

8 things
**THAT FIRST HOMEBUYERS
NEED TO KNOW ABOUT
FINANCE**





Getting a foot on the ladder

The dream of homeownership hasn't changed much in Australia over the years.

Our parents and grandparents all strived for a place to call their own and had to work hard to make that happen.

It's the same today with younger generations prepared to make sacrifices to secure a foot on the property ladder.

And whether it 50 years ago or just last week, would-be homeowners have always had to put a plan in place to save a deposit.

We regularly work with clients who want to make their dream a reality, so we help them to create a budget as well as a savings plan.

Not only does that put them on the right path, it also means they're not alone if they ever need help along the way.

Once they have a deposit saved and have decided on the best property to suit their needs – whether that's a home or an investment property – it's finance time.

When you're starting on your property journey, you often come across loan products as well as weird-sounding **terms** like "principal and interest repayments" that you may not have crossed paths with before.

The good news is that we have because we're experts in the field and can explain the difference between a caveat and a conveyance with our eyes closed!

So, if you're about to start on the well-worn road to property ownership, here are **eight key issues** that it pays to understand before you begin.



1. How much can I borrow?

When lenders assess your loan application they will take into consideration a number of factors to determine your borrowing capacity.

Because you've implemented a budget and savings plan, you'll hopefully have a healthy deposit which is one of the first determinants.

The next element that they consider is your income, either singularly or as a couple, as well as your expenses, including your living expenses.

The combination of these factors will determine your borrowing capacity, which may also vary between lenders.

At Intuitive Finance, we have access to dozens of lenders and hundreds of loan products, so we ensure that your application goes to the lender that is most suited to your financial and personal circumstances.

There's no point applying to a lender whose criteria isn't a match with your situation is there?



2. How much will I need as a deposit?

The size of your deposit is also determined by a number of factors, as well as the specific moment in time for the banking sector.

What we mean is that sometimes lenders require bigger deposits because of regulatory impositions and the like.

Lenders also generally have diverse deposit requirements, such as whether you're buying a home (called a principal place of residence) or an investment property which have different loan structures, too.

Generally speaking, though, the more deposit you have the better your chances of home loan success, however, it can be difficult for would-be property owners to save a large deposit.

However, there are a number of ways that you can boost your deposit or get onto the property ladders with smaller savings, including Lenders Mortgage Insurance.



3. What you need to know about Lenders Mortgage Insurance

There is often confusion about what Lenders Mortgage Insurance or LMI is and what it isn't.

LMI is mortgage insurance that is generally required by the lender when you are borrowing more than 80 per cent of the property value, which is a common state of play for first homebuyers.

The confusing part for some people is the insurance isn't for the borrower, even though you pay for it, it is protection for the lender in case you default on your mortgage repayments.

Still, LMI can be a useful tool for first-timers because it allows you to get into the property market more quickly than you can probably save a larger deposit.

Plus, you can usually capitalise, or add, LMI onto your home loan so you're not scrambling to find thousands of dollars to fund it.

One of the keys to successful property investment is time in the market, which LMI can assist you with by allowing you to secure a home or investment sooner rather than later.



4. Guarantor loans and government grants

Another way to stake your claim earlier is to consider a guarantor loan, which is the new-age version of The Bank of Mum and Dad!

Parents have been helping their children buy their first property for generations and today that often comes in the form of a guarantor loan.

This type of loan requires the guarantor to secure the loan by offering a slice of the equity in their own home, usually to fund any deposit shortfall.

By boosting your deposit from, say, 10 to 20 per cent, you won't be liable for LMI and can also usually attract more favourable loan terms as well.

Your home loan is guaranteed by the family member's equity until such as a time as you've paid down the principal of the loan (that's the original loan amount) or the property's value has increased to the point where the guarantee portion can be released.

Guarantor loans are a great facility for first homebuyers, but everyone must be the same page from the outset, including ideal timeframes for the guarantee to no longer be necessary.

Another way to boost your deposit is to be eligible for the First Home Owners Grant, which is administered by each State and Territory individually.

The amount of these grants can vary from state to state, including whether you are buying an established or a new property, or you're buying a home or an investment property.

Most States and Territories also offer stamp duty concessions to first homebuyers, too.

That's why it's important to check your relevant [State Revenue office](#) to understand whether you meet the criteria.

Of course, we can help with this, too.



5. Mortgage repayments

At the start of this process, you'll have a solid idea about your borrowing capacity.

The thing is that just because a lender is prepared to offer you a certain amount it doesn't mean you have to spend it all!

In fact, most smart property owners have a figure that they'd like to spend, perhaps for cash flow or other reasons, and that's the number they stick to like glue.

This is especially true for burgeoning property investors who want to grow their

portfolio over the short- to medium-term so they prefer not to borrow more funds that they need.

They don't want to be over-leveraged, which is always a good idea whether you're an investor or not.

You can work out what your likely mortgage repayments will be by using one of our handy calculators.



*Work out what your likely mortgage repayments will be by using one of our **handy calculators.***

[Discover](#)



6. Property buying costs

As well as the purchase price of the property, there are a number of other costs that are associated with buying real estate.

These additional costs can be anywhere between five and seven per cent of the purchase price.

And one of the major costs is stamp duty, which is a State tax levied on the purchase of a property and is calculated on its purchase price.

As we mentioned earlier, you may be eligible for a stamp duty concession if you're a first home owner.

If you're not eligible, you will have to finance

the stamp duty fee out of your pocket at settlement time, so you must factor this into your overall budget.

Some of the other costs that you'll need to budget for **include**:

- Loan establishment and service fees
- Lenders mortgage insurance (LMI)
- Settlement and drawing fees
- Registration fees
- Building and pest reports
- Solicitors fees
- Insurances
- Council and water rates
- Owners corporate or body corporate fees



7. The buying process

While the desire to own property hasn't changed much over the years, real estate research is much different today compared to yesteryear.

A few decades ago, there wasn't a lot of information available to homebuyers and investors, so they often bought in areas that they were familiar with.

Plus, selling agents generally held all the cards (literally in their windows) and even lending practices were trickier.

Today, you can access robust property data online as well as follow property experts

who provide detailed information on a variety of investment strategies.

You can even work with buyers' agents, finance specialists, or property investment advisers who will assess the best strategy for your property hopes and dreams.

Regardless of which route you take, just as you're learning more about finance right now, you should educate yourself on the property market so that you remain in the driving seat every step of the way.



8. Ownership time

You can make your dream of property ownership a reality but it's vital you don't make it more difficult than it ever needed to be.

At Intuitive Finance, we're experts in securing finance for first-time home and investment property owners.

From your initial contact, we'll undertake a comprehensive review of your current

financial position and provide a clear, detailed and comprehensive investment strategy for you to put in place.

Making the decision to buy your first property should be the start of a process that sees you achieve a successful outcome.

And with the right team on your side, you'll have the keys to a property that belongs to you in your hands before you know it.

Case studies



*Click here to discover **what other people** in your position **have done***

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About Andrew Mirams

Andrew Mirams is the Managing Director of Intuitive Finance and is a highly qualified mortgage advisor who holds dual diplomas in Financial Planning (Financial Services) and Banking and Finance (MortgageBroking).

Andrew's expertise covers all aspects of lending for a diverse range of applications – from first home buyers loans or property upgrader loans, property investor loans, expatriates and loans for self-employed.

With more than 32 years of experience, Andrew has been acknowledged by the mortgage industry as one of its best performers with multiple awards including regularly featuring in both the top 100 mortgage brokers list and Top 50 Elite business writers.

*Mortgage and Finance Association of Australia (MFAA) Excellence Awards
Winner, 2020 - Community Champion
The Adviser, Best Finance Broker – Winner 2017
The Adviser, Best independent office <5 brokers – Winner 2016
The Adviser, Best customer service (Office) – Winner 2016 Victorian Better Business Awards 2014 and 2015
Mortgage and Finance Association of Australia (MFAA) Excellence Awards
Winner, 2018 – Finance Broker Business Award – 2 to 5 Loan Writers (Vic/Tas)
Winner, 2017 – National Customer Service Award
Victoria's Favourite Mortgage Broker – 2015 Investors Choice Awards
The Adviser Elite Business writer – 2009, 2014 and 2015*



Need a hand?

Get in touch via: info@intuitivefinance.com.au

or

Call us on: **1300 342 505**

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