT
Payments more the 14 days late	2 years from when the payment was due
A credit provider accessing your report after you apply for credit	5 years from when the credit provider accessed the report
The type and amount of credit you applied for	5 years from when the credit provider access the report
A default on a consumer credit payment or telco or utility bill of \$150 or more	5 years from when it goes on your report
Confirmation that you have since paid the debt recorded as a default	5 years from when it goes on record
A court judgment against you related to credit	5 years from when the judgment was made
Bankruptcy	5 years from when you were declared bankrupt or 2 years from when you were no long bankrupt
Debt agreement	5 years from when the agreement was made or 2 years from when the agreement was terminated
A serious credit infringement reported by credit providers (where the credit recipient never pays the debt and can't be contacted)	7 years from when it goes on your report

WHO IS HERE TO HELP?

SOLICITOR: EMPIRE LEGAL

Abi Wright and George Sourris can help you to buy or sell your home or investment property, can help with residential and commercial conveyancing. They are THE BEST solicitors we work with and they have been looking after all of our clients with very happy feedback from each of our clients.

To find out more

PH: 07 3088 7675

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Web: empirelegal.com.au

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0434 000 778 George

Email: Abi Wright: abi@empirelegal.com.au
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Thuy Hook is an Authorised Credit Representative (inc. 456333) of BLSSA Pty Ltd.
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Australian Credit License Number 391237

HOME & CONTENTS INSURANCE: Allianz

If you're purchasing a property you will need protection on your home by 5pm the day after the contract of sale is accepted. We can arrange for Allianz to put that protection in place and you don't start paying until settlement. Not purchasing? Let us know if you would like some quotes on your existing policies.

Or you can contact Allianz: 1300 737 894

Tell them, Broker name: Thuy Hook

Broker number: 14118CH



WHAT WE BELIEVE

OUR
CLIENTS ARE AT
THE *Heart*
OF WHAT
WE DO.

MEET YOUR
PERSONAL CONSULTANT
THUY HOOK!



ABOUT EZ FINANCING

At EZ Financing, we are all about building a lasting relationship with you - not just doing a deal today. It has been the foundation to our success over the years of looking after our clients mortgage and finance needs.

Personalised service, long-term client rapport, and trust-based growth are at the heart of every conversation we have and every application we submit.

All of our mortgage and credit advisers are ASIC licensed credit representatives and full members of Mortgage & Finance Association of Australia (MFAA).

OUR MISSION

We believe that finding the right home loan should be a simple task which is why we make it our mission to demystify the finance process by researching our brains out, adopting a personalized approach and providing strategic solutions.

OUR VALUES

1. Our clients needs and goals ALWAYS come first
2. We are honest, open, ethical and fair. Our clients trust us to do what we promise.
3. Do the right thing
4. Service matters
5. NO run-around, NO jargon, NO worries

GET IN TOUCH!

Wish to talk with Thuy or meet her in person?
Here is how you can get in touch.

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thuy.hook@ezfinancing.com.au

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