# 8 tips for first home buyers

Source: AMP Life

If you look at the statistics, it takes the majority of Australians a little over three and a half years on average to save for a deposit on a first home

If you're thinking about, or aren't far away from, putting some money down on that place of your dreams, we look at some of the financial and non-financial considerations you'll want to be across.

## 1. Figure out how much money you have to play with

The most common loan terms in Australia are generally 25 and 30 years, and as a mortgage is likely to be the biggest debt you'll ever take on, it's important to prioritise any other financial goals you may have and figure out where a home purchase ranks on that list.

The price of the property you're looking to buy will also play a big part as it will often determine the deposit you need, so it's worth figuring out how much you can realistically afford early on.

If your family is willing to help, it's a good idea to discuss how they plan to do this. And, keep in mind there could be risks, benefits and tax implications if financial help is given.

Meanwhile, if you're buying property with a partner, it's important to be upfront about your financial past and plans, and whether you'll put something in writing should the unexpected happen.

Check out AMP's cost of home loan calculator if you'd like help crunching the numbers, or alternatively speak to a bank or mortgage broker.

## 2. Find out if there are black marks on your credit report

A credit report, which details your repayment history, could affect your ability to get approval on a loan if it doesn't read well.

As each lender will assess your credit file against their own policies, there may be instances where some approve your application, while others reject it or delay the process.

The main credit reporting agencies in Australia are Veda, Dun & Bradstreet, Experian and the Tasmanian Collection Service, and you can request a copy if you'd like to see what yours says.

## 3. Know what you're going to fork out

Here's a snapshot of some of the costs you're likely to come across early on and on an ongoing basis.

### The upfront costs

- **Purchase price –** This is the actual cost of the property. And, unless you're able to pay for it outright, you'll generally need to take out a loan, noting that lenders will generally ask for a minimum deposit of 10% to 20%.
- **Loan application fee** – This is a one-off payment to your lender when your loan commences. Fees may vary depending on your provider and will cover things such as credit checks, property appraisals and basic admin.
- **Lender's mortgage insurance –** If you have a deposit that's less than 20%, you may be required to pay lender's mortgage insurance which is there to protect your lender in the instance you're unable to repay your loan.
- **Government fees -** Stamp duty is a land/property transfer tax applied by all Australian state and territory governments, which can vary greatly depending on where your dream home is located. Mortgage registration and transfer fees also apply and differ from state to state.
- **Legal and conveyancing fees –** These cover the services of a real estate conveyancer or solicitor, who'll prepare the necessary documentation and conduct the settlement process.
- **Building, pest and strata inspections –** Payment for these services or reports will identify structural concerns, as well as maintenance and financial issues (if you're in a body corporate).
- **Moving costs –** This will come down to how much you do yourself, whether you rent a truck, or hire professionals to move your stuff for you.

### The ongoing costs

- **Loan repayments -** What you pay back and how often you make repayments will generally have a big impact on the length of time it takes you to pay off your home loan.
- **Interest charges -** You can generally choose a fixed or variable rate, or a combination of the two, which is worth some research, particularly as interest rates can go up and down.
- **Other ongoing expenses –** This might include strata fees for communal properties, council rates, utility costs, building and contents insurance, and things like home improvements.

## 4. Ensure the locations you're looking at stack up

To ensure you buy something you love and for the right price, consider:

- How much properties are going for in the suburbs you're interested in
- How far you're willing to live from family, friends and work
- Whether there's off-street parking and local amenities, such as schools, shops and transport
- Whether you'll need to renovate and if you have the extra funds available to do so
- If there is price growth potential in the suburbs you've shortlisted
- If there are proposed developments in the area that may impact the value of your home
- What the crime rate is like in the areas you're keen on
- If you're moving far away, how the local job market fares and what the weather is like.

If you need help gathering some of this information, speak to real estate agents who work in the area, or look at real estate companies online.

Meanwhile, different features will appeal to different people when looking for a home to live in, so consider what works for you.

## 5. Research whether you're eligible for assistance

### The First Home Owner Grant

The First Home Owner Grant is a national scheme. If you're unsure about eligibility, contact your state revenue office and be sure you apply with enough time.

### Stamp duty concessions

Certain state and territory governments offer additional incentives to first home buyers, some which involve stamp duty concessions, so research what's on offer in the area where you're buying.

### The First Home Super Saver Scheme

Eligible first home buyers can withdraw voluntary super contributions (which they've made since 1 July 2017), to put toward a home deposit.

Under the First Home Super Saver Scheme (FHSSS), first home buyers who make voluntary contributions into their super can withdraw these amounts, up to certain limits, in addition to associated earnings, from their super fund to help with a deposit on their first home.

If eligible, the maximum amount of contributions that can be withdrawn under the scheme is $30,000 for individuals or $60,000 for couples.

## 6. Familiarise yourself with different types of loans

Depending on whether you're after a basic package or one with added features, home loans can vary a lot when it comes to interest rates and fees.

To get a better idea of costs, when you see a home loan advertised, you'll notice two rates displayed—the interest rate and the comparison rate.

The comparison rate will incorporate the annual interest rate as well as most upfront and ongoing fees. Some home loans, with lower interest rates, are laden with fees, so while they appear cheap, they aren't. The comparison rate can help you identify this and compare loans more accurately.

Some other things worth exploring when you're looking at different loans is the potential advantages and disadvantages of various features, which may allow you to make extra repayments, redraw funds, or use an offset account which could reduce the interest you pay.

If you're looking for the best deal, remember to shop around and don't be afraid to ask your lender if they can do better than the rate that they're currently advertising.

## 7. Get your finances in order so you're ready to go

It's a good idea to have your loan pre-approved so you know exactly what you can borrow. You'll also need formal approval closer to purchasing and to have your deposit ready, or you may miss out.

This may mean having your cheque book or a bank cheque ready to go if you're buying your first home at auction.

As part of the process your lender will also advise if lender's mortgage insurance is required.

## 8. Don't forgot your last chance for an inspection

Inspections will alert you to serious issues that may not be visible to the eye—asbestos, termites, electrical, ventilation and serious plumbing faults, which could in the long run cost you a whole lot more than the building inspection itself.

Meanwhile, strata reports, if you're buying a townhouse or apartment, can tell you whether the property is well run, well maintained and adequately financed