F1RST HOME BUYERS GUIDE

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GUIDE

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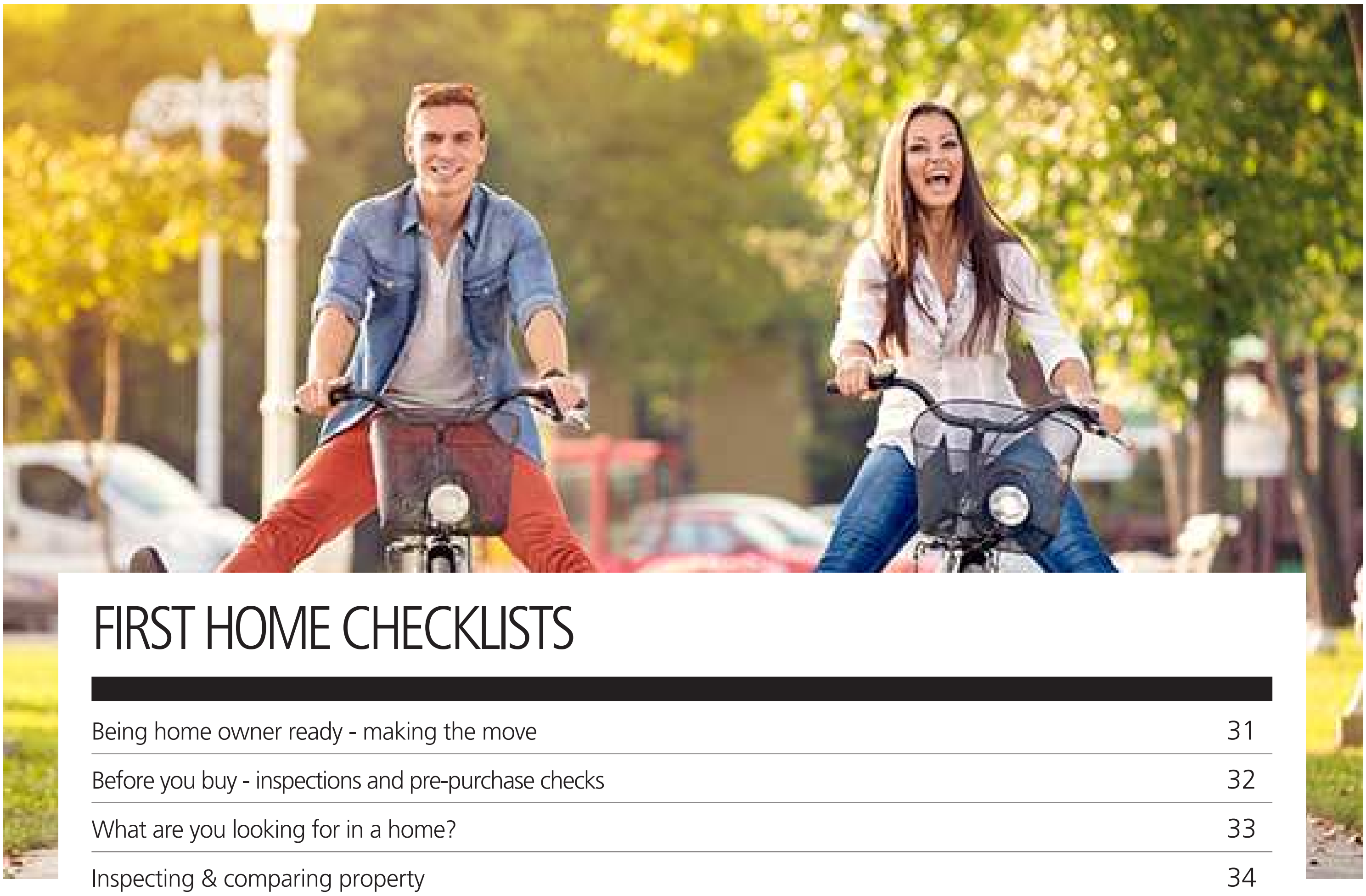
FIRST HOME BUYERS



FIRST HOME CHECKLISTS

GLOSSARY

A MESSAGE FROM OUR CEO

Our mission is to provide our clients with more choice, great rates, transparent advice, and excellent service. Our "Customer First" value underpins our service.

Congratulations on your decision to seek professional finance advice, and thank you for researching our expert services.

We know that the First Home Buyer experience is one that is riddled with complexity, one that is difficult to navigate, and one that requires a large amount of time to research. This booklet serves to provide you with a broad and generic overview of various concepts that might guide you through your early decision-making. However, it's only after we've evaluated your personal financial position that you will be equipped with the necessary knowledge to make better educated and more information decisions.

Your first home purchase is one of the most significant financial investments you will make early in your life, and possibly your entire life. It will represent a financial burden and invariably impact upon your lifestyle, but it will also provide a basis for wealth creation. It's an exciting time, and we've love to help.

The job of a mortgage adviser is to relieve mortgage stress by guiding you into a suitable financial solution and assist you with the structuring of your finances to minimise debt. We have an extroadinary wealth of knowlegde and resources that ensures our clients recieve first-class advice, and our systems after loan-settlement will ensure your loan is monitored so you don't pay any more than you need to (nobody wants to donate money to the banks).

We have a large number of videos and articles that detail various aspects of the home loan process, and you will find these on our website.

I will personally ensure that you fully understand every step of the borrowing process, and I encourage you to call me at any time.

Not all home loans are created equal, and the same can be said for mortgage brokers. Thank you for recognising our expertise.

Customer First

Our service is free to you since our commissions are paid by the banks. Our customer first policy ensures that we'll always work in your best interests, and work relentlessly to find you a competitive and suitable home loan.

MFAA Full Member

afca

HOME LOAN BASICS

UNDERSTANDING LVR & LMI

DISCUSSED FURTHER IN THIS BOOKLET, TWO TERMS YOU WILL COME ACROSS REGULARLY ARE LVI AND LMI. WE INTRODUCE THEM HERE BRIEFLY.

It's likely you have heard about the 'need' for a 20% deposit over and over as the 'entry point' to home loan ownership. If you're unable to save that 20% deposit the terms LMI and LVR become more significant.

What is LVR?

The LVR is a Loan to Value Ratio. It is the comparison of the loan amount against the value of the property you wish to purchase. For example, if you require a $400,000 loan on a $500,000 property, your LVR becomes 80% (since you have a 20% deposit).

In most cases, banks require an LVR of 80% before the start to impose limitations or requirements on your borrowing. So, failing to save for a full 20% desposit doesn't mean that you can't purchase a property. As we introduce later on, family pledge (guarantor) products, saving more money, purchasing a lower-priced property, or considering alternate lenders are all options we might consider.

What is LMI?

Lenders Mortgage Insurance (LMI) usually applies to borrowers who are taking out loans for more than 80% of the value of a property (or an LVR greater than 80%). As its name suggests, LMI covers the **lender** if you're unable to pay back your home loan (it doesn't protect you).

If you end up in a position where you fail to meet your payment obligations, your property may be sold and any money from the sale will first go towards paying off your mortgage. If this still doesn't cover the full amount you owe, LMI covers the lender for the difference between the sale price and the amount outstanding on your loan.

Again, it's important to remember that LMI protects the lender - not the borrower.

There are measures that can be taken to avoid having to pay LMI and we'll address these shortly. LMI should be avoided if possible since it will add cost and complexity to your loan (although if no other option exists it is an excellent tool to gain access to the property market).

WHAT CAN YOU REALLY AFFORD?

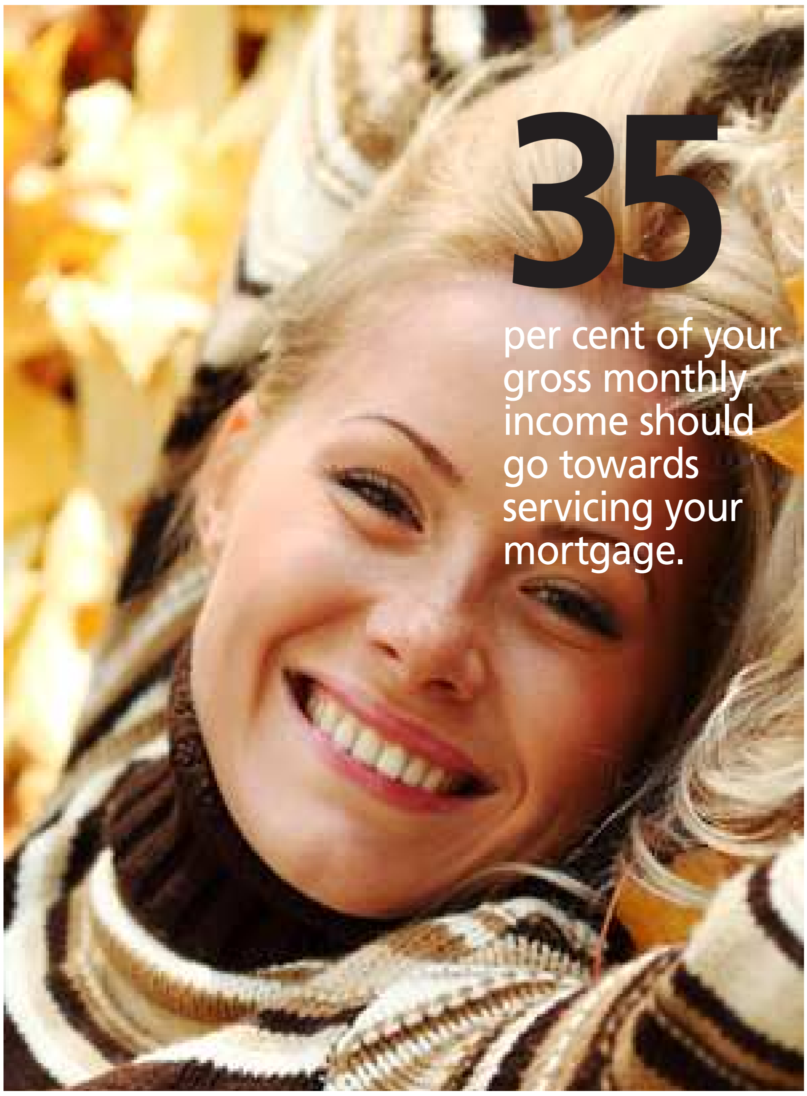
Your lender will assess your loan and affordability to estimate a maximum borrowing amount. However, it's essential that you work out what you can afford and what repayments you feel comfortable with.

The choices you make when taking out a mortgage have long lasting implications – so you need to approach borrowing with a healthy attitude.

When determining your borrowing capability, start by measuring your income against expenses, including potential mortgage repayments. While everyone's circumstances and expenses are different, a good rule of thumb is that no more than 35 per cent of your gross monthly income should go towards servicing your mortgage. Lenders will also need to assess your circumstances to work out how much to lend you. As a general rule, the bigger deposit you have and the higher your income, the more they should be willing to lend.

All lenders will need to determine a loan suitable to your circumstances but mortgage managers can get to know your circumstances personally – and may have a little more flexibility than the banks to consider applicants on a case-by-case basis.

Here are some factors to take into account when determining how much you should borrow.



How much debt can I handle?

Don't over commit. Borrowing too much can be a big strain on your personal life and lifestyle. Think about what aspects of your lifestyle you may be willing to give up, and those that you can't.

Am I being realistic?

Houses are like stepping stones – it's probably best to start with something affordable and move towards your dream home as your personal earning capacity and equity grows.

What are my plans?

Think about what the future holds – both personally and financially. Are you a one or two income household and is this likely to change in the future?

What about interest rates?

As discussed shortly, consider how any rate rise will impact on your ability to make repayments and factor that in when setting your borrowing limits. And don't forget, there are added extras when purchasing a house, for example, stamp duty, relevant property inspections, solicitors and application fees, as well as ongoing commitments including council rates, possible strata or body corporate costs and utility bills.

Consider these costs when determining how much you can borrow.

LENDERS MORTGAGE INSURANCE

Lenders Mortgage Insurance can help you enter the market sooner.

Lenders Mortgage Insurance (LMI) helps Australian homeowners enter the market earlier through allowing you to borrow a higher percentage of a property's value.

For first home buyers, particularly those struggling to save a deposit but more than comfortable to meet their mortgage repayments, it can be a key tool to break free of the rental trap.

Through financing a higher proportion of a property's purchase price (as introduced earlier, usually greater than 80%) lenders take on a higher level of risk in the event you fail to meet mortgage repayments, and the property needs to be repossessed and resold.

LMI is therefore paid by you to insure your lender against loss should this happen. It is important to be aware that **LMI only covers the lender if you default on your loan payments** and the lender is unable to secure the full outstanding debt still owing, when they sell your property. LMI does not provide you with any cover.

The bigger the percentage of the property's purchase price you have to borrow, the greater the amount you're likely to pay on insurance. So if your deposit is less than 20 per cent of the value of the property, and especially if you have no deposit at all, you will need to factor LMI into your home loan.

In some cases lenders may require LMI even if you have a lower deposit, depending on the type and style of property you're purchasing – for example, some inner-city apartments or rural land.

LMI is usually paid as a one-off lump sum at the time of settlement but in many cases it can also be added into the loan amount and paid off over the life of the loan – a term known as capitalising the LMI.

LMI is not portable... meaning that if you migrate your loan to another bank in the future you may have to pay LMI again (unless the LMI meets the required criteria).

Sometimes it's worth saving for a little longer, purchasing a property of lesser value (meaning your deposit is more significant), or, as discussed on the next page, sourcing funds from 'Bank of Mum and Dad' (or have them act as a guarantor).

Talk to us about how LMI can help you into the market.

THE BANK OF MUM AND DAD

AU$TRALIA'S 11TH LARGEST LENDER

IN SYDNEY THE AVERAGE ADVANCE WAS NORTH OF $85,000, AROUND 10 PER CENT OF THE AVERAGE PRICE OF A HOME THERE, MAKING THE 'BANK OF MUM AND DAD' THE 11TH LARGEST LENDER IN AUSTRALIA.

As discussed in our look at LMI, the 'bank of mum and dad' may offer an attractive ramp on to the property market. However, there are important issues to consider for all parties, before committing.

BANKING ON MUM AND DAD

Younger households seeking to buy into the Australian home market, are confronted with a range of challenges, from low returns on savings, limited first homeowner grants, and dizzyingly high asking prices, especially in the main Sydney and Melbourne markets. Even those able to save for a deposit are forced to wait for years, whilst watching property moving further from their grasp. As a result, according to our household surveys, we have seen a significant rise in the number of of new purchasers breaking into the market by raiding the 'bank of mum and dad'. In fact, more than half of recent first-time buyers received help from their parents or other family members. This is creating a two-speed market, with those fortunate enough to have parents with financial assets able to benefit, while those without, are left out in the cold.

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Assistance may be by way of a gift, a loan which is either interest free or at an agreed rate, or as ongoing assistance with loan repayments, costs of child care, or other means. Whilst some of those in receipt of a loan from the 'bank of mum and dad' had a formal agreement, and an agreed repayment arrangement, many loans were made informally, with no clear repayment plan.

CONSIDER THE RISKS

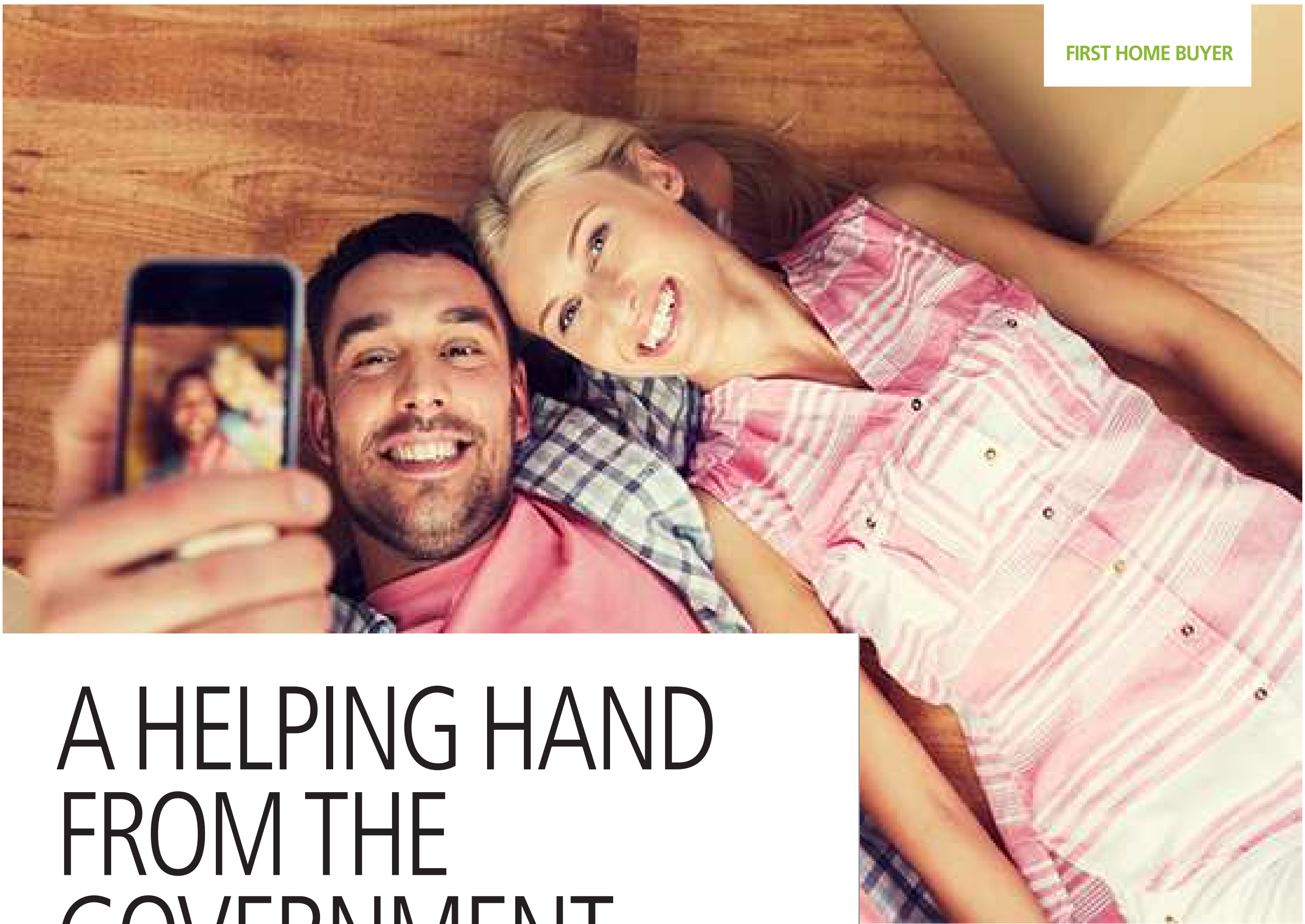
Many parents tap into the equity they hold. in their own properties, thanks to the rise in prices in recent years. But before going down this path, there are a number of important issues to consider. First, from the parent's point of view, they are essentially tapping into a pool of funds which would normally be used to support retirement. So they need to seriously consider the consequences of giving away some of this equity, especially at a time when home price growth appears to be stalling.

Remember prices can fall, as we saw in the US and UK following the Global Financial Crisis. Next, they need to be clear about the basis of making the loan. Are they expecting to be repaid – if so over what term? Will they charge interest? What would happen in the case of unexpected events like a marriage breakup?

The basis of the loan
should ideally be formally agreed, and documented, so there is less chance of a misunderstanding later. From the buyer's point of view, getting access to a cash injection has the potential to make the dream of buying property a reality, and in Australia, the appetite is still strong. But it is becoming more likely that the potential lender will ask questions about the source of the deposit, and will be looking for evidence of a clear savings record. In fact, our analysis shows that those who receive money from parents, in lieu of saving for a deposit, are more likely to default later. As a result, it could be the mortgage rate available will be higher. Our research suggests that some potential borrowers claim they saved the deposit, despite it coming from the 'bank of mum and dad'. Such behaviours may lead to issues later, because a savings discipline needs to be learnt. These days lenders are more likely to ask to see bank statements to validate savings behaviour.

CONSIDER THE ALTERNATIVES

Finally, there are alternatives worth exploring. Whilst higher
loan-to-value loans are significnatly less available now, and many are encouraged to save for a 20 per cent deposit, the availability of lenders mortgage insurance (LMI) makes a smaller deposit possible, and the risks to lenders are lower, potentially offering a better rate of interest, which over the life of a loan may more than oset the costs of using LMI initially. Mum and dad, or other family members, could even oer to pay the LMI fee as an alternative to lending a higher sum to their children.



A HELPING HAND FROM THE GOVERNMENT

There are a range of government grants and concessions that can help offset some of the expenses for first home buyers. Call us for more information.

Before you start searching for your dream home, take some time to learn more about these benefits. If you'd like an explanation on any government incentives, please give us a call.

First Home Owner Grant
The government provides the First Home Owner Grant (FHOG) across the various states and territories across Australia. If you are a first home buyer, it is worth checking what is offered in your respective state or territory, to see if you are eligible for the FHOG.

For more information on the FHOG in your state, visit firsthome.gov.au or speak with us directly.

Stamp duty breaks and concessions
Some of Australia's state governments have concession waivers of the stamp duty associated with a property purchase.

Stamp duty is a tax applied to certain property transitions. When land is sold, transferred or leased, for example, stamp duty is generally payable.

It is usually the buyer, not the seller, who is liable to pay stamp duty. Payment must generally be made within three months of entering into the contract for purchasing the property. The amount of stamp duty payable depends on the value of the property and the amount for which it is sold, transferred or leased. It is calculated on its market value or the price paid by the buyer.

Each state government has its own rules surrounding stamp duty on property purchases. For this reason, the exemptions and concessions available differ from state to state.

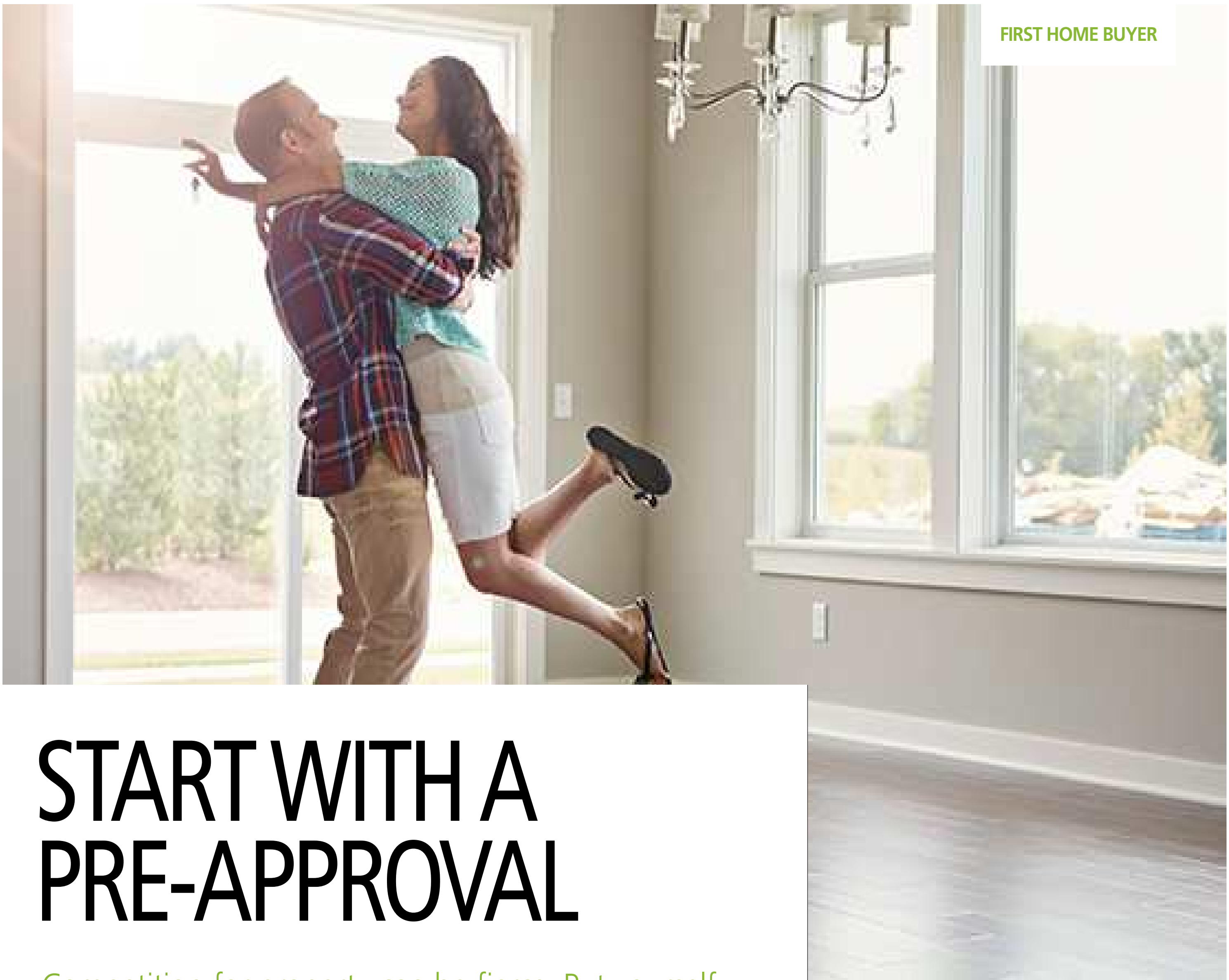
Some first home buyers, vacant land holders, and farm buyers may be entitled to some exemption or discount on stamp duty. So it pays to check out whether any apply to you by contacting the revenue office in your state or territory.

Note: Details are current as at print date and should be confirmed with your local Office of State Revenue, equivalent body, or by calling us.

Need more information?

For further information on the First Home Owner Grant or details on stamp duty breaks contact your state's relevant government office.

ACT – revenue.act.gov.au
NSW – osr.nsw.gov.au
NT – nt.gov.au/ntt/revenue
QLD – osr.qld.gov.au
SA – revenuesa.sa.gov.au
TAS – sro.tas.gov.au
VIC – sro.vic.gov.au
WA – osr.wa.gov.au



START WITH A PRE-APPROVAL

Competition for property can be fierce. Put yourself ahead of the pack with a pre-approved loan.

What's pre-approval?

Sometimes referred to as an approval-in-principle, pre-approval is a general indication of how much you're able to borrow based on the information you provide to your lender.

Although subject to terms and conditions, a pre-approval basically gives you the green light on your home loan even if you've not yet decided on a particular property.

The amount of the pre-approval is usually determined by your ability to meet the loan repayments. Most pre-approvals are valid for up to three months. Just remember even with your pre-approval, your purchase must still meet all of your lender's requirements prior to obtaining final approval (including valuations, if applicable).

How do you get pre-approval?

To kick start the pre-approval process you'll need to give your mortgage broker some key documents.

These should include proof of your income – such as a letter from your employer or copies of your pay slips – proof of identity, and details of any assets you own.

Other paperwork might include details of any existing loan commitments and limits on credit cards.

Once your documents and financial status have been given the tick of approval by the lender, you'll receive a pre-approval notification that will see you on your way to home ownership.

Why obtain pre-approval?

PEACE OF MIND
A pre-approval gives you the confidence of knowing how much you can borrow when buying a property.

JUMP THE QUEUE
Your home loan pre-approved enables you to seize the opportunity and act quickly when you find the property you want.

STRONGER BARGAINING POWER
A pre-approval can sometimes help you negotiate a better price with the seller, especially if there are fewer stringent conditions upon the sale.

ABILITY TO BID AT AUCTIONS
Under the conditions of a cash contract, a pre-approval allows you to bid at auction for the property of your choice. However, you will be responsible to meet the rest of your obligations under the contract if unconditional approval is not obtained. You should seek advice on the contract before bidding at an auction.

BETTER BUYING

Arm yourself with some essential buying skills for purchasing property via auction or private sale. Both private sale and auction have positive and negative points from a buying perspective. Once you've found your dream home, keep these points in mind when purchasing under either situation.

BUYING VIA PRIVATE TREATY

A private sale is popular from a buyer's perspective for several reasons, but top of the list would have to be the control and flexibility it can offer. Note: Terms and conditions of this buying method may vary according to state.

Pros

In a private sale, as a buyer you may be in a strong position to negotiate the terms and conditions of the sale to suit you. You may be able to make several offers over a period of time, without rushing or being locked into a binding contract. There is often a cooling-off period after your offer has been accepted which also gives you the chance to pull out of the sale should you change your mind.

Cons

On the flipside, one of the downsides of a private sale is the possibility that multiple offers may be made to the vendor without your knowledge. This can work against you if another party makes a higher offer that is accepted by the vendor, when you might have been willing to make a similar offer eventually.

BUYING AT AUCTION

Purchasing a property at auction involves bidding against other parties, and the competition can get fierce. For this reason, purchasing at auction is often preferred by experienced or confident buyers. Less experienced or first time buyers can purchase at auction too with the right approach.

Pros

Buying a home at auction allows you to see your competition face-to-face, and get an idea of how many other parties are interested in the property. It also gives you the chance to make a higher offer than a competing buyer, something a private sale doesn't always give you the scope to do. Moreover, there's the advantage of knowing the property is yours there and then, rather than having to spend weeks or months in negotiation.

Cons

One of the disadvantages of buying at auction is the limited scope to negotiate the terms and conditions of the sale contract. After a final bid is accepted, there is no cooling-off period – you must put the deposit down immediately. The other possible downfall is the tendency for competition to drive up the purchase price. Be careful that you don't get tempted in the heat of the moment into making a bid that's beyond what you can afford, or have budgeted, to spend.

THE TEN STEPS TO BUYING A HOME

EACH STEP OF THE HOME LOAN JOURNEY CAN BE A LITTLE CONFRONTING AND TIME CONSUMING. CONTACT US FOR FURTHER GUIDANCE.

1. KNOW THE MARKET

Do your homework and research the area you are buying into by reading newspaper and Internet property listings and speaking to local real estate agents.

Attend plenty of property viewings and auctions, each time asking yourself: Does it suit my needs? What are its faults? What are its features? How does its price compare with other properties seen?

The more informed your decision, the better chance the property you buy is the right one in terms of price, location, value, size, and lifestyle.

2. DO YOUR SUMS

Once you have an idea of the property market, you need to know what you can afford to spend and repay. Your borrowing and refinancing power is determined by your income and financial commitments, as well as your current savings and credit history.

Our expert mortgage brokers can help you determine how much you can borrow and what types of loan will suit your budget and lifestyle.

Your mortage broker can advise you of the true costs involved in taking out a mortgage (e.g., stamp duty, taxes, legal costs, and insurance) as well as how to build in a buffer to interest rate calculations so that you are prepared should rates rise.

To save leg work, we can help you apply for the First Home Owners Grant and check your eligibility for stamp duty discounts.

3. GET THE TICK OF APPROVAL

Once you know how much you want to borrow, your broker will have your finance pre-approved. While you can always leave this step until *after* you find a property, pre-approval is highly recommended because it gives you a realistic budget to go house hunting with and it ensures you are treated as a serious buyer by agents.

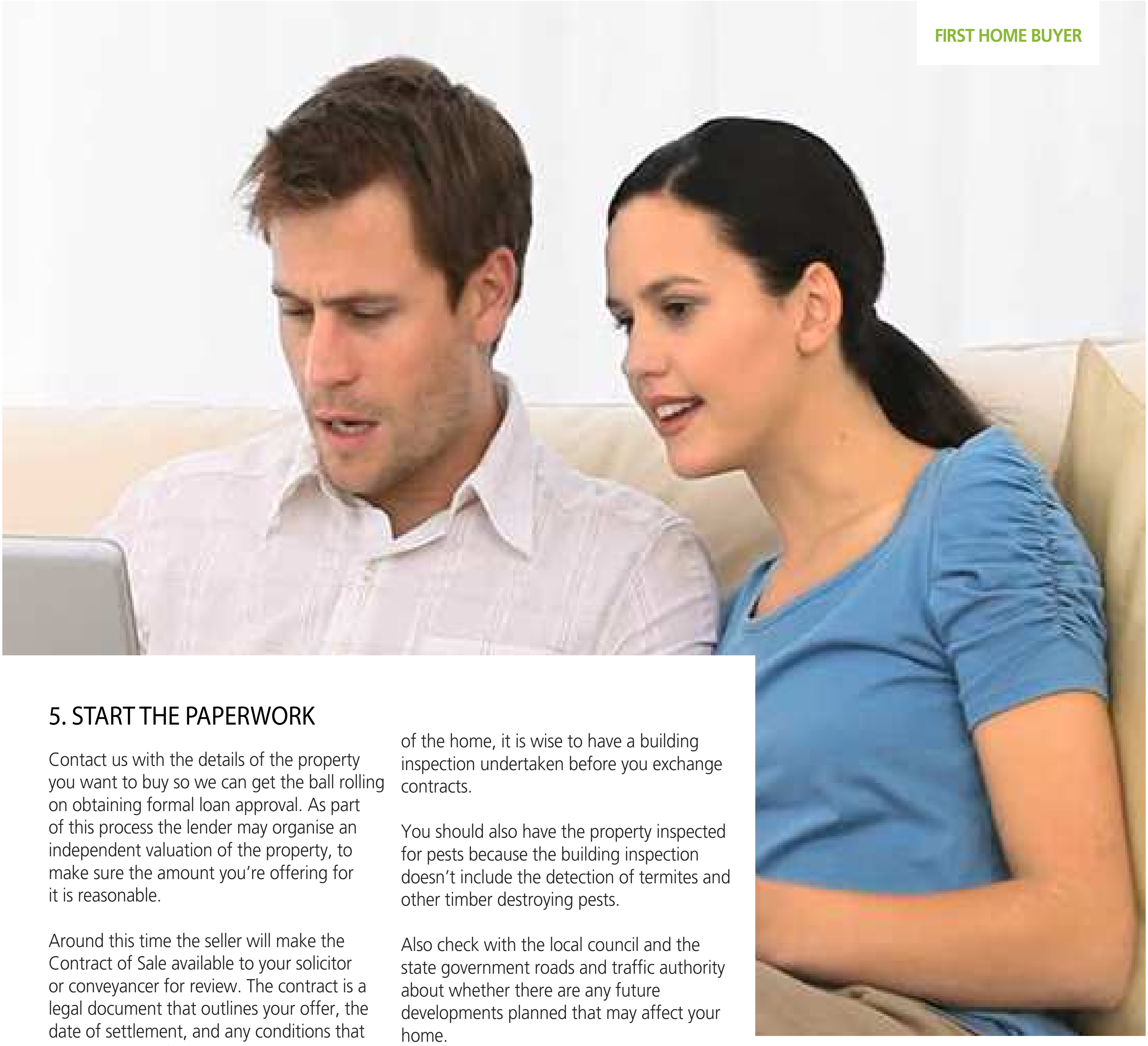
4. MAKE AN OFFER

When you make an offer, the vendor may accept it straight away or negotiate on price or other aspects of the sale. If you cannot agree on a price, you can withdraw your offer.

If you buy a home at auction, you are required to pay a deposit (usually 10% of the purchase price) immediately. If you buy privately, you are usually required to pay a holding deposit and then pay 10% deposit when you exchange contracts.

The down payment shows that you are serious about buying but it is not until you sign and exchange contracts that the property is secured. Up until this time the seller can still decide to sell to another buyer who manages to exchange contracts before you (another reason to have finance pre-approved; it speeds up time taken to gain formal loan approval.

Another option that has become increasingly common is for you to exchange contracts with the real estate agents upon acceptance of your offer and pay a deposit. The property is off the market from the time of signing and you can use this time to obtain finance approval and arrange inspections. If there is a problem with the property you can elect to rescind within the legal cooling off period, in which case you could forfeit your deposit.



5. START THE PAPERWORK

Contact us with the details of the property you want to buy so we can get the ball rolling on obtaining formal loan approval. As part of this process the lender may organise an independent valuation of the property, to make sure the amount you're offering for it is reasonable.

Around this time the seller will make the Contract of Sale available to your solicitor or conveyancer for review. The contract is a legal document that outlines your offer, the date of settlement, and any conditions that must be met before the sale goes ahead (e.g., subject to bank finance).

Take the opportunity to do another inspection on the property, checking all fittings and fixtures are in place.

6. ORGANISE INSURANCE

Proof of building insurance is usually required by your lender as part of the home loan process. Your mortgage broker will help arrange this. The insurance can take effect from the date of settlement or even before settlement if you are not aware that the seller has a current insurance policy.

If you're purchasing a Strata Title unit, villa or townhouse you'll need to obtain a Certificate of Currency from the body corporate insurer.

7. ARRANGE INSPECTIONS

As the seller won't provide you with any guarantees about the structural soundness of the home, it is wise to have a building inspection undertaken before you exchange contracts.

You should also have the property inspected for pests because the building inspection doesn't include the detection of termites and other timber destroying pests.

Also check with the local council and the state government roads and traffic authority about whether there are any future developments planned that may affect your home.

If you're buying a Strata Title property, arrange for an inspection of the books and records of the owner's corporation.

8. EXCHANGE CONTRACTS

A property sale isn't signed, sealed and delivered until the exchange of contracts. Once you and the vendor have both signed the contract and the purchaser has paid the deposit, the agreement is legally binding. It generally takes four to twelve weeks from exchange of contracts until settlement (depends on your contract and your state/territory).

9. COOL-OFF

If you exchange contracts in a private treaty sale, some States of Australia entitle you to a legal cooling-off period, which gives you the opportunity to withdraw from the contract to buy the property (the length of the cooling off varies from state to state).

If you are absolutely certain the property is perfect for you, you can waive the cooling-off period with the agreement of the seller. Your solicitor or conveyencer will advise you through this process.

10. PAY AND SETTLE

Stamp duty, which is calculated on the purchase price of the property, must be paid at settlement. The First Home Buyers scheme provides full or partial exemption on duty to first home buyers - we can advise you of your eligibility.

At settlement, the balance of the purchase price is paid to the seller and you become the legal owner of the property.

The keys are now yours!

The process of buying a house will differ depending on whether the house is sold by private treaty or at auction. Rules may also vary in each state or territory.

THE ROLE OF BUYERS' AGENTS

It's well known that real estate agents act on behalf of the vendor, but did you know that there are also professionals that provide a service to buyers?

Buyer's agents are gaining popularity with time poor buyers and those with less experience or confidence in the market. They can be engaged to identify suitable properties and even take on the negotiations with real estate agents or vendors.

They are particularly handy in markets where there's a certain amount of uncertainty, such as the current climate where prices are climbing rapidly in some areas and stagnant in others.

Some buyers seek the services of an agent to avoid trawling through property listings, pounding the pavement visiting open houses and haggling with estate agents.

But for others, engaging a buyer's agent can take much of the emotion out of negotiating, which some agents claim can result in a better purchase price. It is important to check that your agent is licensed.

Buyer's agents are experienced in dealing with real estate agents and have an in-depth understanding of the market as well as the sales process – which can certainly be an advantage for those who lack confidence.

For investors it's worth noting that the cost of engaging a buyer's agent may be tax deductable as with many of the other associated costs involved with a property purchase. However owner-occupiers will probably have to foot the full bill. Charges can vary from a flat fee to a percentage of the property purchase depending on the services provided. You may be able to pay a smaller amount if you are only after representation at an auction.

If engaging a buyer's agent appeals to you, look for a recommendation from friends or your broker and make sure you check their credentials, fees and charges carefully before engaging them.

Buyer's agents can provide services such as assistance with finding suitable properties, negotiating the purchase terms – ideal if you are pressed for time or lacking experience.

SPOILT FOR CHOICE

THERE'S A HUGE CHOICE OF HOME LOANS AVAILABLE, BUT TO FIND YOUR RIGHT MATCH WE'LL HAVE TO DO A LITTLE HOMEWORK

Making yourself familiar with a few of the popular products available will give you a strong head start when discussing your loan options with your broker.

Following are just a few of the product types we're likely going to reseach.

Basic home loans

Basic home loans or 'no frills' loans offer borrowers a loan with a low interest rate. This interest and principal repayment loan is a popular choice among first home buyers.

A basic home loan's interest rate can be half to one per cent below the standard variable rate, which is sometimes combined with minimal ongoing fees. Potential drawbacks can include limited features, less flexibility, and additional charges if you decide to switch loans or pay the loan off sooner.

Fixed-rate home loans

Worried about rising interest rates? A fixed-rate home loan will allow you to fix your interest rate for a specific period, usually from one to five years. It can be a sound option when interest rates are on the rise, or in times of economic uncertainty. Should interest rates plummet, however, you'll still have to pay off your mortgage at the fixed-rate until the end of the agreed fixed-rate period. Additionally, keep in mind that you may be charged a fee commonly called a break cost or economic cost, should you decide to break your fixed term or switch to another product. You may also be limited in making extra repayments.

Standard variable-rate

A popular mainstream choice, standard variable-rate interest and principal home loans allow you to borrow money for a set period of time, during which you make regular repayments. The interest rate can vary depending on fluctuations in the official cash rate, so it is likely to go up or down depending on the market cycle.

Split-rate home loans

Want the best of both worlds? A split-rate home loan offers both flexibility and security.

A good product for both first time and existing borrowers, split loans allow you to customise your loan's interest rate as you see fit: fixing a portion of your interest rate to give certainty to your monthly repayments during the fixed-rate term should rates increase, but also flexibility through taking out a variable-rate portion.

Interest-only home loans

Interest-only loans offer borrowers lower repayment options, while maintaining many of a traditional loan's features.

This type of loan allows you to pay only the interest component on a mortgage; it does not reduce the principal component. They are a popular choice for investors seeking good capital appreciation on their investments.

Low-doc home loans

If you're self-employed, a contractor or a seasonal worker and do not have a regular income, a low-doc loan may be a solution.

PRODUCTS AT A GLANCE

Basic home loans

PROS
Interest rates are often half to one per cent below the standard variable rate.

CONS
Limited features, less flexibility and possible penalty fees for early loan repayment.

Standard variable-rate home loans

PROS
Make regular repayments based on the current interest rate. Effective if rates do not rise.

CONS
Should interest rates increase, your regular mortgage repayments will rise.

Fixed-rate home loans

PROS
Fix your interest rate for a specific period, giving certainty to regular repayment amounts.

CONS
Should interest rates fall you'll still need to repay your mortgage at the agreed fixed-rate. There are potentially also high loan break costs payable of you, if you wish to end the fixed-rate term early.

Ending the fixed-rate term early includes repaying the loan early and if you switch from one loan to another before the fixed-rate term expires. Fixed-rate loans may also limit additional repayments that can be made during the fixed-rate term.

Split-rate home loans

PROS
Fix a portion of your interest rate to give certainty to monthly repayments while also benefit from a variable-rate portion should rates drop.

CONS
If interest rates do drop you'll be left paying a higher rate for your fixed-rate portion. If you break the fixed-rate period early you may be subject to break costs and you may be limited to extra repayments on the loan.

Interest-only home loans

PROS
Pay only the interest component on your mortgage for a set term. An ideal option for borrowers with an investment properties.

CONS
Repayments do not reduce the principal component of your mortgage.

Low-doc home loans

PROS
Can help you enter the property market if you're a self-employed, contract or seasonal worker without regular income or proof of income.

CONS
Typically have higher interest rates. You may also have to pay Lenders Mortgage Insurance (LMI).

BOOST YOUR BUYING POWER THROUGH CO-OWNERSHIP

Buying through co-ownership is quickly becoming a popular strategy for budding investors hoping to enter the property market but without the capacity to do it alone.

Through pooling resources with a friend or family member you can increase your buying power. There are a number of other benefits as well.

A joint purchase, for example, can help ease the deposit burden as you'll only need to pay a portion of the deposit. There are also other costs that can be split, such as stamp duty, legal fees and maintenance.

However, there are a number of pitfalls that you need to be aware of when purchasing via co-ownership. Importantly, you need to pick your partner carefully and ensure you have the same overall goals and objectives. You and your partner should seek independent financial and legal advice to understand your position.

Key to this is a firm legal document outlining the partnership and the conditions for selling the property, plus other associated issues. There are also a number of different options for financing the investment – give your Clark Finance broker a call to discuss what strategies are available to you.

ALL ABOUT CONVEYANCING

Shing a spotlight on the confusing world of Conveyancing.

When buying or selling property, the process of transferring ownership of the legal title from one owner to another is called conveyancing. Conveyancers are professionals that scecifically handle this process, along with solicitors. Solicitors can also refer to themselves as conveyancers so it is worth clarifying before you proceed.

WHEN DO YOU NEED A CONVEYANCER?

Both the seller (vendor) and the purchaser (buyer) would usually engage a conveyancer or solicitor to help them navigate the process of buying and selling. A vendor's solicitor or conveyancer will need to list their contact details on the contract. A contract is required before an agent can list the property for sale or invite buyers to an open for inspection. Several legal searches and checks also need to be undertaken, these will usually cost a few hundred dollars on top of the standard fee charged.

WHAT DO THEY DO?

Once you have decided on a property and agree to purchase it, there is quite a lot of paperwork involved. Contracts need to be prepared, reviewed and executed correctly to ensure there are no unexpected surprises. There are also certificates to request, zoning to confirm, and easements and caveats to check, along with other issues that may need to be assessed, including the payment of any outstanding bills pertaining to the property (council rates, land tax, strata fees, water rates, electricity).

A conveyancer will update the land title at the Land Titles Office, register, change or remove any easements and is called upon to handle a straightforward property purchase or sale. It's worth keeping in mind that when you are buying a property, there is more risk involved if you are the buyer, your conveyancer or solicitor will therefore have more complex and comprehensive searches to undertake.

Both a conveyancer or a solicitor will do the following:

- Prepare, clarify and lodge any legal documents
- Research the property and its certificate of title
- Put the deposit funds in a trust account
- Calculate any charges against the property
- Define what exactly is included in the sale (fittings, fixtures etc)
- Liaise between the buyer's solicitor or conveyancer and the agent to organise a final inspection
- Represent you in any negotiations that take place between you and the buyer
- Settle the property and arrange legal transfer of ownership

WHEN YOU NEED A SOLICITOR

Solicitors can practice in any area of the law and may even refer to themselves as conveyancers. However, solicitors are able to provide legal advice if more complex issues arise. A conveyancer will only be able to complete the necessary paperwork.

A solicitor is more likely to charge you for your time on an hourly rate rather than a fixed fee, although this is usually indicated when you initially enter into a contract with them. They should also be able to give you an idea of how long it will take and the total cost based on what is typically involved.

Of course, your broker will help you navigate the home borrowing mindfield and, if required, put you in contact with one of our trusted partners.

MORE INFORMATION?

As with all areas of the First Home Buyer process, you will find a trove of resources on our website.

How interest rates affect your mortgage

While rates move up and down you should always consider the impact they will have on your mortgage.

The rate of interest you'll pay on your mortgage depends on a combination of factors. This can include the Reserve Bank of Australia's (RBA) cash rate, your lender and the type of loan you have.

When working through your loan options with your mortgage broker there are a number of issues to keep in mind to ensure you're getting the most appropriate mortgage for your needs.

The type of loan

Different loan types tend to come with different interest rates. So if your loan has a range of features, such as re-draw, offsets or early repayment facilities, you'll usually pay a little more in interest.

Alternatively, while a basic loan doesn't have all the bells and whistles of other products the interest rate is typically lower.

When assessing which loan best suits your needs, ask your broker to explain how the different features work to assess whether they are worth paying a higher rate for. For example, if you're looking to drive your mortgage down quickly or would like flexibility in your repayments, it may be worth paying for the features needed to do this most effectively.

The type of rate

Rates move up and down in line with the current economic cycle. Borrowers can choose to fix their home loan rate – or 'lock in' a rate for a set period of time.

If you're considering this option, it's important to remember that a fixed interest rate can be higher than the current variable rate. However, if rates are on the rise and you're concerned they'll keep going up, fixing your rate will ensure consistency in repayments each month.

However, if rates go down you will still be required to make loan repayments at the fixed interest rate until the expiry of the fixed-rate period. If you decide to move from a fixed-rate to a variable rate loan before the end of your fixed-rate term, you may also be liable for break costs.

Alternatively, a split loan can give you the best of both a fixed-rate and variable-rate loan. This means that if rates rise, a proportion of your loan will be protected – minimising the impact of higher monthly repayments. If on the other hand rates fall your fixed-rate will remain higher and the variable part of the loan will fall.

If your loan has a range of features, such as re-draw, offsets or early repayment facilities, you'll often pay a little more in interest.

TIPS

LESSEN THE IMPACT OF A RATE RISE

On a variable rate loan, should rates rise, there are a number of effective ways to lessen the impact on your finances.

FACTOR IN POSSIBLE HIKES
Leave room for a number of interest rate rises when you assess your borrowing capabilities. This is essential, particularly as rates are likely to rise at some stage during the life of your loan. You may have to reduce your mortgage amount or purchase property that's at the lower end of your price range as a result.

INTEREST-ONLY
If you have a loan and you're really struggling to keep up with rate hikes, you can consider changing to an interest-only loan. While not an effective long-term strategy for owner-occupiers, it might be an option while you deal with the here and now.

REFINANCE
Your situation may have changed from when you first took out your mortgage – for example, you've now only got one person in the household earning a salary. Rates between lenders are also changing dramatically as competition amongst lenders increases. Ask your broker what mortgages are available that better suit your situation.

15 WAYS TO PAY OFF YOUR HOME LOAN SOONER

To suggest that there are just 14 ways to pay your home loan off sooner is a little deceiving because there are countless considerations. However, we'll look at just 15 of them.

1. Skip the honeymoon period

Beware of lenders bearing gifts. The idea behind these products is that an 'irresistible' offer is offered early on in the life of a loan, but will revert to a standard, or higher-than-standard variable rate. You may also be hit with a significant exit fee should you try and take advantage of the discounted rate for only a short time.

2. Make payments at a higher rate (extra payments)

A healthy habit is to assume a higher rate of interest for your home loan. So, if you're paying 4% - assume it's at 5% and make repayments on that new schedule. This way, if rates move upwards, you won't notice the difference. Additionally, you'll literally shave years off your loan and save thousands in interest.

3. Pay the loan off quickly

Whatever strategy is employed to pay your loan off as quickly as possible, it all comes down to putting in as much money into your home loan account as possible. Since interest is calculated additional money in your account every day contributes towards paying off your loan.
Stop carrying cash; every dollar in your wallet could be working to minimise your home loan. Empty old money boxes and coin trays in your car. Ensure you consolidate any savings accounts that you may have and incorporate them into your offset account. Every single cent counts.

Interest is calculated daily on the remaining balance. The lower the outstanding balance, the more you will save. For example, if you take out a loan of $400,000 at 5.00 per cent for 25 years, your repayment will be about be about $2,338. This equates to a total repayment of $701,508 over the term of your loan.

If you pay the loan out over 10 years rather than 25, your monthly payment will be $4,242 a month. But the total amount you will repay over the term of the loan will be only $509,114 - saving you a massive $192,394.

Early in the life of your loan you'll be paying off interest only (a nasty reality of compound interest).

4. Clever use of your credit card (using an offset account)

Most have a love-hate relationship with their credit card, but in the world of home loan repayments, they're an essential tool to minimise debt.

Many credit cards have an interest-free period (normally 55 days), meaning that you can buy now and pay in 55 days. This means that despite a purchase (such as bills, shopping, etc.), your cash stays in your account and is used for daily interest calculations.

These all-in-one loans or 100 percent offset loans allow you to use your mortgage as your key financial product; EFTPOS and chequebook accounts are normally integrated as well.

Clever use of an offset account means that it's possible to pay a 25-year loan off in less than half the time.

5. Frequent payments

Paying your home loan off fortnightly rather than monthly can save you thousands (head over to our calculators to see a visual representation of the savings). You basically split your loan into two, and this becomes your fortnightly payment - it literally saves hundreds of thousands over the life of a loan.

The reason the fortnightly payments are so effective is for two reasons: first, there are 26 fortnights in a year, but only 12 months. Paying fortnightly means that you will be effectively making 13 monthly payments every year. Second, because you're paying more frequently - remembering that payments are calculated daily - you're paying a lower amount of interest every day. Compounded over time this technique makes a huge difference. Every dollar you put into your mortgage above your repayment amount brings you close to attacking the capital, which means that over time you'll be paying interest on a smaller amount.

6. Get a package

Speak to your broker about the financial packages banks may have on offer. Common inclusions are discounted home insurance, fee-free credit cards, a free consultation with a financial adviser, or even a fee-free transaction account. While these things may seem small compared to what you are paying on your home loan, every little saving translates into big savings on your home loan over time. There are also "professional" packages on offer for amounts over a certain limit, which can be as little as $150,000. Those that qualify for professional packages may see significant savings (although they may come with other fees that lock you into their product for a period of time).

7. Debt consolidation

Many lenders will allow you to consolidate (or refinance) all of your debt under the umbrella of your home loan. This means that instead of paying higher interest rates on your credit card and/or personal loan, you can transfer these debts to your home loan and pay it off at a far lower rate. This does mean that monthly payments may increase (slightly), and the interest you pay is spread over a longer period of time, but there ways to ensure that this method doesn't come at a disadvantage. Talk to your broker about how debt consolidation is best managed.

8. Split your loan

Many borrowers worry about interest rates and whether they will go up but don't want to be tied down by a fixed loan. A good compromise is a split loan, or combination loan as they are often known, which allows you to take part of your loan as fixed and part as variable. Essentially this allows you to hedge your bets as to whether interest rates are going to rise and by how much.

If interest rates rise you will have the security of knowing part of your loan is safely fixed and won't move. However, if interest rates don't go up (or if they rise only slightly or slowly) then you can use the flexibility of the variable portion of your loan and pay that part off more quickly.

9. Forgo the luxuries

It's easy to spend money on minor 'luxuries' such as coffee, alcohol, fancy lunches, home-entertainment, and other discretionary items. Before you know it you've spent $10000 a year. Before you buy your next fancy-pants coffee, understand that you'll be paying interest on that item until your loan is paid off. We're not suggesting you live a life void of enjoyment, but it may be worth making cost-effective and sensible changes that will shave years off your home loan.

10. Vigilance

Don't let the tail wag the dog.

It's easy to let your home loan run on autopilot and essentially ignore it. However, working with us means that we'll constantly monitor your product for rate and other changes, we'll routinely contact the bank on your behalf to negotiate a better rate, and we'll often assess circumstances to determine if another product might offer more significant
savings.

Together, we'll stay informed and stay ahead of the game.

11. The offset account

As mentioned earlier, the offset account is a powerful weapon to attack your home loan and pay it off faster than you ever could without it.

Instead of earning interest, any money you have in your offset account works to offset the interest you are paying on your home loan. For example you may have a mortgage of $300,000 at 5.00 percent and an offset account with $50,000 in it earning 3 percent.

This means that $250,000 of your loan is accruing interest at 5.00 percent but the rest is accruing interest at just over 1 percent (5.00 percent on your loan less the 3 percent the $50,000 in your offset account is earning). Imagine how much you can save!

Of course, the best sort of offset account pays the same rate as your loan (100 per cent offset).

12. Pay first payment before due date

With most new loans, the first instalment may not become due for a month after settlement. If you can manage it (and your lender will let you), pay the first instalment on the settlement date. If you do this, you will be one step ahead of the lender for the term of your loan. Every little bit counts.

13. Make sure your loan is portable

If there is any chance that you will move house during the course of your loan, make sure that your lender will allow you to transfer your loan to a new property and that it won't charge you the earth for the privilege.

Be careful. If you sell up and buy a new house, you could find yourself down thousands in discharge costs on your old loan and establishment fees on your new product.

14. Smaller lenders

It's normal to be attracted towards big-brand primary lenders, but the loans they have on offer often come with a 'premium'. Don't be afraid to consider a loan with a smaller lender if their product offers suitable advantages. Smaller lenders usually come at the expense of other features - such as feature-rich Internet banking (it'll be there... but won't be as good as the big-4). Your broker will discuss these issues with you.

15. Professional discounts

Many lenders will offer discounts to certain professions, such as doctors, lawyers, and dentists. Others might include Government jobs such as police officers and firefighters. These specialist packages often have requirements such as a university degree or other educational requirements. Your broker will discuss these options with you should you qualify.

COMMON FIRST HOME BUYER MISTAKES AND HOW TO AVOID THEM

There are costs associated with buying a property that requires discipline, vigilance, and careful planning. In this article we discuss common money-traps and how to avoid them.

Understand your budget

Your first home purchase requires a little introspection. Look at your finances, have a clear understanding of your personal budget, and understand exactly how much you can borrow. Plan for interest rate rises - they don't stay where they are forever. Have a thorough understand of your average monthly budget (subtract your total monthly expenses from your total monthly income and the number that you have is roughly what you can afford to repay each month on a loan). Consider your career, family plans, future vehicle projections, and other costs (holidays, schooling etc.)

Understand the purchase cost

A purchase cost includes stamp duty, conveyancing, inspections, Lenders Mortgage Insurance (LMI) and other costs such as moving and early repairs. Consider these costs when evaluating your borrowing capacity.

Over-extending

The best way to avoid overextending is to have a firm grasp on your current incomings and outgoings. If you know exactly where all your money goes each month before you buy you will be better positioned to plan an affordable repayment strategy. When it comes time to make an offer, never go above your budgeted purchase price.

Take advantage of concessions

The First Home Owner Grant is a government initiative to assist people in buying their first home in Australia and can save you thousands in duties and fees. Visit the First Home Owner Grant website for details on each state's grants.

Get property inspections

Building and pest inspections can also be used to negotiate on the purchase price. We've all heard horror stories of buyers discovering structural faults, water or pest damage after spending their whole budget on purchasing the home. The inspection is essential.

Know the true value of a property

While buying is an emotional experience, think outside the bathroom and consider local transport, schooling, council fees and performance, crime, and future value (see our checklist in this document).

We'll help you understand the First Home Buyer process in its entirety, and once your loan settles we contine to provide you with information to ensure your mortgage is managed efficiently.

How to manage your mortgage more effectively

While there's no getting out of mortgage repayments there are ways to make paying off your loan easier.

Here are five proven tips to better manage your mortgage.

1. SET A BUDGET

Work out your expenses (fortnightly or monthly) and factor in your mortgage repayments. You might need to cut back on spending in certain areas to make sure your mortgage is a priority. Keep a diary of your spending and stick to your budget.

2. CUT YOUR DEBT

Reduce the number of credit cards you have (ideally down to one) as well as their credit limits, and only use them sparingly. Having a mortgage means taking control of your spending.

3. PAY MORE THAN THE MINIMUM

Making fortnightly repayments can have a big impact, minimising interest over the long term. Through this strategy you will essentially make 13 monthly repayments over the course of a year, rather than 12.

This extra month's repayment helps reduce your principal, which can potentially save thousands in interest repayments over the life of your loan.

When extra funds come your way, like tax refunds, put them straight into your home loan as well – it can really make a difference in the long term.

Just keep in mind that you may be charged a fee for making additional payments on your mortgage depending on the type of loan you have.

4. DIRECT DEBIT

Arrange for your mortgage repayments to be direct debited from your pay, so you always make them on time.

5. DON'T BE LATE

If you're struggling to meet your repayments, speak to your mortgage broker. It may be possible to restructure your repayments or consolidate other debts into your home loan under certain circumstances.

We're **always** available for guidance and support when called upon.

Protecting your purchase

When it comes to buying your new home, the insurance is just as important as the home itself.

When it comes to buying your new home, insurance is just as important as the home itself. There are a number of types of insurance you'll need to consider: building or home insurance, contents insurance and mortgage protection insurance to name a few.

Building or home insurance

Depending on the type of loan you've taken out, under your loan contract it may be compulsory for you to take out building or home insurance to safeguard the lender's interest in the property. You should check your loan contract to see if it is a condition on your loan. Even if this is not mandatory, it is strongly advisable.

Building or home insurance covers you for damages to your property or its fixtures. You should check the various levels of cover with your insurer and also refer to their terms and conditions for any inclusions and exclusions. Depending on your level of cover, you may be able to protect yourself for anything from fire and storm damage to burglary.

Essentially, home insurance covers the cost of restoring your property to its present condition if it is damaged.

Make sure you don't underestimate these costs, as you may end up seriously out of pocket in the long run should disaster strike.

Contents insurance

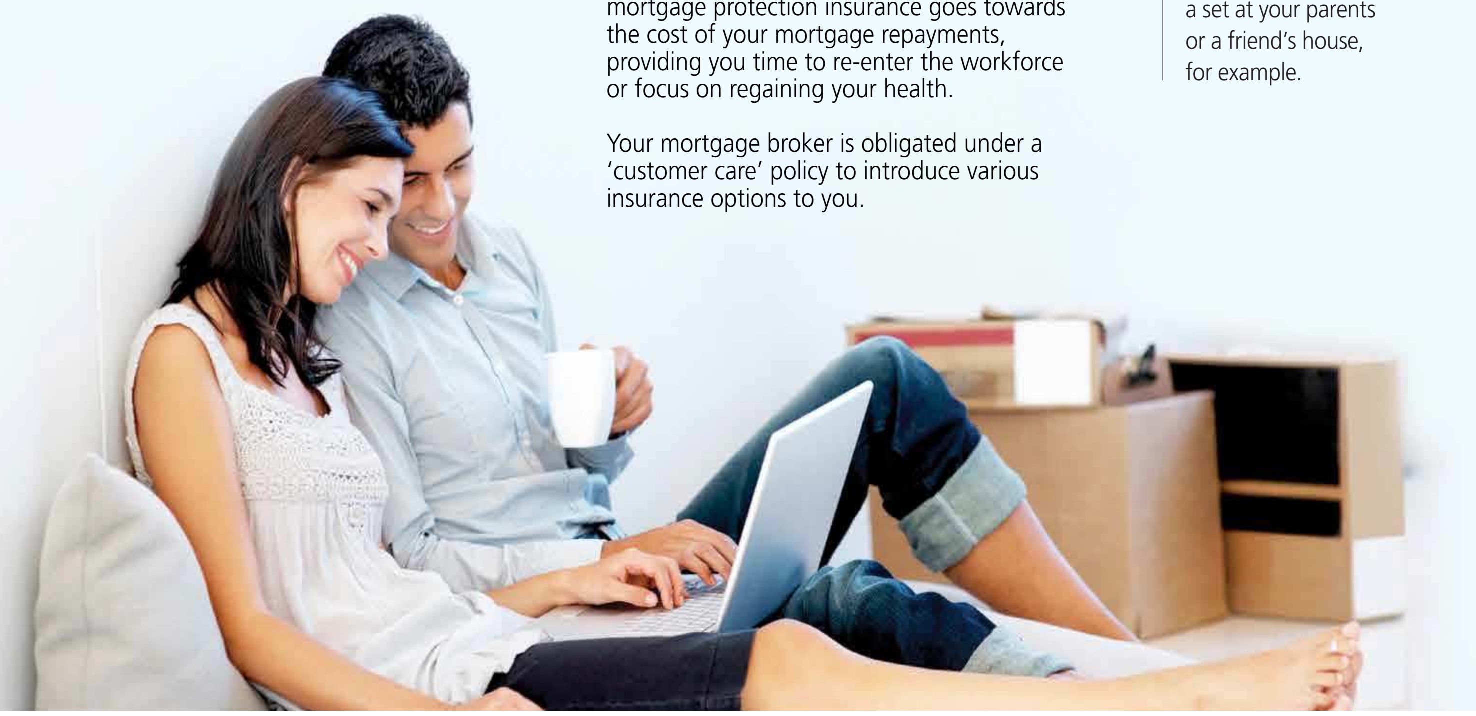
Contents insurance is designed to protect you in the case of loss or damage to your personal belongings and items in your home, such as whitegoods, clothing and furniture. While you may already have contents insurance, it's a good idea to update it after a move into a new property – especially if you've decked out your new house with brand new furniture and appliances.

You'll usually have a choice between two types of contents insurance: a policy that replaces the old goods with new ones or you can opt for an indemnity policy, under which you'll receive the depreciated value of what was damaged.

Mortgage protection insurance

Mortgage protection, while not mandatory for borrowers, can be an effective tool to help cover your mortgage should you find yourself unable to work through injury or are diagnosed with a serious illness. Typically mortgage protection insurance goes towards the cost of your mortgage repayments, providing you time to re-enter the workforce or focus on regaining your health.

Your mortgage broker is obligated under a 'customer care' policy to introduce various insurance options to you.



TIPS

FINDING THE RIGHT INSURANCE

TAKE TIME TO SHOP AROUND

Compare the price of each policy with the cover offered – don't go for a cheap deal with very little cover or pay top money for cover you don't really need.

ENGAGE SPECIALISTS

Speak with your mortgage broker for options on the insurances related to your new property purchase – they may well be able to recommend a professional who can arrange the policies for you.

KEEP DOCUMENTS SECURE

Remember to keep copies of your insurance policies, receipts and photographs away from the house, as they won't be much help to you if they are damaged. Leave a set at your parents or a friend's house, for example.

NEW HOME CHALLENGES

Help ease the transition to your new home, by having all the little things organised ahead of the move.

Moving house can be one of life's more exciting experiences, it can also be one of the most stressful.

- **Mail:** Keeping on top of bills is a must, so make sure your post is redirected to your new address as soon as possible. Don't forget to notify your bank and any other service providers or regular billers about the move. The last thing you want is to be late in paying an account or to miss out on any important news.
- **Utilities:** Find out about utilities (water, gas, electricity and phone) and what you need to connect (including costs) before the big move to ensure your life continues to run smoothly once you're in your new home.
- **Schools:** If your move involves a change in school for your children make sure this is sorted out well before the move. Include them in the decision process to help them get excited about the move, rather than being upset and anxious.
- **Amenities:** To help your family settle in, find out as much as you can about your new community so you can explore and discover it together. Establish the locations of any facilities that would appeal, such as sporting clubs, gyms, parks and even video shops.
- **Neighbours:** Pop over and say hello to your new neighbours. It's always handy to have a good relationship with the people in your neighbourhood, and they might have some tips to help you settle in quickly to the area.
- **Budget:** Moving into a new home is as good a time as any to take a look at the family budget and reassess your spending priorities, as well as factor in any changes that might have occurred now that you've moved. Keep in mind that interest rates may rise in the future and factor this into your budget.

The best advice when making a move into a new home is to be organised and not to take the move too seriously. Enjoy discovering your new neighbourhood and make the most of that new home feeling.

A smooth transition will leave you and your family free to enjoy your new home.

NEW HOME NEW COMMUNITY

Help ease the transition to your new home by having all the little things organised ahead of the move

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Utilities. Find out about utilities (water, gas, electricity, phone, and Internet or NBN) and what you need to connect (including costs) before the big move to ensure your life continues to run smoothly one you're in your new home.

Schools. If your move involves a change in school for your children make sure this is sorted out well before the move. Include them in the decision process to help them get excited about the move.

Amenities. To help your family settle in, find out as much as you can about your new community so you can explore and discover it together. Establish the locations of any facilities that would appeal, such as sporting clubs, gyms, parks, and community centres and groups.

Neighbours. Pop over and say hello to your new neighbours. It's always handy to have a good relationship with the people in your local area, and they'll likely be a good source of information to help you settle into your new community.

Budget. Once you're settled into your new home it's a good time to look at the family budget and assess spending priorities. Remember, interest rates may rise, you'll likely encounter surprise costs in your new home, and the future will often present new financial challenges.

When moving home the best advice is to be organised and not take the move too seriously. Enjoy discovering your new neighbourhood and start engaging with your new community.

CHECKLIST

MAKING A MOVE CHECKLIST

Your step-by-step guide to moving house

ARRANGING YOUR FINANCES

- [ ] Contact your mortgage broker to explore financing options.
- [ ] Arrange supporting documents (such as pay slips, groups certificates, credit card statments, tax returns etc.).
- [ ] Assess lending capabilities with yoru broker, shortlist loan options that meet your feature requirements, and determine the most suitable product.
- [ ] Your mortgage broker will submit your loan application with supporting documentation.
- [ ] Obtain pre-approval.

BUYING YOUR HOUSE

- [ ] Engage a solicitor or conveyancer to check sales contract.
- [ ] Place an offer for a home or bid at auction
- [ ] Complete building and pest inspections, strata, and title searches.
- [ ] Sign contracts along with submitting agreed deposit.
- [ ] Arrange insurance (contents, building, and/or income protection).
- [ ] If applicable, process first home owner grant (FHOG).
- [ ] Complete settlement.
- [ ] Pick up your keys.

MOVING INTO YOUR HOME

- [ ] If currently renting, advise your landlord that you're moving.
- [ ] Collect bond from rental agency.
- [ ] Arrange disconnection of utilities and cleaning of old premises (if required).
- [ ] Arrange quotes from removalist companies and schedule moving times.
- [ ] Connect the gas, electricity, Internet and other utilities.
- [ ] Connect Pay TV and Internet
- [ ] Connect new phone line (may be required for internet)
- [ ] Redirect mail (arrange through your local post office or online)
- [ ] Redirect newspaper and magazine subscriptions.
- [ ] Advise friends and family of new address. It's best to use SMS - avoid a public Facebook post of private information.
- [ ] Arrange cleaning of your new home or DIY.
- [ ] Move the family in.

BEFORE YOU BUY CHECKLIST

Inspections and pre-purchase checks

Use this checklist to make sure your new home doesn't have hidden gremlins.	Completed	Notes
Have a qualified builder inspect the property and provide a professional condition report. Highlight any structural problems or issues, such as rising damp or old wiring. Obtain quotes for repair.	☐	
Organise pest inspection.	☐	
Check the local council's building regulations should you plan to renovate and determine any restrictions that may apply before you buy.	☐	
Have all legal aspects relating to the land and title checked by your solicitor or conveyancer.	☐	
Check with the council on zoning or any upcoming developments nearby – particularly those in your immediate neighbourhood, such as new roads and highways or high-rise, high-density unit developments.	☐	
Ensure all appliances work (i.e. dishwashers, stoves, hot water systems).	☐	

TIPS

PRIVATE PURCHASE

- Get a mortgage pre-approval - it will establish your credentials as a serious buyer and may give you leverage to negotiate (you'll also have confidence in your borrowing capacity).
- Do not sign any contracts without the approval of your solicitor.
- Insert an acceptance date into your offer by which time it will lapse if it is not officially accepted.

AUCTION

- Attend a few auctions to familiarise yourself with the process before you take the plunge.
- Obtain a copy of the auction rules and conditions and make sure you understand them well. Also have your solicitor review the contract before you attend the auction, and ask them to negotiate conditions on your behalf – for example, longer settlement terms or less deposit down.
- Thoroughly examine the property before bidding at auction, including pest and building inspections.
- Most importantly, set your maximum bidding limit and stick to it.

CHECKLIST

WHAT ARE YOU LOOKING FOR?

What you need versus what you want

Finding the right property means knowing what you want before you go looking for it. To avoid confusion, have a clear idea of what you want and what you need to make property evaluation an easier task.

NOTES

		Essential	Preferable	Handy
LOCATION	Close to work	○	○	○
	Close to schools	○	○	○
	Close to parks	○	○	○
	Close to shops	○	○	○
	Close to amenities	○	○	○
	Close to sports grounds, parks, clubs	○	○	○
	Close to rail station & public transport	○	○	○
	Close to family and friends	○	○	○
	Close to leisure, shopping & entertainment	○	○	○
INTERNAL FEATURES	Separate dining room	○	○	○
	Separate children's room/parent's retreat	○	○	○
	Open plan layout	○	○	○
	Guest room or area	○	○	○
	A second toilet or bathroom	○	○	○
	Study or sunroom	○	○	○
	Modern kitchen	○	○	○
	Built in heating or cooling system, or Aircon	○	○	○
	Built in wardrobes	○	○	○
	Additional storage	○	○	○
EXTERNAL FEATURES	Fully-fenced yard	○	○	○
	Double/lock-up garage and/or workshop	○	○	○
	Gas cooking and/or heating	○	○	○
	Outdoor entertainment area	○	○	○
	Off street car parking	○	○	○
	North facing	○	○	○
	Swimming pool	○	○	○
	Security system	○	○	○
	Fully renovated - no work required	○	○	○
	Requires renovation	○	○	○
	No steps	○	○	○
	Low maintenance	○	○	○
	Street lighting	○	○	○

PROPERTY SUMMARY CHECKLIST

A quick checklist to compare property

CHECKLIST

PROPERTY ADDRESS

LISTED PRICE

REAL ESTATE AGENT

PROPERTY NOTES

		YES	NO
THE LOCATION	Is the property close to shops and facilities?	○	○
	Are suitable schools available in the area?	○	○
	Are there hospitals and medical care nearby?	○	○
	Is there adequate public transport?	○	○
	Do you have access to entertainment facilities?	○	○
	Are there council planning changes forthcoming?	○	○
	What is the driving time to work?		
	How far away are your family and friends?		
OUTSIDE THE PROPERTY	Is paintwork in good condition?	○	○
	Are there signs of dampness (bubbly paint, smell)?	○	○
	Is there scope to extend the property?	○	○
	Is there a parking spot or garage?	○	○
	Does it have adequate room for gardens?	○	○
	Is there suitable sunlight?	○	○
	Is there nearby traffic? Is it noisy?	○	○
	Is the guttering and roof in good condition?	○	○
	Are there common areas in need of repair?	○	○
	If a unit, is there a possibility of building decay?	○	○
	If a unit, how many lifts? Are they suitable size?	○	○
INSIDE THE PROPERTY	Are the walls, ceilings, and floors in good condition?	○	○
	Is the kitchen in need of renovation?	○	○
	Is the bathroom in need of renovation?	○	○
	Are carpets in good condition?	○	○
	Are curtains & blinds in good condition (and included)?	○	○
	Are light fittings, aircon and fittings in good condition?	○	○
	Do all windows and doors open?	○	○
	Is the wiring new?	○	○
	Check taps. Is the plumbing operational?	○	○
	Are there suitable rooms for growth?	○	○
	Is there a space for dishwasher/wash maching/dryer?	○	○
	Is there road/air/rail noise?	○	○
	Street lighting	○	○

CHECKLIST

PREPARING TO MOVE

Ensure you're prepared for the move

6 WEEKS TO GO

- [ ] Is a moving date set? Removalists booked?
- [ ] Source boxes, containers, and packing material
- [ ] Parking & unloading areas at old & new home
- [ ] Time arranged off work (if necessary)
- [ ] Insurance cover notes for new home
- [ ] Mail redirections (keep all mail for records)
- [ ] Change of address forms (subscriptions)
- [ ] Start keeping a folder with all moving documentation (checklist, quotes, phone numbers etc)
- [ ] Check that all large appliances will fit into your new home (perhaps consider purchases)

4 WEEKS TO GO

- [ ] Council clean of anything for old junk
- [ ] Sell or donate unwanted items

3 WEEKS TO GO

- [ ] Arrange for a mail redirection service with Australia Post
- [ ] Notify a change of address for the following:

☐ Banks	☐ Insurance Providers
☐ Private Health Fun	☐ Superannuation
☐ Telephone service	☐ Internet
☐ Mag subscriptions	☐ Your employer
☐ Friends & Family	☐ Doctor & Dentist
☐ Medicare (MyGov)	☐ Drivers Licence
☐ Electoral Commission	☐ Car rego & Insurance
☐ School / TAFE / Uni	☐ Centrelink
☐ Child care & schools	☐ Accountant
☐ The ATO	☐ Solicitor
☐ Vet/Microchip Reg.	☐ E-tag, tolls, mechanic

Your change of address is best taken care of so you don't miss out on important information. Try and keep all mail for at least 12 months if you have an expectation to move home. A change of phone number is also important.

2 WEEKS TO GO

- [ ] Transfer of set up utilities (electricity, gas, water, telephone, internet, and Pay TV)
- [ ] Gas cylinders must be empty and valves left open
- [ ] Start packing items that aren't necessary
- [ ] Label boxes with room destinations, and label those that are delicate and require care

It's a good idea to number each box and keep a log of contents. This way you won't need to go looking for items if packing is not complete (you'll also know if boxes go missing)

- [ ] Create a floor-plan for removalists with each box numbered for each room

If you're super organised. Consider a sticker for each box destined for the same room, or even different coloured packaging/boxes.

- [ ] Book a locksmith for moving day
- [ ] Confirm removalist or truck booking if DIY
- [ ] Collect instruction booklets for new owners or tenants in your existing home
- [ ] Cancel services (gardening, pool cleaning etc.)

1 DAY TO GO

- [ ] Defrost and empty freezer
- [ ] Turn off washing machine (possibly fridge)

MOVING DAY

- [ ] Have your moving documentation/folder handy!
- [ ] Have clear instructions for the removalist
- [ ] Continue to check the house for anything you might have missed (high shelves, under the bed, back of drawers, garage etc.)
- [ ] Ensure gas and electricity meters have been read and your telephone, cable, and Internet is disconnected
- [ ] Leave a 'care package' for new owners with your email, forwarding address, and mobile number.

CHECKLIST

PREPARING TO MOVE

Ensure you're prepared for the move

MOVING DAY (continued)

- [ ] Leave behind garage door openers/keys
- [ ] Turn off power, gas, and hot water
- [ ] Check nothing is left behind
- [ ] Lock all doors and windows

AT YOUR NEW HOME

- [ ] Check utilities are connected (and hot water)
- [ ] Check you have all necessary keys and remotes, and make sure you have all the appliance instructions
- [ ] Assemble and make beds (you'll need them)
- [ ] Notify the moving company if anything is missing or if any large items are damaged
- [ ] Keep cats and dogs indoors for a short time to familiarise them with new surroundings
- [ ] Ensure locks are changed, remotes have their codes changes, and any security system is reset

MOVING DAY SURVIVAL PACK

Survival pack – include cleaning products, kettle, tea, coffee, cutlery, milk, bread, takeaway menus, phone chargers, essential toiletries, toilet paper and medications. Don't forget your pets – make sure you have some food, water bowls, beds and leads. Bring essentials for the following day – clothes and school uniforms.

Ensure you have a set of bedding, towels, pj's and if you have children, make sure you have their favourite toy to help them settle into their new bedroom on the first night. A handyman kit with essentials like allen keys, screw-drivers, hammer, nails, wall hooks, lightbulbs scissors, etc will help avoid having to rummage through boxes when trying to construct your bed.

THE **LENDING GLOSSARY**

AMORTISATION PERIOD

The time taken to repay a debt, including accrued interest, in full through regular repayments.

BASIS POINTS

Refer to a common unit of measure for interest rates and other percentages. One basis point equals 0.01 per cent. For example, 50 basis points equal 0.50 percent.

BREAK COSTS OR PREPAYMENT FEES

May be charged if you switch loan products, make additional repayments to your fixed rate loan or repay your loan in full during the fixed rate period. It is important to ask your lender if these fees will apply to your loan, and to understand if and when they would be payable.

BROKERS

Many Australians use mortgage brokers (sometimes called finance brokers, credit advisers, or mortgage adviser) to help find the most suitable home loan. Brokers can offer you a variety of loan options and help you select a loan and manage the process through to settlement. They often receive a commission from lenders for arranging the loan, and may sometimes charge you directly. You should always consider your personal circumstances, and it is wise to shop around.

CERTIFICATE OF TITLE

Documents the ownership of or interest in land. It provides a description of the land, proprietorship and shows any registered interests such as mortgagees, charges and caveats. It also shows any restrictive covenants and easements which affect the estate or interest.

COMPARISON RATE

A single percentage rate figure that takes into account the interest rate and most fees and charges associated with the loan. The comparison rate can help you to compare the true cost of a loan betwen lenders.

CONTRACT DEPOSIT

A deposit that is required to be paid when the contract of sale is exchanged. The contract deposit, usually 10 percent of the purchase price, is held by the real estate agent in a trust account until settlement. If you do not proceed with the purchase, the contract deposit will not be refunded. The remainder of the purchase price is paid on the day of settlement.

CONTRACT OF SALE

The written agreement detailing the terms and conditions for the sale of a property. It is usually prepared by the vendors solicitor or conveyancer.

CONVEYANCING

The legal process where the ownership of a property is transferred from one party to another.

COOLING OFF PERIOD

A period of time, usually between 24 hours and 14 days, during which an individual or organisation can decide not to continue with a contract. Cooling off periods vary in each state of Australia.

CREDIT REPORT

A file that is kept by a credt reporting agency which shows a person's credit history. Banks and financial organisations refer to credit reports when considering applications for loan and credit report. A person with a poor credit histoy may find it difficult to obtain a loan or a credit card.

DEPOSIT

The amount you contribute to the purchase of your property. This can come from many sources including savings or equity in another property. Your loan will make up the remainder of the purchase price. For example, if your property is valued at $500,000, and you have saved a 10 per cent deposit of $50,000 you will need a loan of $450,000.

EQUITY

Homeowners often talk about how much equity they have in their house. Property investors often talk about how much equity they have in their portfolio. This is the value of the property (or portfolio) over and above the amount they owe on their loan(s).

FIRST HOME OWNER GRANT

The First Home Owner Grant (FHOG) scheme was introduced on 1 July 2000 to offset the effect of the GST on homeownership. State Governments provide financial grants to purchasers of first home, to assist in meeting purchase costs. Eligibility criteria applies, and grants vary by state.

FIXED INTEREST RATE

Fixed interest rate loans lock your monthly interest repayments at a set rate for a period (typically one, three or five years), after while they will revert to the standard variable rate. They can be a good choice for buyers who want certainty around interest payments, but beware of break costs or prepayment fees if you try to change your loan or want to make additional repayments.

LENDERS MORTGAGE INSURANCE (LMI)

Lenders mortgage insurance (LMI) is insurance taken out by the lender and provides a safety net to the lender in the event that you, the borrower, default on your loan repayments. The cost of the insurance premium is usually added to your loan and paid off along with the rest of the loan. With LMI, a lender may accept a smaller deposit than the 20 per cent usually required, which can get you into your home sooner.

LOAN AGREEMENT

A formal contract between you and a lender which sets out the terms and conditions of your loan.

LOAN-TO-VALUE RATIO

The Loan-to-Value Ratio (LVR) is the proportion of the loan amount to the lender's valuation of your property. If your property is valued at $500,000, you put down a deposit of $50,000 and require a loan of $450,000, the LVR will be 90 per cent (calculated as $450,000 ÷ $500,000 x 100). If your LVR is higher than 80 per cent, your lender will usually require that LMI be obtained for the loan.

MORTGAGE

A legal document between a borrower and a lender. A mortgage gives the lender a conditional right to the property that is held as security for the repayment of the money that has been lent.

MORTGAGOR

The person who owns the property and gives the property to a lender as security for a loan.

MORTGAGE DUTY

Mortgages may attract duty based on the amount secured by the mortgage. This duty is usually paid to the applicable state authority on your behalf by your lender and added to your loan. The rate and amount of duty payable varies in each state and territory.

MORTGAGE PROTECTION INSURANCE

This covers your loan repayments if you fall sick, suffer an injury or lose your job. If you die prematurely, the loan will generally be paid off. Policies differ widely and can be a combination of life insurance, income protection and permanent disability insurance. This is not the same as LMI.

NEGATIVE GEARING

Borrowing money to invest where the return from the investment is less than the borrowing costs. For example, the rental income from your investment property is less than the interest payments on the loan used to purchase the property.

OFFSET ACCOUNT

A mortgage offset account is a bank account that is linked to your home loan. The savings in your bank account reduces the balance of your loan on which interest is calculated. This reduces the amount of interest you will be charged and can assist you to pay your loan off sooner.

OFF-THE-PLAN

Buying a property off-the-plan means signing a contract to purchase an apartment that has not yet been built. You will be able to view building and design plans but there is no physical property to inspect.

PRINCIPAL

This is the outstanding balance owing on your loan on which interest is typically calculated and charged. Generally, your regular home loan repayments will consist of principal and interest components, gradually reducing the amount owing on your loan. With interest-only loans, only the interest is paid each month, leaving the original principal outstanding at the end of the loan term.

REDRAW

This is an optional feature on certain home loans that allows access to any additional repayments made on your home loan. If you redraw funds from your home loan, your outstanding balance will increase.

REPAYMENT FREQUENCY

Refers to the regularity of loan repayments over a period of time which you must make as indicated in your loan agreement. Repayment frequencies are generally weekly, fortnightly or monthly.

REVOLVING CREDIT OR LINE OF CREDIT

A flexible ongoing loan arrangement that allows you to borrow within a specified and agreed credit limit. Typically, the line and agreed credit limit. Typically, the line of credit account will also be used for everyday transactions. Interest is added to the loan each month, and repayments are not necessary while the loan is within its credit limit.

SECURITY

Security for a loan refers to the asset(s) a lender can claim against if you default on your loan. For home loans, it usually includes the property being purchased.

SERVICEABILITY

Your capacity to meet loan repayments based on your income and expenses.

STAMP DUTY (ON A PROPERTY PURCHASE)

Also known as transfer of land duty, transfer duty and conveyance duty. When you purchase property in Australia, you are generally required to pay stamp duty to the relevant state or territory government. The amount varies between each state and territory, and is based on the market value of the property or the purchase price. Exemptions and concessions may apply in some circumstances. Check with your solicitor or conveyancer to see if you are eligible.

VARIABLE INTEREST RATE

If your loan has a variable interest rate, the interest charged on the outstanding balance of your loan may increase or decrease in line with the official cash rate set by the Reserve Bank of Australia. Lenders may also change your regular loan repayment amount based on changes in the interest rate. Lenders do not have to track changes in the cash rate and you should make allowances for higher-than expected increases.

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