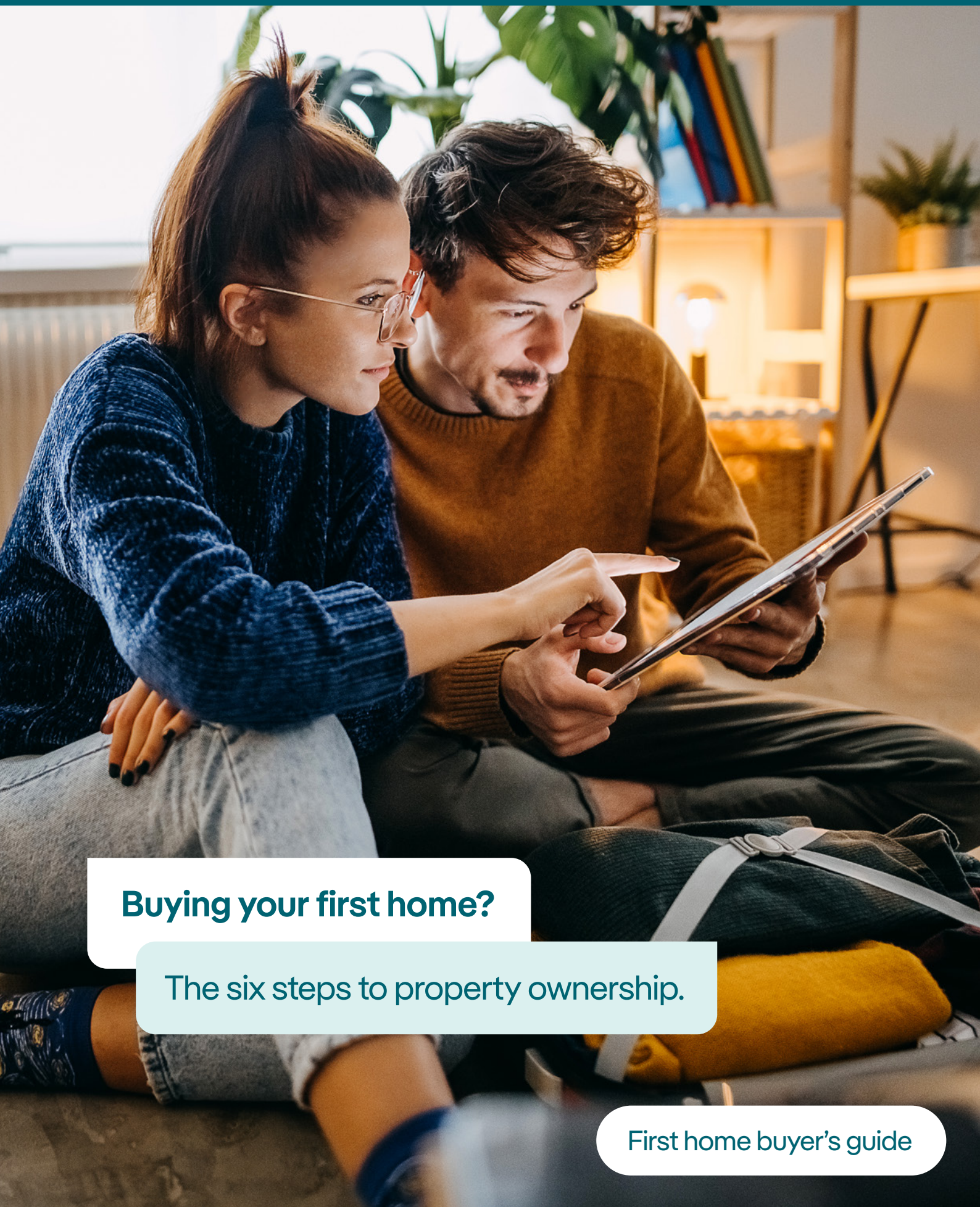
Mortgage Choice



Buying your first home?

The six steps to property ownership.

First home buyer's guide

Step 1: Meet with your mortgage broker

Understanding your borrowing capacity

Before you start searching seriously for properties, you need to know how much you can borrow. This will give you an idea of your price range. A mortgage broker will talk to you about:

- How much of a deposit you have/will need
- The loan-to-value ratio (LVR) required by different lenders
- If you're eligible for any government grants or concessions
- Your income, financial commitments, assets and debts
- Your genuine savings and any gifts or guarantor involvement
- Your credit and employment history
- The type of loan you're applying for.

Finding the right loan

There are a huge number of loan products available, and it's important to find the option that suits your needs. Your mortgage broker will evaluate the loans available to find the best solution for your current circumstances.

Arranging a pre-approval

A loan pre-approval is an excellent tool for buyers. It's an 'in principle' answer from a lender about how much they would be willing to lend you. It also gives you more confidence about what you can afford when you bid at an auction or put in an offer on a property.

Pre-approvals are usually valid for three months, but they're not a guarantee. Your lender will still need proof of your income and to be satisfied with the property's value before finalising a loan.

TIP: Bear in mind your future plans and borrow within your means

Work out what monthly repayment you can really afford. If you have plans to change your employment or lifestyle, or have some big expenses on the horizon, this can put a strain on your finances – especially if you're also stretched with your mortgage. Your property purchase should add to your happiness, not be a burden.

Step 2: Find your property

Searching for the right property

Once you know your price limit, the next step is to start looking. Your first port of call should be a property website such as **www.realestate.com.au**, to help you with your property search.

Your local mortgage broker can give you a property report that includes recent sales in your preferred areas. It's also worth broadening your search to areas close to your 'ideal' location.

Arranging building and pest inspections

Before you buy a property, it's essential you know about any serious structural problems or pest issues. There is very little recourse if you find out later there's a serious issue.

Building and pest inspections are easy to arrange and can usually be scheduled within a few days. You can always make an offer 'subject to completion of a building and pest inspection'.

If you're purchasing an apartment, the strata report should outline known issues, recommended solutions and their cost.

Engaging a solicitor or conveyancer

Once you've found a property you want to buy, engage a solicitor or conveyancer to check the contract. They can make any recommendations or adjustments before you sign it.

TIP: Try to share the building and pest costs

Building and pest inspections can cost up to $500, which is a big expense. Always ask the agent if other buyers have done a building and pest inspection and find out who they used. You may be able to get a copy of the report for a reduced price.

Step 3: Make an offer or place a bid

Buying through private treaty sale

A common way to buy a property is through a private treaty sale via a real estate agent or directly with the owner.

You make an offer on what price you'd like to pay, verbally or in writing. Real estate agents must present all offers to the seller.

In some states you can also put down a 'holding deposit' – about 0.25% of your offer price – to secure the property for a short period. This deposit is usually refundable if you decide not to go ahead.

Remember that even if you have verbal agreement on your offer, a property can still be sold to someone else until the contract is signed by both parties.

Cooling-off period

Most states and territories (except WA and TAS) have a cooling-off period after you sign a contract. During the cooling-off period you can withdraw from the purchase, but you may forfeit some of the deposit.

If you withdraw from the sale after the cooling-off period, you'll be liable to pay the full 10% deposit for a property. See below a breakdown of the cooling-off period for each state and territory.

Cooling-off periods	
NSW, QLD, ACT	5 business days
NT	4 business days
VIC	3 business days
SA	2 business days
WA, TAS	No cooling-off period

Buying at auction

Different rules apply when you buy at auction. If you make the winning bid, you are legally bound to buy the property. There is no cooling-off period. If you back out of the purchase, you'll forfeit your 10% deposit.

Before the auction:

1. Have your solicitor or conveyancer check the details of the Contract of Sale.
2. Ensure you have the funds (cash or cheque) to pay the 10% deposit and sign the contract on auction day.
3. Have a loan pre-approval (at least) in place before you bid.

Even properties listed for auction can be sold prior through an offer to the agent – which is why it's worth asking the agent if the seller is considering offers.

Step 4: Finalise your finances

As soon as you have committed to buying a property, speak with your mortgage broker so they can arrange a loan approval and property settlement.

If you've already chosen your loan and have a pre-approval in place, it's time to get your documents together for the loan application.

Your mortgage broker will step you through the application process and do all the legwork, such as dealing with the lender, the agent and your solicitor.

Loan application and lodgement

To put together your loan application, your mortgage broker will need your supporting documents.

Once your Contract of Sale has been checked by your conveyancer/solicitor, your broker will also need a copy to lodge with your loan application.

Property valuation

The lender will usually order a valuation of your property once your loan application is lodged. This should take between three and five business days. Typically, the bank will value the property at the price you have paid; however, should its valuation come back at a lesser amount, it may affect the loan-to-value ratio (LVR). This could mean you'd need to make up the difference from your savings to borrow the full amount.

Insurance

Most lenders require you to have building insurance before they will give you a loan. This insures the property against damage from fire, flood or storms.

Since you're making a long-term financial commitment, it could also be worth thinking about income protection insurance and life insurance for yourself. These are useful safety nets to have if you become ill or injured and can't earn an income.

Unconditional approval

Your lender will confirm with your mortgage broker when you have unconditional loan approval. Once your loan documents arrive, your broker can help you complete them.

Step 5: Sign the contract and pay your deposit

When you're ready to commit to buying a property, you sign the contract and pay the deposit. This is typically called 'exchanging contracts' for both parties to sign. The sale isn't legally binding before this happens.

The deposit is usually 10% of the purchase price; however, you may be able to negotiate for less with the agent if necessary.

Whether you are buying through private treaty or auction, always have the Contract of Sale checked by your solicitor or conveyancer before you sign it. This is an opportunity to negotiate on terms such as the settlement date (when the full purchase price is paid), inclusions and exclusions.

If you can, it's also a good idea to make the contract 'subject to finance', as this allows you to withdraw from the contract if you're not approved for the loan.

Your solicitor or conveyancer will confirm with you the settlement date and any other important details. They'll also negotiate with the vendor's solicitor if necessary.

You may need to sign the contract before you have unconditional approval for your loan, or risk losing the property to another buyer.

Step 6: Settlement

On settlement day, the balance of the purchase price for the property is paid to the seller and the property becomes officially yours.

There is usually nothing you need to do on this day since all the administrative work is done by the lenders, solicitors and agent.

This is also the time your conveyancer or solicitor will advise you of additional costs, such as water and council rates adjustments. They may also request their fees to be paid at settlement.

After settlement occurs, the agent will arrange to give you the keys to the property – usually on the same day.

Congratulations on becoming a property owner!

Overview of the home loan application process with Mortgage Choice

1 hour	**Appointment with your Mortgage Choice broker**	We'll meet with you to understand your financial circumstances and goals. Then we can compare hundreds of home loans to find the one that's right for you. We'll calculate your borrowing power, work out your repayments and explain the borrowing and home-buying process.
1–2 days	**Loan application**	Once we've helped you choose the loan that's right for you, we'll explain what you need to do to secure a pre-approval (conditional approval) and full (unconditional) approval.
3–5 days	**Conditional (pre-) approval**	The lender will provide conditional approval while it conducts a credit check. We'll stay in touch with the lender and keep you informed along the way. Once you have pre-approval, you can make an offer on a property with more confidence about what you can spend. You should wait to get conditional approval before you sign a Contract of Sale on your new property.
5–8 days	**Unconditional (full) approval**	Once you've decided on a property, or even after you've exchanged contracts, the lender will organise a property valuation and finalise all document checks. Unconditional (full) approval is formal acknowledgment your home loan application has been approved.
5–10 days	**Loan documents arrive**	Once your loan documents arrive, we'll organise a time to meet and help you complete and sign the documents.
4–8 weeks	**Loan settlement**	If you're purchasing a property, your solicitor/conveyancer will organise settlement directly with the lender, according to the settlement date on the Contract of Sale. If you're refinancing your existing home loan, the two lenders will liaise directly to exchange the documents.
The future	**Keeping in touch**	Our service doesn't end once your loan settles. We will stay in touch to make sure your home loan is the right solution for your needs now and in the future.

Your local Mortgage Choice broker

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Talk to us today

We're passionate about helping Australians build wealth through smart borrowing decisions. Our Mortgage Choice experts offer a range of specialist services – from residential and commercial loans to car loans, business and personal loans, asset finance and general insurance.

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You should not rely on this guide for the purposes of entering any legal or financial commitments. You should obtain specific investment advice from a suitably qualified professional before adopting any investment strategy.

The information in this booklet refers only to loans provided by the panel of lenders with whom Mortgage Choice Pty Ltd and Smartline Operations Pty Limited have an arrangement under which they receive commissions and other payments. Not all brokers offer the products of all lenders.

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