

# First Home Buyers Information Pack



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## Introduction

### Who is Wilson Financial?

Wilson Financial is an independent mortgage broker, meaning we act as agents for banks and lenders (well over 30). We do all of the leg work for you to find the best loan solution, help you gain an approval, and manage your loan from application to settlement. We do all of this free of charge as we are paid directly by the lenders, so there is no extra cost to you for using us.

Our knowledge and superior customer service will ensure that you make the right decision, the first time round. We are authorised to offer you products through all major lenders, including Westpac, NAB, ANZ, St George, CBA, RAMS, AMP, to name just a few.

### What is an MFAA Accredited Mortgage Consultant?

To be accredited with the MFAA (Mortgage Institute of Australia Association) means that you are dealing with a trusted, qualified and regulated mortgage broker. The MFAA also administers and regulates the *continued professional development* of its accredited mortgage consultants and also enforces its members to be a part of a third party dispute resolution scheme. By using an MFAA accredited mortgage broker you can be safe in the knowledge that you are engaging a professional. MFAA accredited brokers display the logo below on their promotional material, for more information go to [www.mfaa.com.au](http://www.mfaa.com.au). Your local Wilson Financial Consultants are MFAA Accredited.

### Contact us for more free information at:

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## Open House Checklist

We recommend that before you start looking for a property you gain a 'finance pre-approval' from us, so that you are aware of your borrowing capacity and are able to move quickly with an offer once you find the right home.



Included at the back of this pack are some open house homebuyers' checklists as they will help you to recall the finer details after you've seen the property. Some things to consider when viewing properties are;

### Inside the house

- Consider the condition of walls, floors and carpets and whether you will need to spend money replacing or fixing these.
- Is there adequate ventilation and insulation in the property?
- Is there ample living space in all the rooms to accommodate your furniture and family needs? Take a tape measure and measure up!
- Is there an internal or shared laundry?

### Outside the house

- What is the condition of the fences, gates, pathways, walls, roof tile and paint? Will you need to spend more money on these areas?
- Consider the aspect of the property. Does it receive sunlight, shade or too much wind?
- Is there a garage, carport, car space or other off street parking?
- Is the yard large enough or too large for your needs and how much on going maintenance will it require.

## Auction Tips



- Inspect the property as often as you can, as unlike a private treaty sale there is no cooling off period, as soon as it goes under the hammer you are obligated to buy.
- Ensure you are prepared by having your home loan pre-approved for an adequate amount.
- Attend a few auctions beforehand to ensure you understand the process and begin to feel comfortable bidding.
- Bring with you a 10% deposit or deposit guarantee/bond. See Page 14
- Ensure all your checks are done (building and pest reports). Your solicitor has reviewed the contract and you have had someone with experience look over the condition of the property.
- If bidding is not for you, make a pre-auction offer, have a friend bid for you or hire a buying agent.
- Set a limit on what you are prepared to spend and stick to that limit, this should be governed by your pre-approval limit and your comfort levels with the relevant loan repayments.
- As you get close to your limit bid in smaller increments.
- Bid with confidence and stay calm, don't feel intimidated by those around you.
- Don't get too attached to any particular property there are always going to be others to choose from.
- If the property is passed in the highest bidder will have the first right to negotiate.
- If you are successful you will need to immediately sign the contract and pay 10%. It's a good idea to check with the agent prior to the auction whether a deposit bond/guarantee is acceptable instead of cheque.

## Once you've found a property

- Check the sales results of similar properties in the area to ensure you are not paying too much. Try accessing the site [www.homepriceguide.com.au](http://www.homepriceguide.com.au) or [www.residex.com.au](http://www.residex.com.au) where you can purchase comparative sales information for that suburb or postcode.
- Have you had a mortgage expert such as your Wilson Financial consultant work out your borrowing capacity and obtained a pre-approved home loan. Remember, this is a free service, and you can ask as many questions as you need to. Pre-approvals are also obligation free and at no cost to you.
- Have your solicitor or conveyancer review the purchase contract as soon as you receive it.
- Obtain a building and pest report (your solicitor can often organise this)
- Speak to the neighbours about any problems such as crime, flooding, pollution, industrial smells, new housing developments, noise from planes, trains and cars.



## The Home Loan process explained

1. One of our qualified consultants will listen to you and your needs. They will conduct research, compare what each lender has to offer and match the right home loan to your needs.
2. We will let you know everything there is to know, such as the maximum amount you can borrow, first homeowners grant entitlements, loan repayments and all the costs you need to account for in your purchase.
3. Once you are satisfied with your choice of loan and lender, our consultant will help you complete the application and submit it on your behalf.
4. Our relationship and experience with the lender will ensure that your approval and loan settlement will happen on time with little effort on your behalf.
5. Once we have an approval, we will provide this to you in writing. If you haven't found a property as yet your approval is valid for up to 6 months. When you find a property all you need to do is contact us and we will guide you from there. We will talk to your solicitor, real estate agent and lender to manage the process until settlement and make sure that everything is in place.
6. As our consultants are accountable and only paid if your loan settles, you will find that unlike dealing with a bank or financial institution directly (who have large staff turnover) our aim is to make you happy and establish a long-standing relationship with you by always being there for you.

## Loan product types

### Standard Variable Rate Loan

This loan has a variable rate of interest, meaning it varies during the term of the loan. The reserve bank sets the variable rate and the lenders pass this rate onto their clients along with their own interest margins, therefore if the RBA changes the variable rate, the lenders follow suit.

### Discount Variable Rate Loan

This loan offers same features and benefits as the variable rate loan, however the first year (or six months) interest rate is discounted to a lower rate (often termed a honeymoon rate). Be wary though, of a higher interest rate charged after the honeymoon period and early discharge fees associated with this loan type.

### Fixed Rate Loans

If you want the security of a repayment and interest rate that will not change for a period of time, then you may select a 1, 2, 3, 4 or 5 year fixed rate (up to 7 & 10 years with some lenders). Generally the loan reverts to a variable rate loan at the end of the fixed period with options to fix for a further term. Be careful, as many fixed rate loans have restrictions on extra repayments and early discharge fees or break costs apply if you repay or refinance within the fixed rate period.

### Split Loans

Allow you to combine a variable and fixed rate to give you the security of the interest rate for a portion of the loan and full flexibility for early repayments on the variable balance. This is a very popular option if you are uncertain about which way the rates are headed.



## Investment Loans

Designed for the purpose of acquiring a property to be rented out. You have all the loan options listed above plus the availability of an interest only repayment.

## Equity Loans (Line of Credit) and 100% Offset Loans

This type of facility comes in various forms and allows the direct credit of your salary and other income to be paid into your loan or an offset account to save you interest. Many lenders may charge a higher rate for this feature, so shopping around is important.

## No Financials Loan

These loans often referred to as 'Lo Doc' or 'No Doc' Loans are designed for either self-employed people with no current financials or complicated income sources. A few lenders will also consider standard employees with no proof of income such as payslips and group certificates. Generally speaking a deposit or equity at least 20% is required, however some lenders will lend 95% on a lo doc loan.

## Credit Impaired Loan

Having a credit default (paid or unpaid) does not necessarily mean you won't be able to get a home loan. While some of the major banks won't be interested, there are some lenders that are prepared to look at the reason for the default(s) and show flexibility. We can help you find a solution to your credit impaired history, with any enquiry being treated with strict confidentiality.

## How much can I borrow?

Your Wilson Financial consultant will be able to give you an accurate figure on your borrowing capacity. Things that affect your capacity are your marital status, number of dependants, income and level of liabilities.

Your borrowing capacity will vary from lender to lender. While one lender may only be prepared to lend you \$150,000, another might be prepared to lend you \$250,000. Your Wilson Financial consultant has state of the art software, which will be able to calculate your borrowing capacity with accuracy.



## First home buyers information

As a first homebuyer the whole idea of buying a property and taking out a loan can be very daunting and stressful time...



### What we can do to help

Your Wilson Financial consultant will be able to take all the hard work out of the process by;

- Offering you free advice on the steps that need to be taken
- Getting involved, by talking with your real estate agent and conveyancer/solicitor as well as to the lender to co-ordinate these parties ensuring a smooth and on-time settlement.
- Always being available to answer your questions and help you wherever possible during the process.

### First Home Owners Grant and Stamp Duty Concessions

First homebuyers who purchase their first home (house, unit etc.) in Australia will be entitled to the following benefits;

- The first home owners grant - a lump sum payment of \$7000
- Concessions on your transfer stamp duty – ask your Wilson Financial Consultant for details on stamp duty concessions available in your state. In most cases you will pay minimal or no transfer stamp duty costs

## Property Investors guide

At some stage a first home buyer may choose to spread their wings into residential investment. After a few years you may have built up unused equity in your home, which can be used to fund the deposit of your first investment.

Buying an investment property (or several) has been a popular investment and retirement strategy for many Australians. While many other investments, such as shares, can be volatile and carry risks, investing in property has been seen as a safe alternative with great capital gains and tax benefits.

It is important that you have a strategy and that your finance is correctly set up to maximise the tax benefits. The information outlined below is a guide. We advise that you speak to your Wilson Financial consultant or Accountant before you set out to buy an investment property.

### Why buy an investment property?

- TAX BENEFITS, Negative gearing, depreciation
- CAPITAL GAINS / WEALTH CREATION, Property prices in Sydney increase on average 10% per annum
- PROVIDE FOR YOUR RETIREMENT, Rental Income, sell and live comfortably

## Cost and Repayment Guide

### Monthly loan repayment chart \*

	5.5%	6.0%	6.5%	7.0%	7.5%	8.0%	8.5%	9.0%
\$100,000	\$614	\$644	\$675	\$707	\$739	\$772	\$805	\$839
\$125,000	\$768	\$805	\$844	\$883	\$924	\$965	\$1,007	\$1,049
\$150,000	\$921	\$966	\$1,013	\$1,060	\$1,108	\$1,158	\$1,208	\$1,259
\$175,000	\$1,075	\$1,128	\$1,182	\$1,237	\$1,293	\$1,351	\$1,409	\$1,469
\$200,000	\$1,228	\$1,289	\$1,350	\$1,414	\$1,478	\$1,544	\$1,610	\$1,678
\$225,000	\$1,382	\$1,450	\$1,519	\$1,590	\$1,663	\$1,737	\$1,812	\$1,888
\$250,000	\$1,535	\$1,611	\$1,688	\$1,767	\$1,847	\$1,930	\$2,013	\$2,098
\$275,000	\$1,689	\$1,772	\$1,857	\$1,944	\$2,032	\$2,122	\$2,214	\$2,308
\$300,000	\$1,842	\$1,933	\$2,026	\$2,120	\$2,217	\$2,315	\$2,416	\$2,518
\$325,000	\$1,996	\$2,094	\$2,194	\$2,297	\$2,402	\$2,508	\$2,617	\$2,727
\$350,000	\$2,149	\$2,255	\$2,363	\$2,474	\$2,586	\$2,701	\$2,818	\$2,937
\$375,000	\$2,303	\$2,416	\$2,532	\$2,650	\$2,771	\$2,894	\$3,020	\$3,147
\$400,000	\$2,456	\$2,577	\$2,701	\$2,827	\$2,956	\$3,221	\$3,221	\$3,357
\$500,000	\$3,070	\$3,222	\$3,376	\$3,534	\$3,695	\$3,859	\$4,026	\$4,196

\*Data repayments based on 25 year term, principal & interest monthly repayments.

## Costs of buying a property

Your Wilson Financial consultant can provide you with a purchase cost funding worksheet to help you identify what costs will be payable for the purchase of your first home. This will help you to understand how your deposit and First Home Owners Grant will be distributed. Costs to consider are;

- Lender Fees (establishment, splitting, settlement fees)
- Solicitors/conveyancers fees
- Building & Pest Reports
- Insurance
- Removalists
- Stamp duty on purchase,
- Stamp duty on mortgage
- Mortgage registration fees.

## Paying off your home loan sooner

- Make additional lump sum payments when you come across any extra funds in your account. Make sure you have a redraw facility for emergencies.
- Make your regular repayment over and above the minimum required amount
- Make your repayments fortnightly or weekly, rather than monthly, this will have a dramatic impact on the term of your loan AND the interest you save.
- Where available, take advantage of 100% offset accounts
- Create a budget to keep control of your expenditure and have a goal for when you expect your loan to be paid off.
- Consolidate other personal loans and credit card debts into your home loan at a lower rate. Word of caution, don't put yourself in the same position by taking on more personal loan and card debt. Use the savings to make extra payments on your home loan.
- Speak to a mortgage expert such as your Wilson Financial consultant to ensure you have the right loan and best rate in the first place.

## Deposit Bonds/Guarantees

### When do you need one?

1. When you only have 5% deposit or less saved up, but the real estate agent wants 10% to secure the property for you.
2. When you are borrowing 100% of the purchase price and costs by using the equity you have in another property
3. You have your 10% deposit invested but you don't want to use it and have it tied up for 6 weeks during the period from exchange of contract to settlement

*Your Wilson Financial consultant can arrange a deposit bond for you.*

### What is a deposit bond?

A deposit bond is a guarantee, which can be a substitute for a cash deposit when signing contracts on the purchase of a property. It covers you from the period of signing contracts up to the day of settlement (usually 6 weeks later), when your loan has been set up and the full balance must be paid to the seller.

If you default under the contract of sale for the purchase of the property and will forfeit your deposit, this amount may be claimed from the seller from the insurance company, which has issued the bond.

### Cost of a bond

A deposit bond is relatively inexpensive, especially when you consider the cost involved in using your own funds or borrowing funds (interest). A deposit bond costs around 1.2% of the amount of the bond. For example on a purchase price of \$300,000 you will need a deposit bond of \$30,000 (10%) and this will have a premium of approximately \$360.

## Risk Insurance – Life and Income Protection

It is important for anyone who has a family that relies on them for help, whether it be monetary or domestically around the house, to consider some form of risk insurance.

You shouldn't wait until you have a loan to think about insurance, however it becomes even more important to cover yourself if there is any chance that you will leave your family with a debt that they couldn't pay without you.

People insure their car, their house, their contents, but often forget the most important asset... *themselves*. Just think, if you had an ATM in your living room, disbursing money day in and day out, what would you do to protect it?

### Income protection insurance

This insurance is normally allowable as a tax deduction and can therefore be relatively inexpensive. This cover replaces your income in the event of an accident or illness. It can cover you if you are off work without income from one month or up until age 65. It allows you to continue paying off your loans and other expenses.

### Life Insurance

This cover provides your family with a lump sum in the event of your death or diagnosis with a terminal illness. It will allow for your family to pay out any debts and provide for the future.

### Trauma cover

This insurance provides a lump sum when you suffer a serious illness (e.g. cancer, stroke, heart attack) or trauma. For more information on the above, a quote, or to organise a consultation with a qualified adviser, please contact your Wilson Financial Consultant.



## Homebuyers Checklist

Address.....

Date Visited.....

Agency/agents name.....

Agents Contact.....

Auction Date & Location.....

Price Range \$ - \$

Council Rates \$ p.a.

Water Rates \$ p.a.

Body Corporate \$ pa

Property Size.....

Construction materials.....

Water Pressure Good/Fair/Poor

Number bedrooms.....

Number bathrooms.....

Other rooms .....

Dbl Garage  Sgl Garage  Carport  Offstreet  None

Separate Toilet Yes  No

Potential for Renovation Yes  No

Off street Parking Yes  No

Is the property close to:

Y  N  Shops

Y  N  Schools

Y  N  Public transport

Y  N  Medical facilities

Inclusions.....

Comments.....

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