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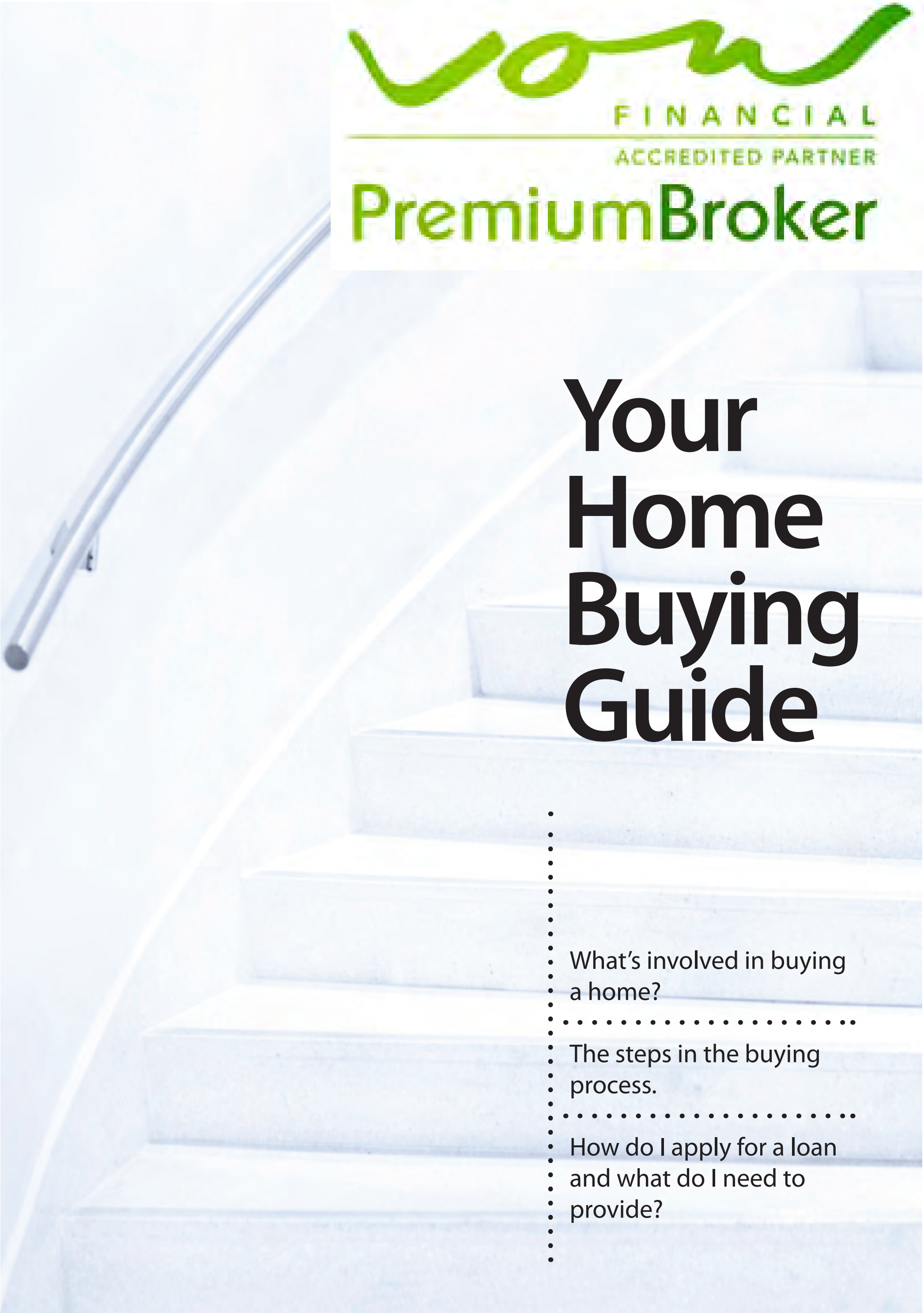

Your Home Buying Guide

What's involved in buying a home?

The steps in the buying process.

How do I apply for a loan and what do I need to provide?

Your Home Buying Guide

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Introduction

Buying a home – it's your dream. Turning this dream into a reality is my job as a mortgage broker.

Mortgage brokers are all about options – listening to your needs and providing you with the best loan from a variety of lenders to suit your needs.

This booklet aims to help answer some of your questions including:

- What's involved in buying a home?
- The steps in the buying process
- How do I apply for a loan and what do I need to provide?

Basically, this booklet will answer many of your questions and give you some understanding of the Home Loan market and dealing with the buying process. If you have any more questions that aren't in this booklet, don't hesitate in contacting me.

Let's turn your dream into a reality.

Yours sincerely,

Robert Ward & John McLennan
Directors
Premium Broker

Steps in the Buying Process

1. Research the area you are buying into — Ask Premium Broker - RP Data Reports
2. Calculate how much you can afford to spend and repay — Ask Premium Broker
3. Obtain pre-approval for how much you can borrow — Ask Premium Broker
4. Make an offer
5. Review contract of sale (with solicitor/conveyancer) and apply for formal loan approval — Ask Premium Broker - Vow Legal
6. Organise building insurance — Ask Premium Broker - Allianz Quote
7. Arrange pest and building inspections
8. Exchange contracts
9. Decide whether you want a 'cooling off' period
10. Settlement takes place
11. Review your Loan Protection — Ask Premium Broker - Vow Wealth

10 Steps to Buying a Home

1 Know the market

Do your homework and research the area you are buying into by browsing newspaper and Internet property listings and speaking to local real estate agents. Ask us for a free RP Data Report

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 power is determined by your income and financial commitments, as well as your current savings and credit history.

As your mortgage broker, we can help you work out how much you can borrow and what type of loan will suit your budget and lifestyle.

We 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

Now you know how much you can borrow, make an appointment with us to have your finance pre-approved. While you can always leave this step until after you find a property, pre-approval is 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 the 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 the 10% deposit when you exchange contracts.

This 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 the time taken to gain formal loan approval).

Another option that has become increasingly common is for you to exchange contracts with the real estate agent upon acceptance of your offer and pay a 0.25 per cent 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 forfeit your 0.25% 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.

You will need to provide us with a range of documentation – see 'what you need' on page 9.

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 can 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 purchaser 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-period with the agreement of the seller.

10 Pay and settle

Stamp duty, which is calculated on the purchase price of the property, must be paid before 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 yours – congratulations!

** 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.*

To guide you through and arrange these steps, please contact us.

Which Loan Is Right For Me?

Don't know where to start when it comes to choosing the right home loan?

With features and fees varying from one loan to the next it might seem like a bewildering array of options, but the good news is that you don't have to go it alone. As your mortgage broker, my role is to work with you to assess which of these loans will prove the best match to your income, goals, budget and lifestyle.

Fixed Rate (Principal and Interest)

Fixed rate loans are priced according to a pre-determined interest rate and therefore have fixed loan repayments.

The time period of these loans can vary, but you can usually 'lock in' your repayments for between one and five years. When the fixed term expires, you can decide whether to fix the loan again for another period of time at the current market rates or convert the loan to a variable interest rate.

Variable (Principal and Interest)

The rate charged on variable loans moves up or down in accordance with interest rates. A basic variable has fewer features and flexibility than a standard variable, which typically offers low introductory rates and the ability to make additional payments (redraw).

Split Rate (Principal and Interest)

You can divide split rate loans between fixed and variable interest rates, selecting yourself how much to allocate to each.

Interest-Only

You repay interest only on the loan principle for a period of between one and five years. At the end of this period, you revert to making both principal and interest repayments.

Line of Credit

A line of credit allows you to access additional funds by drawing on the equity value of your home. After fixing a limit on how much you can borrow, you direct income from all sources into your loan account and then draw down funds as required.

These are some of the most common types of home loans. Contact your mortgage broker for details about the full range of loans available.

Applying For A Loan

What you need

To apply for a home loan you should fill out a mortgage application form that will ask you for details about your income, credit and savings. Your mortgage broker will have these. The application helps determine if you qualify for a loan and measures your debt ratio, an important part of working out how much of a house you can afford.

The type of documents you need for your application include:

- Personal identification: e.g., passport, drivers licence, birth certificate.
- Property information: e.g., Contract of Sale.
- Financial information: e.g., cheque account and savings statements.
- Liabilities: e.g., loan and credit card statements.
- Income: e.g., group certificate, payslips, tax return.
- Expenses: e.g., rent payments, electricity bills.

What happens next?

We will submit your application for assessment and then notify you as soon as we hear back from the lender. When your loan is approved, you will receive a letter of offer, which is a legal contract outlining the terms and conditions of your loan.

Once the exchange of contracts is complete, your loan will be drawn down, paying out the previous owner and any taxes and fees.

Loan repayments begin on the chosen repayment date after settlement, according to whether you have selected weekly or monthly repayments.

Think About

When choosing a home loan, keep in mind that interest rates and your financial situation will change over time. Make sure your loan is flexible enough to change with you. Features you might want to consider include:

- The option to move from variable to fixed interest rates, or split the loan between both.
- An offset or line of credit account to help you use your income and savings to reduce the balance of your loan.
- The ability to make additional repayments without penalty.
- A redraw facility that gives you the flexibility to use your additional repayments as required.
- The choice of making repayments on a weekly, fortnightly or monthly basis.
- The ability to transfer your loan if you buy another property.

Frequently Asked Questions

Q: How much deposit do I need to buy my first home?

A: This varies according to the type of loan you are taking out, the amount you are borrowing and the lenders policy, but in general you should aim to save a deposit of between 10 to 20 per cent of the purchase price.

The more deposit you have saved, the less you'll need to borrow, which means you make lower repayments and pay less interest.

Q: What are deposit bonds?

A: If you don't have the ready cash to pay the deposit, a deposit bond is an insurance policy document that can be used as an alternative. Speak to your mortgage broker about how they can be obtained.

Q: How much can I borrow?

A: Depends on factors like the size of your income and deposit, but many lenders require a maximum of 90 per cent Loan-to-Valuation Ratio (LVR), which means that you can borrow up to 90 per cent of the purchase price, but you will have to supply evidence of your ability to save at least 3 to 5 per cent of the value of the property ('genuine savings').

Q: What about the First Home Owners Grant?

A: This government assistance program provides you with a one-off payment to use towards the deposit for your first home. The grant amount varies from state to state, so check with your mortgage broker. We can help you apply for the grant as well as arrange for prompt payment.

Q: Does my credit rating affect my borrowing ability?

A: Your credit will be checked as part of the loan process, so you may find it harder to secure a loan if you haven't paid your bills, skipped payments or exceeded credit card limits.

Contact your mortgage broker for assistance in accessing your credit history, as you might be able to improve your rating before you apply for a loan.

Q: How do I know which type of mortgage is best for me?

A: There are a number of factors to consider, including your current financial situation, your goals and how long you intend to keep your house. Your mortgage broker can work with you to help evaluate your choices and find a solution that meets your needs both now and in the future.

Jargon Buster

A quick guide to understand the terms used in the finance industry.

This is by no means a complete list of terms and acronyms used, but it will give you a good start. If you come across something that is not listed do not hesitate to ask.

Application fee: Also called an establishment fee, it's paid to set up your loan and usually includes legal fees and valuation charges.

Appreciation: An increase in the value of a property due to changes in market conditions or other causes. The opposite of depreciation.

Arrears: To be behind in a repayment.

Body corporate: An administrative body made up of all the owners within a group of units or apartments of a strata building. The owners elect a committee which handles administration and upkeep of the areas shared by the owners.

Break costs: Also known as economic costs or exit fees. They are charged by an institution to recoup interest lost through a borrower refinancing with another institution or paying their loan out early. Break costs are normally only charged on fixed rate loans where the amount of interest the institution would receive is easily calculable. It can also be charged well into the variable portion of a honeymoon or introductory rate home loan. Some institutions also charge a flat fee on top of their break cost charge. They may refer to this fee as a "deferred establishment fee".

Bridging loan: Finance to buy a new property before an existing property has been sold.

Building insurance: Insurance which covers the cost of rebuilding or repairing a property following structural damage, for example by flood, fire, storm and subsidence.

Certificate of title: The certificate detailing the ownership and land dimensions of a property.

Certificate of currency: A document issued by an Insurance company indicating that a formal policy is currently in place for the insured property.

Company title: A property title that applies when owners of units in an apartment block form a company. Each has shares in the company that owns the land and buildings. The owner of the shares is entitled to exclusive occupation of a flat. However, if you want to alter occupancy in any way, you must have the company's approval to do so.

Contents insurance: A policy insuring household contents against theft and damage.

Comparison rate: an attempt to express some of the costs of a loan into a single interest rate. These 'costs' include the nominal interest rate, some 'up-front' fees and on-going charges. It does not include fees and charges based on future events which may not occur e.g. redraw fees, progress payments etc which are not typical of all loans. The aim of the comparison rate is to help consumers make a more informed judgement of the costs of a loan, and in so doing, help them to compare various like loan products and services offered by the various lending institutions.

Contract of sale: A legal document that details the conditions relating to the sale/purchase of the property. This document is legally binding when signed by both the vendor and buyer.

Conveyancer: A person qualified and licensed to handle all documentation for the sale and or purchase of a property.

Conveyancing: The legal process where ownership of a property is transferred from the vendor to the buyer.

Credit History: A record of an individual's open and fully repaid debts. A credit history helps a lender to determine whether a potential borrower has a history of repaying debts in a timely manner.

Daily interest: A method of calculating interest that takes into account the amount you owe on a day-to-day basis. Interest is charged on the loan amount outstanding each day.

Default: Failure to make mortgage payments on a timely basis or to comply with other requirements of a mortgage.

Deposit: The money you pay on exchange of contracts as part of your initial contribution to the purchase of your home. This could be between 5 and 10% of the purchase price. You could also pay your deposit by way of Deposit Bond.

Disbursements: The various costs your Solicitor or Conveyancer has to pay to other organisations and bodies on your behalf, including, for example, search fees and stamp duty/ land tax. Your Solicitor or Conveyancer will itemise the disbursements on the invoice they send you.

Equity: The difference between the amount you owe on your home loan and the current value of your property.

Exit fee: See break costs.

FHOG - First Home Owner's Grant: A grant available to Australians who are buying or building their first home, and have not previously owned a home, either jointly, separately or with some other person.

Fixed rate: An interest rate set for an agreed term regardless of any variations in the market. The benefits are that you know exactly how much you will be paying and are not affected by any rate rises during the fixed term.

Gearing: Borrowing to invest. Positive gearing is when you borrow to invest in an income producing asset and the returns (income) from that asset exceed the cost of borrowing leaving the investor with a surplus. Negative gearing is where the return on an investment is less than the interest costs of the loan used to fund the investment. This amount can be claimed as a tax deduction.

Guarantor: A party who agrees to be responsible for the payment of another party's debts.

Home insurance: A way of referring to both buildings and contents insurance.

Honeymoon rates: Honeymoon rate, or introductory rate, home loans offer a low interest rate for an introductory period, usually the first 1-3 years of the loan. Once the honeymoon or introductory period ends, the interest rate usually reverts to a higher rate. This is often, but not always, the lender's standard variable rate.

Interest only: This is where you only pay the interest on the loan. It is popular with investment properties for tax benefits.

Life Assurance: A form of insurance by which someone's life is insured. Life assurance policies can run parallel with a principal and interest home loan, so the loan will be repaid if you die before the end of the term.

Line of Credit: This loan lets you free up the equity you have in your home for other purposes. It provides you with a revolving line of credit through a convenient single account that you can use daily.

LMI – Lenders Mortgage Insurance: Insurance written by an independent mortgage insurance company protecting the mortgage lender against loss incurred by a mortgage default. Usually required for loans with an LVR of 80.01% or higher.

Low Doc Loan: Are a flexible financing solution for self-employed people who have income and assets, but may not have the usual paperwork at the time of application.

LVR – Loan to Value Ratio: The ratio of the amount of your loan to the appraised value. The LVR will affect programs available to the borrower and generally, the lower the LVR the more favourable the terms of the programs offered by lenders.

Mortgage term: The length of time over which you agree to pay back your mortgage, usually up to a maximum of 30 years.

Negative gearing: See Gearing.

No doc loan: No-document home loan (or no-doc loan for short), applicants simply fill out an income declaration form stating their income and assets. This process is called self-verification.

Off The Plan: When you buy a property from the Plans only and not the finished building. The Purchaser will not be able to inspect the property or see the standard of finishes, the practical layout, the size and dimensions or the outlook. However the Purchaser may be able to view a display unit and sample finishes.

Offset Account: An account linked to a mortgage account so that the interest earned is applied to reduce the interest on the mortgage.

Pre-Approval: A home loan pre-approval confirms how much you can borrow from your lender. It is conditional upon the property you wish to purchase being acceptable security, and your lender confirming your income and other information provided in your application.

Private treaty: A sale of a property at an advertised price that can be negotiated.

Redraw facility: This allows you to access any additional payments you have made on your mortgage. It is not a feature of all loans and may attract a fee, and also have a limit.

Reverse Mortgage: Is a flexible financing solution for seniors who are retired and aged 65 and over. It allows you to access the equity in your home without limiting your lifestyle. This loan for Seniors enables you to access the equity in your home for such things as home improvements, the purchase of a new car, payment of medical expenses, taking a holiday or simply to supplement your income. Most Lenders have variations of this type of loan.

Settlement: The process by which all financial dealings and contractual arrangements are completed for the buyer and seller. At the time of settlement, a deed is prepared in the new owner's name.

Serviceability: The one key aspect that all Lenders look at. They need to know if you can afford to keep up the monthly repayments to your loan. Lenders vary in the way they calculate serviceability, so the amount you can borrow will vary from Lender to Lender.

Stamp Duty: All mortgages attract government duty; this varies from state to state.

Strata title: A strata title is the most common title associated with townhouses and apartments and is proof of ownership of a unit. Individuals each own a portion, known as a 'lot'. They share common property, which can comprise: external walls, roof, foyers, fences, lawns or a pool. All owners contribute to the maintenance of these facilities.

Utilities: Electricity, gas and phone supplies.

Valuation: A written assessment of how much a property is worth by a registered valuer.

Variable rate: The opposite of fixed rates, variable rates go up and down as interest rates rise and fall.

Contact Details

Please contact us for all of your home loan needs. We can help you through every step of the process.

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Why Use A Mortgage Broker?

Because they can save you time and money.

As the Home Loan market becomes increasingly complex, more people are turning to mortgage brokers. The quickest way to understand the lending and property market conditions and the most appropriate loan for you is through talking to a mortgage broker. Here are some other reasons:

Mortgage Brokers can save time

The choices now available in the Mortgage market can seem limitless and completely overwhelming. You can choose to research the subject, the lenders and their products yourself, or work with a mortgage broker who already has that knowledge.

Mortgage Brokers give you choice

All mortgage brokers have a panel of lenders from which they recommend a loan. They have to become accredited with the lender to offer their product, and are required to keep up-to-date with their latest offers.

Mortgage Brokers can help find the right loan

The best deal is not necessarily the cheapest rate. A good mortgage broker will examine your circumstances and future plans to recommend a loan that is right for you.

Mortgage Brokers take the fuss out of setting up a mortgage

There are a number of processes once deciding to apply for a home loan. Mortgage brokers deal with the loan at every stage of the process making contact with real estate agents, solicitors and lenders. You don't have to worry about anything!

Mortgage Brokers can help you avoid pitfalls

A mortgage broker will navigate through the penalties, fees and charges to help you avoid taking out a loan you might regret later.

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