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OAKWOOD
FINANCE

A GUIDE TO
**Buying Your
New Home**

Buying Your New Home

Step by Step

Buying your new home can be one of the most exciting things you will do in your life, but it can also seem incredibly scary. By following these steps, and enlisting some professional help, you can reduce the stress involved.

01 Get an idea of budget

Before making any commitments, assess your budget to determine what you can afford. Purchasing property is a significant financial undertaking, and it's crucial to be aware of potential expenses. Start by examining properties and prices in your desired location to gauge the necessary budget and deposit you'll likely require.

Typically, lenders require a 20% deposit, equating to \$100,000 on a \$500,000 property, plus additional costs for stamp duty, legal fees, and bank charges. However, alternatives exist for those without a 20% deposit, which can be discussed later.

Consider costs like stamp duty, title transfers, and legal and bank fees when buying a property. Stamp duty varies by state and is often around 5% of the property value. First Home Owner Grants (FHOGs) and concessions may reduce these costs, depending on the location and property type. For tailored options, consult a mortgage broker.

02 Choose a loan with assistance

Seeking guidance from a mortgage broker is definitely the first part of the puzzle. We can evaluate your finances, estimate your borrowing capacity, and recommend suitable lenders. This advice is especially beneficial for those new to the mortgage market. Once you're eligible for a home loan, we can present appropriate options, saving you time and stress. Aim to secure pre-approval, which typically lasts 90 days, at least two weeks before bidding at an auction and within 3 months of you wanting to purchase a home.

Lenders Mortgage Insurance (LMI) enables home purchase with as little as a 5% deposit, allowing you to start paying off your mortgage and building equity sooner. LMI incurs a one-time premium added to your loan.

Finally, consider your interest rate type (fixed or variable) and desired loan features like offset accounts or debit cards, which can influence long-term costs and convenience.

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03 Inspections

Before making an offer on a property you're interested in, it's important to organise the essential inspections. Your lender will likely require a building inspection to assess structural integrity (roughly \$500-800), a pest inspection (about \$400), and if you're purchasing a flat or townhouse governed by strata laws, a strata title inspection (costs can range from \$250-\$500). Completing these inspections is valuable for your peace of mind and could prevent you from investing in a property that requires significant and expensive repairs.

If you haven't yet done so, you must engage a conveyancer or solicitor to review the property's documents and deeds for any issues and start preparing the transfer contract. Ensure they clarify every part of the contract so you fully understand it before signing.

The contract will include a settlement period, the time before you legally own the property. This duration can be negotiated but must be agreed upon with the seller before the auction or contract signing. It's wise to arrange home insurance now to protect your investment in the property.

After resolving any queries, your estate agent will arrange a time for you and the seller to sign the contracts and pay your initial deposit (usually between \$1,000 and \$2,000). This deposit is typically held in the agent's trust account until settlement. You'll pay the remainder of your deposit after receiving formal loan approval.

04 Contact a solicitor or conveyancer

When considering a property, it's advisable to engage a solicitor or conveyancer. They will recommend suitable inspections for the property type you're intending to buy and review any contracts, guiding you through the transfer process upon a successful purchase.

Discuss the deposit amount with your solicitor, as it's sometimes possible to reduce it to five per cent from the standard 10 per cent, subject to agreement with the seller or their legal representative before sale or auction.

Experienced conveyancers, familiar with countless property transactions, will be alert to potential pitfalls, such as adjacent planning permissions that could affect your enjoyment of the property.

The contract will specify a settlement period, the time before you legally own the property. We can connect you with reputable solicitors and conveyancers to assist you.

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05 Making an offer

When ready to purchase, decide whether to buy through a private sale or at auction.

In a private sale, use your research to negotiate, but remain flexible to avoid losing the property over a minor difference in price. After acceptance of your offer, you'll pay a holding deposit and enter a 'cooling off period', usually about three working days, during which you can withdraw from the sale.

Cancelling the purchase may incur a termination fee of around 0.25% Of the purchase price, with any excess deposit refunded, unless the cooling off period has ended.

At auction, secure pre-approval first. Winning bids are binding with no cooling off period, so bid wisely and within your budget. Deposits are typically paid immediately; verify the exact terms with the agent.

Discuss adding a "purchase subject to finance" clause with your broker to ensure the sale depends on financing approval.

06 Signing the contract

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07 Additional things to think of

The lender will require a valuation to be completed on the security you have purchased. This is organised through the lender by your mortgage broker. The valuation will determine the security price and you may need to add extra funds if this does not match your actual purchase price.

Building insurance cover will need to be taken out as a requirement of the lender. This will need to occur before settlement. Your mortgage broker can assist you in putting you in touch with an insurance provider. Once the loan becomes unconditionally approved, you will meet with your broker to sign the lenders application forms and book in settlement with the lender and your appointed solicitor.

Before settlement it may be a good time to think about personal risk insurance cover. You will soon have a mortgage to pay and should something happen to you or your family it is best to have cover in place to provide you with financial protection, sufficient enough to cover your new loan. We can put you in touch with some trusted partners to assist you in this area.

08 Settlement

The settlement date, agreed upon during the purchase, is when you legally acquire your new home. On this date, you'll pay the remaining purchase price. Your solicitor or conveyancer will coordinate the payment with your lender. Ensure the necessary funds are in the designated account before settlement; your broker or conveyancer can confirm this.

The sale contract typically stipulates that the property should be in the same state as when sold, barring normal wear and tear. It's wise to have a clause for a final inspection before settlement. Arrange this with the estate agent, and if there are any issues or damages, address them with the agent and your legal representative before settling.

09 Moving into your first home

Once settlement has occurred, the vendor's solicitors will contact the real estate agent who sold you the property and advise them to give you the keys. This is the time to celebrate and start the move into your new home!

Glossary

Some handy explanations

BANK STATEMENT

Your banking records compiled into a single report. This is what is looked at to verify your income and expenditure.

BRIDGING FINANCE

A loan with a finite time frame that bridges a gap between buying a new home and selling the old one.

CONVEYANCING

When you hire a conveyancer, they undertake the conveyancing work. This means they handle the legal paperwork involved in transferring the ownership of the property.

COMPARISON RATE

A rate which includes fees and charges to make it easier to compare loans fairly. For example, a loan with a low advertised rate may cost the same as a higher rate product that has low fees.

COOLING OFF PERIOD

This refers to a period of time you are given to reflect upon and back out of a contract for goods or services. This allows an opportunity for you to change your mind.

The rules on cooling-off periods vary between states and territories. Details of a cooling-off period will be included in the contract, if applicable.

CREDIT REPORT

A report produced based on an individual's credit history, public records as well as any black marks against their name such as defaults. Every time you fail to pay a bill or apply for finance, this ends up on your record as well. This information is how lenders decide whether or not they want to lend to you.

DEPOSIT

A down payment required to show intention for obtaining finance to purchase.

DEPOSIT BOND

A guarantee that can be used instead of an actual cash deposit that guarantees the buyer will pay the deposit by a pre-agreed date.

EQUITY

The difference between the amount owing on the property vs its value.

FIRST HOME OWNERS GRANT

A state government grant available to eligible first home buyers to offset the GST on buying or building a first home. See the government website for specific information.

FIXED INTEREST

Your interest is locked in for a fixed term, you are protected against possible interest rate rises for the "fixed" term period. Opposite of the Variable Interest Rate.

GUARANTOR

A person who guarantees a loan in the case of another defaulting. This means less risk on the lender's side. Having a guarantor can lead a lender to waive LMI in some cases.

HONEYMOON/INTRODUCTORY INTEREST RATE

An interest rate offered for a short time at the start of a loan, credit card or savings account. For a loan it is a lower interest rate that will eventually revert back to a standard rate. For savings accounts it is a higher rate that will revert back to a standard deposit interest rate after the honeymoon period.

INCOME PROTECTION INSURANCE

An alternative source of income if you can't work because of illness or injury. Most policies offer cover for up to 75% of gross wages for a specified number of years.

INTEREST

An agreement to pay an extra sum for use of the money over time. Interest is earned by lending money and paid when borrowing money.

The rate of interest can be fixed or variable and usually calculated as a percentage of the amount borrowed. For example, a \$10k car loan with an interest rate of 10%, would have you paying \$1k in the first year.

Glossary

Some handy explanations

INTEREST ONLY HOME LOAN

Where only the interest is paid on a loan for a specified period. No principal repayments are required during that time.

INTEREST RATE

The relationship between the amount of money borrowed or lent and the money paid in return for the use of that money. Usually expressed as a percentage per year.

LENDER'S MORTGAGE INSURANCE

Lenders mortgage insurance (LMI) is insurance instated to protect the lender in case a borrower is unable to repay their loan.

LMI is usually a one-off cost to a home loan borrower, payable when the amount borrowed exceeds 80% of the value of the property. LMI does not benefit the borrower, it only protects the lender.

LIABILITY

The amount you are liable to pay in the form of existing debt.

LVR

Loan to Value Ratio. The amount of a loan as a percentage of the value of the purchase. It is calculated by dividing the loan amount by the value of the asset.

OFFSET ACCOUNT

A transaction account linked to a mortgage account. By sitting money in that account, it reduces the net balance on the loan which lowers the amount you need to pay interest on.

PRINCIPAL & INTEREST REPAYMENTS

The principal of your home loan is the amount of money you borrow from the lender. The interest is the cost charged by the bank or lender for you to borrow this money.

RATE LOCK

A mortgage rate lock is where a borrower and lender agree to lock in a specified interest rate for a specified time period. This protects borrowers from rate rises.

REDRAW FACILITY

A way to access additional funds tied to a loan.

REFINANCE

When you replace or extend an existing loan with funds from either the same or a different bank or financial institution.

SETTLEMENT

When the legal ownership of a financial product, is exchanged for money.

SERVICING

Servicing refers to the ability to make the repayments on a loan. This usually takes into account your liabilities and income in relation to being able to afford repayments.

STAMP DUTY

A state tax imposed on certain transactions, such as car registrations, mortgages and property transfers.

VARIABLE INTEREST RATE

Where consumers receive interest on an investment or pay interest on a loan at a rate that may go up or down during the term. Opposite of fixed interest rate.

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