



HOW TO SAVE FOR YOUR FIRST HOME FASTER

The dream of home ownership is a tough one for many Australians to fulfil. After all, Australia is one of the most expensive countries to live in. But it's not just the cost of living and property pricing that delays our property buying.

The road to home ownership can be a long and winding one for most. Considering the affordability of repayments, the location and lifestyle balance of the property, saving up the baseline entry level 20% deposit (if not, having to absorb further costs by paying lenders' mortgage insurance (LMI) and stamp duty are just some of the other factors to consider. In Australia, depending on age of the borrower and purchase price, it can take anywhere from two years to over six years¹ to save for a deposit. This of course is also dependent on the income and expenditure of individuals.

Yes, it can be tough to get a foot on the property ladder, but first home buyers (FHBs) are not deterred.

About a third of millennials and a quarter of all Australians plan to buy a property in the next two years with many using the lockdowns in 2020 to up the ante on their savings².

There is no better time than now for FHBs to dive in and make that commitment – if possible.

Here is why:

1. Only a 5% deposit and no lenders' mortgage insurance (LMI) – until 30 June 2022 and only through certain lenders – for those who are eligible!

Under the First Home Loan Deposit Scheme (FHLDS) eligible first home buyers can buy or build a new home with as little as a 5% deposit.

Usually, a 20% deposit is required to avoid LMI costs (which can cost tens of thousands of dollars). But under the FHLDS, the government guarantees the remaining 15% of the value of the property purchase financed by the eligible first home buyer's loan. Eligibility, property price thresholds and conditions apply.

2. Some lenders are offering bonus first home buyer incentives

From bonuses offered at settlement, conveyancing fee rebates, no account keeping and establishment fees, to no application and valuation fees - these are a few of the incentives offered by some lenders to attract first home buyers (however these include specific criteria and conditions).

3. Lenders' mortgage insurance discounts are being considered by select lenders

Some lenders have been known to reduce the LMI to just \$1 for eligible first home buyers! Others offer a percentage discount on LMI fees following settlement. Minimum deposits, maximum loan size and terms and conditions apply.

4. Cash in on cash backs – certain lenders offer cashback incentives to first home buyers

Thousands of dollars of cashback to an eligible first home buyer with LMI and new purchase rebates are just some incentives that are on offer from some lenders.

Grabbing a great deal or incentive on your home loan could help you save money, but it is even more important to consider price and features (interest rates and fees) when choosing the right home loan.



5. Stamp duty concessions are available in some states

Besides saving for a deposit, stamp duty can be another big barrier to home ownership. However, most states and territories offer some assistance on this cost, including some exemptions, for eligible first home buyers.

For example NSW has the First Home Buyer Assistance Scheme allowing a concessional rate of transfer duty or even an exemption.

Victoria also offers similar first home buyer exemptions.

These stamp duty exemptions have eligibility criteria.

Accessing one or more of these schemes or incentives could provide the assistance you need to buy your first home. It could also potentially save you tens of thousands of dollars.

But before considering any of these options, CONTACT US, so we can help steer you through the various options that may be appropriate for your specific situation. It is important to understand the various terms, conditions and eligibility criteria.

A FHB opportunity awaits

If you are one of the lucky ones who have remained financially stable, this could be your opportunity.

While there are always varying peaks and troughs in different property markets across the country, now could be an ideal time for FHBs to get into the market... Why?

- Historically low interest rates make borrowing cheaper than it has ever been
- Government incentives, spending and infrastructure initiatives continue
- Consumer confidence is returning as we adapt to the new normal
- Simpler lending rules for home loans are expected shortly

Knowing where to start, taking the initial steps and navigating through the whole process can be overwhelming. We can step you through the process from the initial stages so you can rest assured you will be well informed for one of the biggest decisions in your life. We have the experience and knowledge, along with access to a wide array of lenders, to ensure you are successfully guided through your first home buying journey.

Sources:

1. This is how long it takes on average to save for a first home deposit in each Australian capital city | Business Insider
2. Nearly a third of Millennials expect to buy property soon | The Adviser
3. HomeBuilder | Treasury.gov.au