

THE **3 THINGS** YOU NEED TO KNOW BEFORE YOU PURCHASE YOUR FIRST HOME.

Avoid the pitfalls and traps other first home buyers aren't aware of.



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With over 43 years of combined experience in the property sector, **mrkts.com.au** is the trusted Australian property media, research, knowledge, technology and social hub.

We want to educate you through honest information and real-life lessons born from experience to ensure your property journey is a genuine financial success.

1 WHAT RESEARCH DO I NEED TO DO BEFORE PURCHASING MY FIRST HOME?

The great Australian dream of owning your own home is alive and well. However, the process to get there can be daunting, complex and frustrating if you don't know what you are doing.

Moving from your parents place, or a rental (or both) to owning your home can be a wonderful and fulfilling experience but it's important that you do your due diligence and research.

The mass of lenders, real estate agents, mortgage brokers, solicitors and lawyers each with their own long list of forms, requirements and jargon – it may have you wondering whether it's worth all the effort.

And on top of all that, you still have to find a house you think you'll be happy in for the next few decades.

It may seem all too much – but if you break down the task at hand by using this simple guide, you'll find it is much simpler than you think!

Here are 7 tips to help you get started on the right path...

- 1 Look at as many houses as you can within your price range. This will help you work out what you like and what you can realistically get for your money.
- 2 Investigate what properties (like the one you are looking for) are selling for on [realestate.com.au](https://www.realestate.com.au) or [domain.com.au](https://www.domain.com.au), and talk to the real estate agents about what has sold previously. Ask for any free property data from real estate agents and request they send you any reporting data they have on that area.
- 3 Things can look different on the internet so physically visit as many properties in your price range as possible. This will help you understand what you want.
- 4 To expedite getting into the market as a first home buyer, you should broaden your area search to get onto the property ladder. That might mean looking in a wider radius than you initially expected.
- 5 Remember that the community you live in will have more impact on your life than the house you choose. Explore locations and talk to existing residents.
- 6 It's important to shop around and consult a sample of lenders, starting with your current bank. Visit some of the non-banks as well. Many non-bank lenders have rates that are lower than those the banks can offer. Also talking to any recommended mortgage brokers can be helpful as well.
- 7 Free suburb and property reports can be accessed online through sites such as [onthouse.com.au](https://www.onthouse.com.au). Here you can access research buying trends, and a free monthly snapshot of your suburb's performance plus much more.



HOW MUCH DEPOSIT DO I NEED FOR MY FIRST HOME?



The dollar amount of the deposit varies depending on the cost of the property and the terms of the loan.

Typically, you need at least 5% - 10% of the purchase price in genuine savings as the minimum deposit.

If you do not have enough for a 5% - 10% cash deposit, other options include using family members to help you guarantee your loan or obtaining mortgage insurance available through your lender or an accredited third party.

When having a family member, such as a parent or a sibling guarantee your loan – they will generally require enough cash or equity to cover 20% of the purchase price of your property.

Alternatively, you can use the First Home Owners Grant to help you with your deposit.

These options can make it easier and quicker for you to get started in property investment.

NOTE: In addition to the deposit, you should also allow additional funds (approximately 5%) for the taxes, stamp duty, legal costs and insurance associated with buying a property.



WHAT GOVERNMENT GRANTS CAN I ACCESS AS A FIRST HOME BUYER?

The First Home Owners' Grant is a State government initiative to assist first home owners to buy their first home sooner.

For example, in Queensland, depending on the date of your contract, you'll get \$15,000 or \$20,000 towards buying or building your new house, unit or townhouse (valued at less than \$750,000).

You can buy off the plan or choose to build yourself. The grant is generally only approved for dwellings that are brand new.

To check if you are eligible for the grant, in your State, follow the below link that guides you through.

www.firsthome.gov.au

WHAT DO I NEED TO KNOW ABOUT FINANCING?

Before you go to inspect a multi-million dollar home, you'll first need to know how much you can borrow. You need to be realistic in your expectations and live within your means.

Lenders will determine how large an amount they are willing to lend you (generally in a percentage figure of the purchase price) by assessing the amount of monthly repayments you can comfortably afford, in addition to other factors.

You will need to provide information such as recent payslips, a tax return, past and current bank statements and be able to demonstrate any ongoing savings.

Here's what you need to know about Brokers



You should always talk to 3 different professionals for every element of your property purchase.



Talk to several mortgage brokers. You'll pick up tips and tricks from all.



Talk to people who are experienced and have dealt with similar clients to yourself and then pick the one that suits your needs best.



It's a good strategy to get your finance pre-approval before you are ready to purchase. This can shortcut the time to get your application approved.

WHAT ARE THE BEST LOANS FOR MY FINANCIAL POSITION?

Loans come with different fees and features that need to be considered and there are different loans to suit different needs.

Generally, loans differ in two ways: by interest rates and by repayment options.

If the interest rate is an important factor for you, you can choose from a broad range of options, which includes a variable rate loan, a fixed rate loan, and a split loan. When it comes to repayments, there are two structures: “principal and interest” and “interest-only” loans.

However, the bigger your deposit, the smaller your loan or mortgage.

Of course, the banks don't want you to know this. The larger loan they can give you the more money they'll earn in interest, as it usually takes you longer to pay it back.

You'll need to pick a loan that will best suit your financial circumstances.

Here's how you can differentiate between the different types of loans available.

Variable Interest Rate Loans

Here, the rate you pay fluctuates typically in line with changes to the official cash rate. This type of loan tends to have a range of flexible features like redraw.

There are different sub categories of variable loans, depending on the institution you go with.

Advantages

Flexibility: you have minimum monthly repayments but you can pay off more if you want to repay your loan faster.

No break fee: there is no fixed term to break, so they do not charge a break fee.

Disadvantages

Fluctuating repayment amount: minimum repayment amount may rise or fall at any time as the interest rate changes.

Fixed Interest Rate Loans

The interest rate is fixed for a set period of time (usually 1-5 years).

Advantages

Certainty of costs: your interest rate and repayments are guaranteed to remain the same during the fixed term. This helps you to budget more accurately.

Disadvantages

Inflexibility: the interest rate does not change during the fixed term and you could face a break fee if you want to switch to a different loan before the end of the term should your circumstances change.



Variable Interest versus Fixed Interest Loans

Consider these 3 points when deciding which finance option for your home loan.



Fix your interest if you are confident the rate will increase over the next few years. This can save money.



If you want to know exactly how much you have to budget for payments towards your loan and manage your cash flow, choose fixed interest loans.



Be mindful of the costs involved between fixing/unfixing your loans and switching between lenders. Benefits have to outweigh the costs of doing so.

Split Interest Rate Loans

This is a combination loan structure, with both fixed and variable components. You have a certain amount of fixed repayments while the variable part can get smaller or higher depending on the interest rate.

Honeymoon (Introductory) Interest Rate Loans

You pay a lower interest rate for the first few years before the interest rate increases. Before choosing this type of loan, you have to be aware that the increased rate can be much higher than the introductory rate. However, this option gives you time to ease into paying off the loan.

Interest Only Loan

Your monthly payment is only the interest, you do not have to repay the amount itself. This is mostly utilised by property investors who are renting the property and claim the interest as tax deduction.

Principal and Interest Loan

This is a loan where your monthly repayment includes a percentage of the original loan amount and interest is charged on the loan for that month. This is most suitable for any buyer who wants to own their home at the end of the loan term.



SO, WHAT DO I DO NEXT?

The best place for you to begin is by doing your research. Do as much research as possible and don't be in a rush to buy.

Having patience, and above all, being realistic about what you can afford for your first home is the most important thing in this process.

Remember this is your first home, not your forever home. So don't get too emotional about finding the perfect house.

And if you don't get your first offer or first 2-3 offers approved, don't be disheartened about the process. But make sure you learn from your experiences, put in a realistic offer and never exceed your maximum.

If you don't get the sale, move on. There will always be another opportunity.

We wish you the best of luck and if you have any questions make sure you jump into our Facebook Group, where we have a community of like-minded people in the same boat.

It's a supportive group to help first home buyers get through the maze of all the hoops they need to jump through.

[You can join here](#)

All the best,

James and the mrkts.com.au team

