**Home Owns: First Home Buyers**

Buying your first home can be an exciting yet daunting time. There is so much information to absorb and so many decisions to make about what will probably be one of the biggest purchases you make during your lifetime.

Our webinar looks at some of the main issues around buying your first home, including:

- The Property
- Your Finances
- Ongoing Management

**The Property**

You need to know what you’re looking for when trying to find the right home for you. What’s important to you – is it lifestyle (e.g. inner-city, rural), location (close to work, family, the beach etc) or perhaps the property type (e.g. are you after a large home for a growing family or an apartment for less maintenance)?

Knowing what your goals are will help keep your property research focused while you scour online listings, read property reports and spend your time inspecting properties that interest you.

**Your Finances**

For most of us, a home will be the biggest asset that we will ever own and one of the biggest financial obligations we will make. Understanding the financial implications of buying a home is a vital step in managing the process effectively.

**Firstly you need to look at funding the purchase:**

Here you need to establish the total cost of buying your new home:

Total cost of your new home = purchase price + other costs.

*Other costs include: rates, stamp duty, registration fees, solicitor fees, searches, inspection reports, relocation costs, insurance, loan application fees and utilities connections.*

You then subtract any funds you already have (either as savings or from the First Home Owners Grant (FHOG)) from the total cost to establish how much you need to borrow.

Amount you need to borrow = total cost of your home – your deposit - your First Home Owners’ Grant.
Once you have established how much you need, it’s time to apply for a loan.

When you apply for a loan, your lender will ask for a lot of information to assist with their assessment. In general, they will look at three key components:

1. **The purpose.** In the case of a home loan this is fairly self-explanatory – to buy a house. However they will also explore what your goals for the property are to assist in identifying the loan features that will best suit your situation.

2. **The person i.e. you.** Information on your age, address, job stability, asset accumulation etc paints a picture of whether you are a person of a character that’s likely to pay back their loan.

3. **The likelihood of the loan being repaid.** Here they use financial information to establish whether you can afford the repayments, and in the case of something going wrong, can the money lent be recouped through sale of the property.

When buying a home, it’s important to know how much you can borrow.

This is based on how much the property is worth and how much you can afford to repay. Your repayment ability is determined by factors such as your household income, other financial commitments, the minimum surplus of funds you need and a rate buffer lenders incorporate into the calculations to accommodate rate rises.

You also need to decide which loan is right for you.

Unless you are clear on what you want, you may not be happy with the final product, the features that is has, or how much you will need to pay. You need to know what features you want and what you’re willing to forgo, what sort of rate or repayments you want, and if you want access to options such as redraw, offset facility etc.

**Ongoing Management**

Taking possession of your new property is just the start of your new home ownership journey. Once you have settled your new loan you’ll need to manage the following on an ongoing basis:

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<th>Repayments</th>
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<td>Set up automatic payments, ensure you pay regularly &amp; frequently, make additional repayments when the opportunity arises (eg a bonus, tax refund or salary increases) or update the repayment amount or frequency if your circumstances change.</td>
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<th>Interest rates</th>
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<td>Be aware of any changes to interest rates that affect you, make rate changes if it suits (e.g. you may want to lock in a fixed rate for a portion of your loan if interest rates fall) and regularly review the competitiveness of your loan’s rate and package.</td>
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<th>Insurance</th>
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<td>As the financial obligation of a home loan is large you need to ensure that you protect your home; and your loved ones’ lifestyles in case the unexpected happens and you lose the ability to make repayments due to ill health or an accident.</td>
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*Any information provided is of a general nature. Before making any decisions please ensure you seek appropriate professional advice to ensure it is appropriate to you.*