FIRST HOME BUYER SPECIALISTS

FHB HANDBOOK

Your First Home Buyers Getting Started Guide

What You Should Know Before Buying and Building Your First Home!

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About First Home Buyer Specialists

First Home Buyer Specialists (FHBS) are dedicated to assisting you by simplifying the selection and decision-making process associated with building a new home and starting your first home buyer journey.

We are here to help you compare and select home designs, house and land packages and land estates, assist with obtaining finance and arrange all the necessary experts and manage the entire process for you.

We help by doing the leg work for you, simplifying the new home building process and answer your specific questions. Home building and property investment is a big decision, we make sure you get it right.

We are on YOUR side and we'll support you through the home-buying process from start to finish.

What our clients say

"I wanted to buy a pad in Sydney but really wanted a garden so that meant a house!

Being self-employed with only a minimal deposit meant my chances were low so I began intensive house hunting and talked with Chad and Alon about how to sort my finances.

Their advice was invaluable, and their network of professionals helped secure me a mortgage.

Without Chad and Alon's help I couldn't possibly have achieved my dream! Thank you so much!"

— Olivia Jenkins

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What's involved in getting a home?

All home buying journeys are different, however it's important for first home buyers to understand what to expect throughout the process.

Here is an overview of the typical process and what is involved during each stage.

Speak to an expert

1

This involves determining your borrowing ability based on a number of factors such as;

- Your existing savings.
- Your existing debts.
- Your assets and any equity you may have in them.
- Your income and other investments you may have.

This is a critical step to determine your borrowing capacity and budget (with consideration to any grants or concessions for first home buyers).

Understanding where you are at enables you to streamline your efforts and get focused on what it is you really want and what you can afford. Saving you time and money.

Find your dream home

2

Now that you have an understanding of what you can borrow, and now spend, it's time to start looking for your new home. From here you cans tart talking to your builder. If you are looking to compare builders and pricing, simply remove the prices from your original quote and provide the floor plan and specifications to other builders so that you can compare apples with apples and compare what you can get for your budget. At FHBS we can provide you with a short list of options that will be suitable for you and your specific requirements.

Get Pre-Approval

3

Now that you have your building quote and have compiled your finance documents, FHBS are now able to apply to a range of lenders. Our lenders will then consider if they can provide you with a pre-approval and a supporting letter to enable you to proceed with making deposits and entering land and/or build contracts.

The options from this stage are to either secure a loan for the land and settle on that first, or secure an upfront loan approval for the house and land package.

FHBS will take care of everything and focus on your specific requirements.

All about finance for your new home

What is a credit rating?

When you apply for a home loan, the first things a bank will want to know is your personal credit rating. If you have a low score it may make it difficult to qualify for a home loan. It is therefore important to understand what affects your credit rating and being able to change any negative credit information is vital.

If you are aware of what can create poor credit ratings, and know how to avoid or fix these if required over-time, you will be in a much more favourable position to achieving your home-ownership dream.

Applying for multiple loans within a short period:

If you are looking to apply for a home loan (or any loan) then every time you apply (whether you are successful, decide not to accept the loan or are declined finance) it will be recorded on your credit file. most lenders tend to view multiple lending enquiries in a short amount of time negatively and therefore may reject your application. This is the main reason it is very important to speak to FHBS before you apply for a loan to avoid being rejected unnecessarily and jeopardising you chances of being successful.

Late payments on your bills or loan repayments:

If you have an overdue bill that is more than $150 and it is over 30-60 days late this may affect your credit rating. Delinquent bills are kept for up to 2-5 years (depending on the type of debt) so it is very important that you pay your bills before they are due. This applies to any bills that are in your name, such as mobile phones, rent, credit cards, electricity, water, rates, gym subscriptions, etc.

Multiple credit cards or loans:

If you have a number or credit cards or personal loans that you have not been managing correctly, this will

probably reduce your credit rating. A good strategy is to limit the number of credit cards you use, and to keep the credit limit on each card to a minimum as this will not only impact your credit rating, but will also reduce the amount you can borrow.

Lenders will typically deduct credit card limits from your total borrowing capacity, for example, if you have $20,000 in credit card limits and your borrowing capacity is $500,000, this will be reduced to $480,000. This is a fine balance however as having some credit cards and if you are demonstrating that you pay off the balance before the sure date, and don't utilise the maximum limit, can actually increase your credit rating.

Bankruptcy and insolvency:

Obviously, if you are unable to pay your debts and enter voluntary or involuntary bankruptcy this will dramatically affect your credit rating and most likely limit your ability to apply for a home loan for 5 years from the date you became bankrupt, or for 2 years when the bankruptcy ends (whichever is longer).

The length of your credit history:

A lender will view a long, well managed credit history as evidence of successful lending. A short credit history will not negatively impact your credit history however, it to achieve a good credit rating you need to demonstrate good repayment habits for more than 5 years.

How much can I borrow?

Knowing how much you can borrow and your home budget is a critical stage in the finance and home building process. This will be the factor that determines what type and size of home you can build, where you can purchase land and what extras or inclusions you can choose from. How much you can borrow will depend on a number of factors, the following are the main ones considered by a lender in determining your borrowing capacity:

- Your Income (Combined if buying with someone else).
- Your current savings and any equity you have in assets.
- The deposit you have available for your new

home.

- Your personal credit rating.
- Any debts and ongoing repayments you have.
- Your current credit card limits.
- Your calculated personal living expenditure and regular bills and obligations.

A common rule of thumb is that if you have an adequate income level you should be able to borrow 80% of the cost of your house, or house and land package. This can change depending on other factors within your personal situation and the specific lender. Some lenders may allow you to borrow up to 90-95% of the cost of the home, in this instance you will need to take out Lenders' Mortgage Insurance (LMI). it is important to remember to stay within your budget and not over extend your ability to make your repayments, while still allowing you to maintain a comfortable lifestyle for you and your family.

If you are unsure of what your borrowing capacity may be, arrange a time to discuss your situation with FHBS and we can accurately determine your borrowing capacity.

What documents do you need to get a home loan?

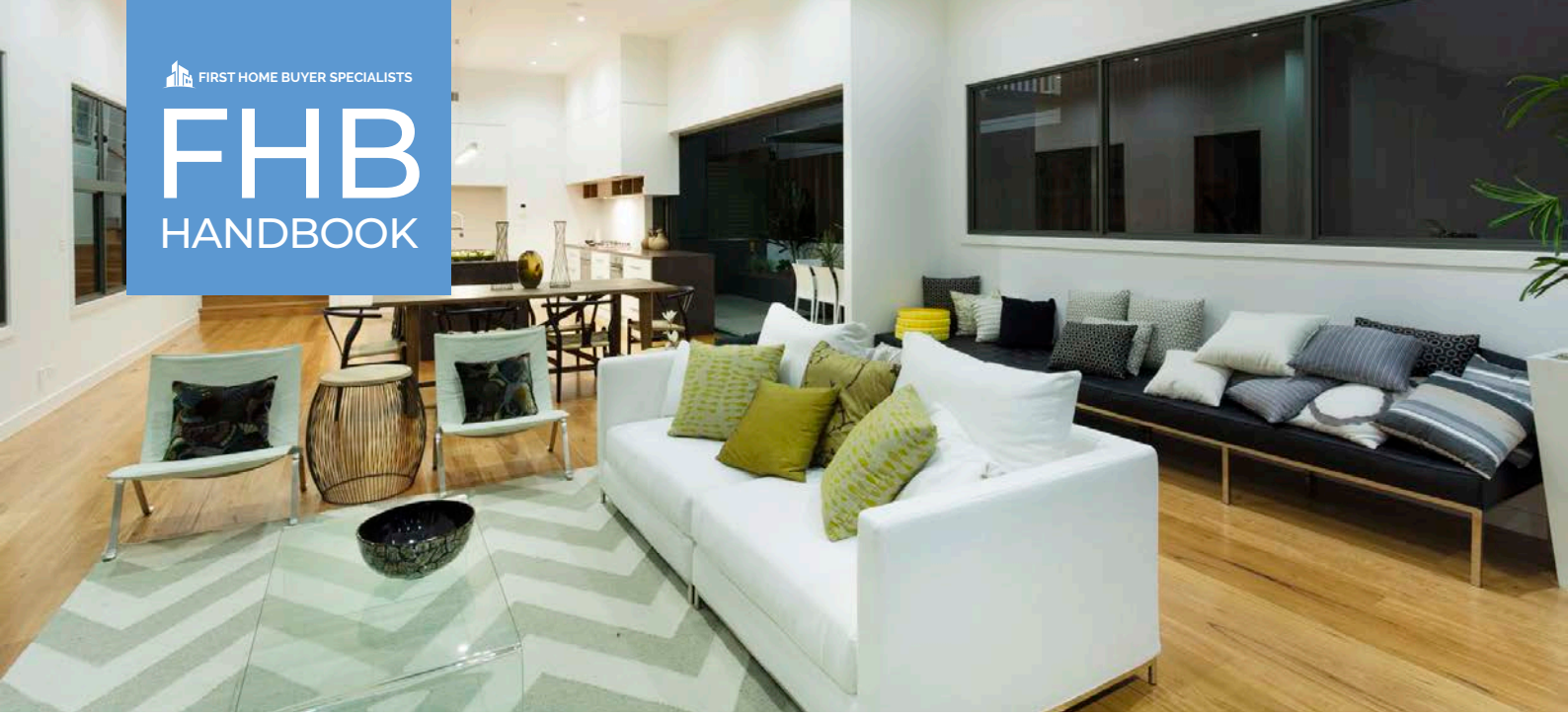
Knowing what is required to get your first home loan can be overwhelming, however being prepared with the necessary documentation will speed up the process. When speaking to a lender or mortgage broker it is a great idea have this information prepared.

But what information do you actually need?

Different lenders may require different documentation, but having this information together will show the lender that you are a low risk applicant, organised and a good client. The easier it is for the broker or lender, the easier it will be to secure the finance you need.

To get ready here is a list of documents that you can start getting together now:

- Your Tax File Number and that of any other applicants.
- Proof of Identity, residence and age proof, such as driver's license, passport, etc
- Your last 6 months of bank statements.



- If you are currently renting, get a statement from your property agent and proof you have paid the last 3 months of rent.
- Provide 6 months of existing loan accounts and credit card statements.
- Verification of income such as pay slips for the last 3 months, or tax assessments from the last 2 years.
- The last income tax return, or if self employed the last 3 years of income tax returns with proof of business, eg. ABN or ACN certificate (if self employed).
- Plans, specifications and any builders quotations if you are building a new home.

What are the different types of loans?

When building a new home there are typically two different contracts. One for the land with the developer, and one for the house build with the builder.

the first payment is typically the 5-10% deposit and then the land component will be paid as a lump sum on settlement similar to the process of buying an established house. Where the process differs with a home build is that it is normal to use a construction loan. A construction loan provides the ability to pay less interest initially, as you pay interest only on the amount you have drawn down as stage payments are due to the builder.

Choosing the correct loan for you is extremely important as you will be paying it down for many years, if you have to restructure your loan at a later date you will incur fees. FHBS can advise you on this upfront to help you get it right first time.

What is a construction loan?

A construction loan is used for people who are building a new home or it can also be used for making major renovations to an existing home. A construction loan operates differently to a typical home loan when buying an established home. Rather than drawing down the loan in one lump sum upfront, the loan is drawn down in stage payments. This is done to ensure the funds are only used as required and you pay

interest as the loan funds are utilised on that specific portion. Typically there are 5 points when a progress payment will be made to the builder; slab pour, frame, lock up, fittings and then practical completion.

It may be a requirement of some lenders that a valuer check your new home at each stage of the building process prior to the funds are released. FHBS can advise and guide you on this process and this means that construction is being done correctly to the Australian building code and to an appropriate standard before you are making each stage payment to the builder.

What is a low deposit loan?

If you are finding it difficult to save for a deposit, it is possible that there may be alternative options available to you paying 20% of your loan amount with a standard home loan or construction loan. A low deposit loan typically allows you to borrow up to 95% of the property's cost. While they can be more difficult to get, especially for owner occupiers that are building. It is also important to remember that these type of loans will attract Lenders' Mortgage Insurance (LMI), and may only be approved with additional security or guarantees from others over and above the property being built itself.

"FHBS can advise you on this upfront to help you get it right first time."

How do you get started

Types of pre-approvals

Pre-approval, or conditional approval, is an indication that your lender will provide you a home loan when you are ready to submit a full application. Remember that even with pre-approval a lender is not obligated to give you a home loan, but it is usually a good indication on how much you can borrow, which is important to understand what kind of home you can afford.

Selecting a lender

When you aren't familiar with home loans it can be a difficult process to understand all the options and complexities. Loans have different rates, features and structures, it may feel impossible to compare on your own.

FHBS can assist finding the loan that is suitable for your specific requirements. Here are some key points to consider when assessing your loan:

- What is the loan period?
- Are the features appropriate for your needs?
- Are you able to make additional repayments?
- Can I set up and offset account?
- What happens if I decide to move my loan at a later stage?
- What are the break costs if you refinance?
- Are the interest rates variable, fixed or split and which one will work for you?
- What will your fortnightly or monthly minimum repayments be?
- What are the interest rates?
- What will happen to your minimum repayment if they change?

How to get a loan if you don't have a deposit

When it comes to buying a first home, saving a deposit can be difficult– and it takes time. A guarantor home

loan can be a way to get into the market sooner. You may only need a small deposit.

A guarantor – usually a family member, offers equity in their own home as additional security for your loan. A guarantor home loan can also be a way to avoid the cost of lenders' mortgage insurance (LMI), which could save you a lot of money.

Here's how it works, if you want to buy a home costing $500,000. You have saved a deposit of $50,000. That's equal to 10% of the property's value.

Unless you have a deposit of at least 20%, or $100,000 in this example, the lender will ask you to pay LMI. Instead of waiting to save an additional $50,000, a guarantor home loan can offer a solution.

If the guarantor offers $50,000 of their own home equity as extra security for your loan. This will give you the 20% security you need to buy the property today without paying LMI.

The guarantor isn't required to make any payments on your loan. But if you can no longer keep up your repayments, the guarantor will be responsible to make the repayments. In this way, it's possible to get a home loan even when you have a small deposit.

What is stamp duty and what concessions are available?

A home loan isn't the only costs that first home buyers need to consider when purchasing their first home. One example of this is stamp duty, this is another cost you will need to budget for and factor into your loan requirements.

Stamp duty is a land transfer duty you pay when you are transferring land from one entity to another. This cost applies to all land transactions, however there are concessions for groups such as first home buyers. You will be required to pay stamp duty within 30 days from your settlement date (note the build value is not subject to stamp duty).

If you are a first time home owner, you may be able to benefit from a government incentive. FHBS can assist you to understand any hidden costs that you should be aware of.

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What is the First Home Owner Grant?

The First Home Owner Grant (FHOG) is a one-off grant payable to first home owners that meet particular eligibility criteria. It is designed to help first home buyers to enter the property market and is funded by the Federal Government, however it is managed by the State Governments.

Each state is different in terms of the amounts and conditions of the grant. In short, an additional $10,000-$20,000 may be available to add to your deposit if you're a first home buyer.

FHBS can assist you to understand exactly what you are eligible to receive. In general to be eligible, across each state, for the First Home Owner Grant, you will have to meet the following criteria.

- Be over the age of 18 years
- Be an Australian citizen or permanent resident (or you're applying with someone who is)
- You or your spouse have not previously owned property in Australia
- You're building or buying a newly built home
- You must occupy the home for 12 months after settlement or building completion
- The cost of the home is under the state threshold for the FHOG (e.g. in QLD the value of your house needs to be under $750,000)

"Our experience has taught us that what our clients appreciated most was how we do all the 'heavy lifting' for them. How we stand by them every step of the way."

~ Alon Pashut, Principal
New Property Specialists

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Now what?

Starting your home buying journey

We can help

The first and most important decision you will have to make in your building journey is choosing who to build with. Building a new home is probably the most significant investment you'll ever make and we want to be with you every step of the way.

Our goal is to make buying your first home as easy and enjoyable an experience as possible. Ultimately, having an expert on your side is the key, someone who has experience, know-how and the contacts to ensure that your land purchase and house build is handled properly and with your specific goals and objectives in mind whilst taking into account your unique situation.

Let's have a chat about your situation so that we can understand exactly where you are at in the process and what your fears, concerns and questions are.

If you would like, we will even help you manage the whole process, help you to establish your budget, arrange the finance, find the perfect land, choose the right builder and guide you through the entire process.

In short, our service streamlines the entire procedure, are very cost-effective and hassle-free.

Book a time to talk

Take the next step and **call 1300 155 661** or book a meeting with us now:

Schedule a time to chat

We look forward to joining you on your journey.