blu MORTGAGES

FIRST HOME BUYER'S GUIDE

A PRACTICAL GUIDE TO BUYING YOUR FIRST HOME

FIRST HOME BUYERS ARE OFTEN FACED WITH MANY QUESTIONS THAT CAN BE CONFUSING AND OVERWHELMING.

You are not alone if you need some extra assistance to guide you through the process of buying your first home. It can be a lengthy and unfamiliar process.

The Blu Mortgages team can help guide you through your lending journey and answer the many considerations to be addressed along the way.

ABOUT BLU MORTGAGES

BLU MORTGAGES PROVIDE EXPERT LENDING ADVICE AND SOLUTIONS YOU CAN TRUST.

Working with a select range of lenders, we understand the importance of choice. We have access to a wide variety of lending policies to achieve your financial goals.

Whether it be the purchase of your first home, restructuring your existing debt, investment in a commercial property, buying a new car, or starting a new business we have a tailored solution for you.

Our team of experts will guide you through your lending journey, from enquiry to settlement. We will work together to lay the foundation for your lending future and offer clear, pragmatic advice to financially empower your future.

OUR DIFFERENCE

BETTER QUESTIONS. BETTER ADVICE

Lay the foundation for your lending future.

TAILORED FINANCE SOLUTIONS

Access the best lender policies to achieve your financial goals.

CLIENT CONFIDENCE

Be guided through your lending journey with clarity and certainty.

BUY YOUR FIRST HOME

UNDERSTAND THE STEPS YOU NEED TO TAKE TO BUY YOUR FIRST HOME.

1. GET READY

- Save for a deposit
- Calculate your current living expenses
- Decide how much you would be comfortable repaying each month
- Understand the costs associated with buying
- Work out how much you can borrow
- Obtain conditional pre-approval for the amount you can borrow.

2. FIND A HOME

- Create a short list of preferred suburbs and research the market
- Obtain suburb and property insight reports from the Blu Mortgages team.

3. BUY YOUR HOME

- Review the contract of sale (in conjunction with a solicitor or conveyancer)
- Arrange a pest and building inspection
- Make an offer or attend an auction
- Exchange contracts
- Apply for formal loan approval
- Organise insurance – building and life insurance.

4. MOVE IN

- Settle your property
- Lender releases funds to the vendor and the property title transfers to the buyer
- Enjoy your new home.

GOVERNMENT INCENTIVES AND SCHEMES

IF YOU'RE READY TO BUY YOUR FIRST HOME OR DOING A BIT OF RESEARCH, IT'S IMPORTANT TO UNDERSTAND WHAT GOVERNMENT SUPPORT IS AVAILABLE AND HOW MUCH YOU COULD SAVE.

FIRST HOME OWNERS GRANT

The First Home Owner Grant is a lump sum cash payment available to first home owners to help with the cost of buying a first home or vacant land to build a home on.

For more information regarding the First Home Owners Grant, access the Federal Government's portal and click on your state or territory.

FIND OUT MORE

FIRST HOME LOAN DEPOSIT SCHEME

The First Home Loan Deposit Scheme is a government-backed initiative to help Australians get into their first home sooner.

It allows eligible first home buyers to purchase a property with as little as a 5% deposit and without the need to take out lenders mortgage insurance (LMI)

FIND OUT MORE

STAMP DUTY CONCESSIONS

Dependent upon the value of your property, you may be entitled to a stamp duty concession. The conditions and amounts vary dependent on the state or territory you buy in.

For more information regarding stamp duty concessions, access the Federal Government's portal and click on your state or territory.

FIND OUT MORE

HOMESVIC SHARED EQUITY SCHEME

The HomesVic Shared Equity scheme is a Victorian State Government initiative.

The government will share the upfront costs of purchasing a home by taking a proportional interest in the value of your property up to a 25%.

Home buyers are required to contribute a minimum 5% deposit.

HomesVic maintain its proportional interest in the property and receives it back when the property is sold (up to 25% of what the property sells for).

FIND OUT MORE

FIRST HOME SUPER SAVER SCHEME

The First Home Super Saver Scheme allows you to save money for your first home inside your super fund. This will help first home buyers save faster with the concessional tax treatment of superannuation.

From 1 July 2017, you can make voluntary contributions into your super fund to save for your first home. From 1 July 2018, you can then apply to release your voluntary contributions, along with associated earnings, to help you purchase your first home.

FIND OUT MORE

HOMEBUILDER

HomeBuilder provides eligible owner-occupiers (including first home buyers) with a grant to build a new home or substantially renovate an existing home.

For more information regarding the HomeBuilder program, access the Federal Government's portal and click on your state or territory.

FIND OUT MORE

YOUR LENDING JOURNEY WITH BLU MORTGAGES

LET OUR BROKERS GUIDE YOU THROUGH OUR 7-STEP LENDING JOURNEY

1. WHERE ARE YOU AT?

Meet our broking consultants and identify your lending motivations and goals.

2. TICKING THE BOXES

Gather your paperwork. Let's confirm your financial position.

3. THE BEST FINANCIAL SOLUTION FOR YOU

Presentation of the most appropriate lending options available to you.

4. GET THE GREEN LIGHT

Submit your lending application for approval and get the green light!

5. MAP THE JOURNEY

Formally finalise your loan and set the scene for the next 12 months.

6. UP AND RUNNING

Meet our dedicated customer service team and onboard your loan.

7. GRAB THE NEXT OPPORTUNITY

Get investment ready to secure your next investment opportunity.

OUR TEAM OF EXPERTS WILL GUIDE YOU THROUGH YOUR LENDING JOURNEY AND HELP LAY THE FOUNDATION FOR YOUR LENDING FUTURE.

FREQUENTLY ASKED QUESTIONS

How much deposit do I need to buy my first home?

The amount you can borrow and therefore the value of property you can buy is governed by two main things:

1. Equity or deposit and
2. Capacity to service the required loan. This in turn is a function of your income, living expenses and other financial commitments.

Some lenders will allow loans of up to 95% of the purchase on some properties subject to evidence of genuine savings to 5% and the provisions of Lenders Mortgage Insurance or Lenders Risk Fees. These can be expensive so saving a bigger deposit helps you avoid paying additional fees.

How much can I borrow?

This depends on factors such as the size of your income and deposit, but many lenders require a maximum of 90 per cent Loan-to-Valuation Ratio (LVR), which means that you can borrow up to 90 per cent of the purchase price, but you will have to supply evidence of your ability to save at least 5 per cent of the value of the property ('genuine savings').

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Does my credit rating affect my borrowing ability?

Your credit rating will be checked as part of the loan process, so you may find it harder to secure a loan if you haven't paid your bills, have skipped payments or exceeded credit card limits. Contact your Blu Mortgages broker for assistance in accessing your credit history, as you might be able to improve your rating before you apply for a loan.

How do I know which type of mortgage is best for me?

There are a number of factors to consider, including your current financial situation, your goals and how long you intend to keep your house. Your broker will work with you to help evaluate your choices and find a solution that meets your needs both now and in the future. That's their job.

HOME BUYING LANGUAGE SIMPLIFIED

YOUR GUIDE TO UNDERSTANDING COMMON HOME LOAN AND PROPERTY TERMINOLOGY.

Application fee: Also called an establishment fee, it's paid to set up your loan and usually includes legal fees and valuation charges.

Appreciation: Alternatively, a capital gain is an increase in the value of a property due to changes in market conditions or other causes. The opposite of depreciation or capital loss.

Arrears: To be behind in a repayment.

Body corporate: An administrative body made up of all the owners within a group of units or apartments of a strata building. The owners elect a committee which handles administration and upkeep of the areas shared by the owners.

Break costs: Are exclusive to fixed rate loans where the loan is paid out early, or additional paid in above agreed limits. Not to be confused with Exit costs.

Bridging loan: Finance to buy another property before an existing property has been sold.

Building insurance: Insurance that covers the cost of rebuilding or repairing a property following structural damage, for example by flood, fire, storm and subsidence.

Certificate of title: The certificate detailing the ownership and land dimensions of a property.

Certificate of currency: A document issued by an insurance company indicating that a formal policy is currently in place for the insured property.

Company title: A property title that applies when owners of units in an apartment block form a company. Each has shares in the company that owns the land and buildings. The owner of the shares is entitled to exclusive occupation of a flat. However, if you want to alter occupancy in any way, you must have the company's approval to do so. This type of title can be restrictive for use by many lenders and shouldn't be confused with Torrens or Strata Title held in a Company Name.

Contents insurance: A policy insuring household contents against theft and damage.

Comparison rate: An attempt to express some of the costs of a loan into a single interest rate. These 'costs' include the nominal interest rate, some 'up-front' fees and on-going charges. It does not include fees and charges based on future events which may not occur e.g.

redraw fees, progress payments etc. which are not typical of all loans. The aim of the comparison rate is to help consumers make a more informed judgement of the costs of a loan, and in so doing, help them to compare various like loan products and services offered by the various lending institutions.

Contract of sale: Or Contract for Sale is a legal document that details the conditions relating to the sale or purchase of the property. This document is legally binding when signed by both the vendor and buyer.

Conveyancer: A person qualified and licensed to handle all documentation for the sale and or purchase of a property.

Conveyancing: The legal process where ownership of a property is transferred from the vendor to the buyer.

Credit history: A record of an individual's open and fully repaid debts. A credit history helps a lender to determine whether a potential borrower has a history of repaying debts in a timely manner.

Daily interest: A method of calculating interest that takes into account the amount you owe on a day-to-day basis. All home loans in Australia, whether principal and interest or interest only have interest calculated daily and charged monthly. Therefore the more regular repayments that reduces the Principle outstanding, the lower the interest charged.

Default: Failure to make mortgage payments on a timely basis or to comply with other requirements of a mortgage.

Deposit: The money you pay on exchange of contracts as part of your initial contribution to the purchase of your home. This could be between 5-10% of the purchase price. You could also pay your deposit by way of Deposit Bond.

Disbursements: The various costs your Solicitor or Conveyancer has to pay to other organisations and bodies on your behalf, including, for example, search fees and stamp duty/ land tax. Your Solicitor or Conveyancer will itemise the disbursements on the invoice they send you.

Equity: The difference between the amount you owe on your home loan and the current value of your property.

Exit fee: Generally, administration 'break costs' associated with discharging the mortgage and finalising the loan.

FHOG – First Home Owner's Grant: A grant available to Australians who are buying or building their first home, and have not previously owned a home, either jointly, separately or with some other person.

Fixed rate: An interest rate set for an agreed term regardless of any variations in the market. The benefits are that you know exactly how much you will be paying and are not affected by any rate rises during the fixed term.

Gearing: Borrowing to invest. Positive gearing is when you borrow to invest in an income producing asset and the returns (income) from that asset exceed the cost of borrowing leaving the investor with a surplus. Negative gearing is where the return on an investment is less than the interest costs of the loan used to fund the investment. This amount can be claimed as a tax deduction.

Guarantor: A party who agrees to be responsible for the payment of another party's debts.

Home insurance: A way of referring to building insurance.

Honeymoon rates: Honeymoon rate, or introductory rate, lenders offer a low interest rate for an introductory period, usually the first 1-3 years of the loan. Once the honeymoon or introductory period ends, the interest rate usually reverts to a higher rate. This is often, but not always, the lender's standard variable rate.

Interest only: This is where you only pay the interest on the loan. It is popular with investment properties for tax benefits.

Life assurance: A form of insurance by which someone's life is insured. Life assurance policies can run parallel with a principal and interest home loan, so the loan will be repaid if you die before the end of the term.

Line of credit: This loan lets you free up the equity you have in your home for other purposes. It provides you with a revolving line of credit through a convenient single account that you can use daily.

LMI – Lenders Mortgage Insurance: Insurance written by an independent mortgage insurance company protecting the mortgage lender against loss incurred by a mortgage default. Usually required for loans with an LVR of 80.01% or higher.

Low Doc Loan: Are a flexible financing solution for self-employed people who have income and assets, but may not have the usual paperwork at the time of application.

LVR – Loan to Value Ratio: The ratio of the amount of your loan to the appraised value. The LVR will affect products available to the borrower and generally, the lower the LVR the more favourable the terms of the products offered by lenders.

Mortgage term: The length of time over which you agree to pay back your mortgage, usually up to a maximum of 30 years.

Negative gearing: See 'Gearing'.

No doc loan: No-document home loan (or no-doc loan for short), applicants simply fill out an application form stating their income and assets. These loans were commonplace prior to the Global Financial Crisis, but legislation introduced since that time has outlawed these types of loans.

Off the plan: When you buy a property from the plans only and not the finished building. The purchaser will not be able to inspect the property or see the standard of finishes, the practical layout, the size and dimensions or the outlook. However, the Purchaser may be able to view a display unit and sample finishes.

Offset account: An account linked to a mortgage account so that the interest earned is applied to reduce the interest on the mortgage.

Pre-Approval: A home loan pre-approval confirms how much you can borrow from your lender. It is conditional upon the property you wish to purchase being acceptable security, and your lender confirming your income and other information provided in your application. Pre approvals usually last for a maximum period of 90 Days (some lenders 60) and is always subject to further assessment and usually formal valuation. An excellent option when looking to purchase but yet to identify the house of your dreams.

Private treaty: A sale of a property at an advertised price that can be negotiated. Private treaty along with public auction are the two most common ways to sell and buy property in Australia.

Redraw facility: This allows you to access any additional payments you have made on your mortgage. It is not a feature of all loans and may attract a fee, and also have a limit.

Reverse mortgage: Is a flexible financing solution for seniors who are retired and are generally aged 60 and over. It allows you to access the equity in your home without limiting your lifestyle. This loan for Seniors enables you to access the equity in your home for such things as home improvements, the purchase of a new car, payment of medical expenses, taking a holiday or simply to supplement your income. A reverse mortgage does not require repayment until the applicant moves out of the home on a permanent basis (e.g. moves into permanent age care or dies).

Settlement: The finalisation of the property purchase where your solicitor/conveyancer and the lending institution exchange money and documents so that you become the legal owner of the property.

Serviceability: The one key aspect that all Lenders look at. They need to know if you can afford to keep up the monthly repayments to your loan. Lenders vary in the way they calculate serviceability, so the amount you can borrow will vary from Lender to Lender. All apply a stress tested assessment rate or affordability rate that tests the borrower's ability to make repayments if interest rates rise.

Stamp duty: Your purchase may attract government duty depending on the purpose of the loan, this duty is applied to the land valuation, usually the purchase price, not the mortgage amount

and varies from state to state. Contact a Blu Mortgages broker to work out what stamp duty applies to your situation.

Strata title: A strata title is the most common title associated with townhouses and apartments and is proof of ownership of a unit. Individuals each own a portion, known as a 'lot'. They share common property, which can comprise external walls, roof, foyers, fences, lawns or a pool. All owners contribute to the maintenance of these facilities.

Utilities: Electricity, gas and phone supplies.

Valuation: A written assessment of how much a property is worth by a registered valuer.

Variable rate: The opposite of fixed rates, variable rates go up and down as interest rates rise and fall.

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