North Brisbane
Home Loans

Your ultimate first home buyers guide in 2020 and beyond

Congratulations on taking the initial steps towards purchasing your first home.

As a first home buyer, this is an exciting milestone, but one that can be quite daunting. Getting the right advice from the start is vitally important.

That's why we've put together this comprehensive first home buyers guide to help you through this important journey.

From how much deposit you need, to making an offer, to everything you need to know about conveyancing and building and pest inspections, we have you covered.

Here's what our guide covers:

1. Your budget and deposit
2. Should I use a mortgage broker or apply directly with a bank?
3. Explore your home loan options
4. Do your research
5. Get your finance pre-approved and start house hunting
6. Finding a conveyancer
7. Make an offer
8. Finalise settlement
9. Building and pest inspections
10. Move in and manage your mortgage

1. Your budget and deposit

Knowing what you can afford to pay is the best place to start this process. You will need to be familiar with your budget to figure this out.

There are plenty of home loan calculators available that can help you work out repayment rates for your new potential home.

Start by exploring what price range you'd like to buy in by looking at the suburbs your interested in and size of the house you'd require. This will give you a good starting point of what you'll need to borrow. But don't worry this figure will change as you do through the process.

Let's say you decide that a house for $500,000 is a great starting point. With today's average interest rate of approximately 3.02 per cent over a 30-year loan term on principal and interest (could be higher or lower depending on your deposit etc) you'd be expected to pay $2114 per month. Or just under $530 each week.

Explore how this would fit into your budget and adjust your expectations from there? You may also wish to use a budget planner to work out your current situation and start slotting in your future estimated finances.

Consolidate those debts and check your credit score

Once you have a list of your debts you can start to work out how to manage these more effectively.

Start paying off your credit cards, store cards and personal loans. Or talk to your bank about consolidating them into one so it's easier to manage.

One of the biggest reasons home loan applications get rejected is because of undisclosed debts. Forgetting that you have had a vet bill or an After Pay debt to pay back can hinder the process.

It's also important to check your credit score as it's something lenders will look at when you first apply for a home loan.

Not knowing about an unpaid Telstra or electricity bill from years ago might sound unimportant but it could definitely impact your borrowing capacity.

Timing your first home loan purchase

You should look at purchasing your first home when you're in a reasonably stable position. That is, you're not expecting any massive new bills coming your way and your employment prospects are stable.

It's best not to have any major changes to your personal situation unless you absolutely have to during this period of time. This can be overcome sometimes, but it is a credit critical issue that the lenders will need to be covered off on.

Lenders will want to see your income and bank statements for the last three months. Bank statements are needed to show your living expenses. It's important to know that you can't just write down what you think it costs to run a household, it needs to be accurate.

How much deposit do I need?

Generally, a deposit of 20 per cent of the property value is ideal, but not always needed. With a good credit rating and steady income, you could get away with less (sometimes as low as 5 per cent).

However, if it's less than 20 per cent you may need to pay Lenders' Mortgage Insurance (see our Research chapter for more information).

For our $500,000 home loan example, you would need up to $100,000 deposit, but as low as $25,000 plus fees and LMI.

Will a guarantor assist me?

Yes. A guarantor can offer some of the equity in their own property as a guarantee that you will be able to make your mortgage payments.

This can effectively provide you with your deposit too while reassuring the lender that the mortgage will be paid for.

If the borrower can't make their repayments, then the guarantor becomes legally responsible for paying the loan.

The limits on who you can use as a guarantor will vary depending on the lender, but most will allow for immediate family members to take on this role (such as your spouse or your parents).

Some lenders broaden this definition to include extended family, which means that you could potentially use your in-laws, grandparents, siblings or even an obliging ex-spouse.

The one thing all lenders will require is that the guarantor is a home-owner with sufficient equity (the value of the property minus the balance of any existing mortgage).

2. Should I use a mortgage broker or apply directly with a bank

A mortgage broker is essentially a "middleman" between you and the bank. They are a type of financial advisor who specialises in helping people find the right home loan.

Engaging a broker can be an excellent way to find the best value home loan across a range of lenders for your personal circumstances.

While going directly to a specific bank will limit your loan options to only those that they offer. If you're not set on one particular banking institution, then getting a mortgage broker to assess the competition can be a benefit for you in the long run.

A mortgage broker can also assist you in understanding the finance and mortgage industry and save you time when it comes to researching different home loan options.

The team at North Brisbane Home Loans:

- Make finance easy to understand the different range of loan products and provide you with peace of mind
- Are experienced mortgage brokers and can confidently offer you the best advice when it comes to finding a loan for you
- Use up-to-date technology so they know what's happening in the market, analysing rates from multiple lenders and securing the best deal on the market for you!

When should you contact a mortgage broker?

Everyone's situation is different but six months out or earlier is generally a good timeline to connect with your chosen mortgage broker.

You can also connect with a mortgage broker to get a feel for what you should be focussing on in order to get a pre-approval.

So whatever stage you're at, they can assist.

EXPLORE
YOUR OPTIONS

3. Explore your home loan options

Exploring the home loan options available can be an overwhelming prospect. With dozens of different home loan types and each first home buyer having a different situation, it's important to find the right one for you.

Variable vs fixed home loans

Fixed rate loans will give you a set interest rate for a period of time, sometimes up to five years. While a variable loan will have an interest rate that fluctuates.

They both have their pros and cons. There is also a third alternative of a split home loan, which means you could find a balance between the two by essentially having two home loans.

Repayment Types

There are two main types of repayments:

Principal and interest, which involves paying off both the interest and an extra portion of your principal loan. This type of loan will allow you to reduce the amount you owe quicker. This loan is suited to people like first home buyers who want to live in their property.

Interest only loans involve only paying the interest portion of your loan, keeping the amount that you owe constant. Interest only loans are usually used by property investors who want to minimise repayments.

4. Do your research

The most important part of purchasing your first home is to be organised and do your research.

Lenders' Mortgage Insurance

Lenders' Mortgage insurance is a type of insurance that is applied to your home loan if your deposit is less than 20 per cent of the property value.

This is a one-off payment that is usually paid at settlement or added to your home loan. If you add it to your home loan you will have to pay interest on it.

Some people who work in certain fields can get their Lenders' Mortgage Insurance waived or lowered, such as doctors.

First Home Owner Grant

The First Home Owner Grant scheme was introduced on 1 July 2000 to offset the effect of the GST on home ownership. It is a national scheme funded by the states and territories and administered under their own legislation.

The scheme is a one-off grant payable to the first home owners that satisfy all the eligibility criteria.

Queenslanders can get $15,000 towards buying or building a new house, unit or townhouse, valued less than $750,000. The grant is paid per new home, not to each of the applicants for the same home.

Take the Queensland Government eligibility test to assess your situation.

First home super saver scheme

The First home super saver (FHSS) scheme was introduced by the Australian Government in the Federal Budget 2017–18 to reduce pressure on housing affordability.

The FHSS 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.

Read more about the First home super save scheme here.

Stamp duty

Properties under $500,000 do not incur stamp duty and this could save you a lot of money.

Shop around for a property that will work with you and consider that the difference between a $499,999 and $510,000 property, could work out to be a lot more with stamp duty added.

Watch for flooding

A lot of Brisbane properties are susceptible to flooding. Get a free flood report on the Brisbane City Council website.

5. Get your finance pre-approved and start house hunting

It's smart to get a pre-approval before you start house hunting so you know exactly how much you can offer a seller.

A pre-approval, also known as conditional approval, is a letter from your lender that tells you how much you're likely to be able to borrow from the bank.

It also shows the seller that you're making a serious offer, and gives them peace of mind that you can afford the property.

A pre-approval is also a requirement to be able to bid at some auctions.

Start house hunting

Now is the time to start looking for a property you love. Talk to real estate agents, visit open homes and ask for property reports. Property reports can show you the median price for units and houses in the same area, including a ballpark price range for the property you want.

Remember that the real estate agents you're speaking with are ultimately employed by the seller. It's good to be in negotiations with the agent after consulting your legal team but avoid disclosing your financial position.

Leave your emotions at the door

It's easy to fall in love with a property, but make sure you're making decisions that aren't solely based on your emotions.

Rushing to buy without thinking things over can quickly lead to regret.

Buying your first home could be one of the biggest decisions of your life, so you need to make sure that you don't come to regret it.

6. Finding a conveyancer

When you're purchasing your first home, you should consider hiring a skilled conveyancer.

Conveyancing is the legal process of transferring property from one person or entity to another. Though you don't legally need a conveyancer to buy or sell a property, they can help make the process much less stressful.

A conveyancer can help you review your contract prior to signing so that you can make sure everything is in your favour and there are no hidden clauses.

Conveyancers will also do relevant searches on your behalf to save you time and money in the future.

Hiring an experienced and qualified conveyancer will save you hours of paperwork and legwork as they take care of almost all the legal work for you. They liaise with real estate agents and building inspectors, keep your settlements on track with the vendor, and arrange reports for government agencies, all on your behalf.

How much will conveyancing cost?

Conveyancing fees in Queensland often range between $500 to $1600.

Hidden fees can be common in the conveyancing industry. Solicitors may not be charging rates at a fixed fee and any correspondence sent or received, documents prepared, or time spent on a matter may be billed.

It is important to ask your conveyancer whether or not their fees are fixed, and what events or circumstances could cause further charges to be incurred before you proceed.

What do I have to do?

- Be contactable
- Supply paperwork quickly (and remember documents may need witnessing)
- Organise a building & pest inspection
- Be in contact with your bank/mortgage broker and make sure they know who your conveyancer is.

7. Make an offer

Congratulations, you've found the right property for you. Now it's time to make an offer.

Remember that just because a seller advertises their property for a particular price, it doesn't necessarily mean that it's the amount you have to pay. If you've done your research and spoken to your financial advisor you should be ready to go.

It's best to submit a formal written offer to show you're a legitimate buyer, rather than make a verbal offer.

A written offer should include:

- Your full legal name
- The sale price

- The deposit
- Finance, building and pest terms
- Settlement dates
- Lawyer details

Consider how to make your contract competitive by offering faster finance or settlement. Make sure that you talk to your mortgage broker about these things first.

You might also wish to include contract clauses to help reduce the risk during the buying process. These can include pest inspections, a good working order clause for electrical, plumbing and gas, building inspections and a swimming pool/spa clause.

8. Finalise settlement

If you've reached this stage, then most of the hard work is done and you're ready to sign the Contract of Sale.

This is a legal document prepared by a lawyer or conveyancer.

What is included in a contract of sale?

A standard contract of sale will usually include:

- Certificate of the title information
- Offer date
- Warnings, such as the necessity for smoke alarms
- Settlement date of an intended property
- The cooling-off period
- Information about furnishing and fixtures
- Improvements to the property
- Property address
- Loan details, such as the terms and conditions of the payment, and initial deposit
- The price of the property
- Name of the seller
- Purchasing party information
- Information about the selling agent

Please speak with your lawyer before signing anything, because a signed contract of sale is final.

Pay your deposit

In Queensland your deposit is usually paid in two instalments. The first is paid when you sign the contract and is usually only about $500 to $2000.

The second is paid once building and pest reports are completed and finance is officially approved. This deposit is larger and is paid later in the settlement process.

Finalise your formal approval

Now is the time to work with your mortgage broker to get your loan officially approved.

Send your contract of sale over to your mortgage broker and provide them with any other documents that may be needed.

Your broker will also need to organise a bank valuation of your new property.

Once your finance is approved let your conveyancer know that you're good to go.

Congratulations, you're now the owner of your very first home!

HOME
INSPECTION

9. Building and pest inspections

Before your property enters settlement, a building and pest inspection can uncover defects in the property's structure or show potential damage such as from termites.

Typically, the building and pest inspection happens after you have submitted a written offer.
Most contracts include a clause in the contract specifying that the sale will be conditional to a building and pest inspection. This then gives you an opportunity to not proceed with the purchase or renegotiate if issues are identified.

So, the building and pest inspection most commonly happens in the cooling off period – usually between 7 to 14 days after a contract has been accepted – but it will depend on the time frame you negotiated in your purchase contract.

Should you attend the inspection?

Yes. We recommend first home buys attend. This way your inspector can show you issues at the property and you can have a more thorough conversation to help alleviate any concerns and discuss problems you may have about the property.

Some major things an inspector will be looking for is:

- Look at ceilings and behind bathrooms or kitchens for patches or water leaks
- Look around the yard for draining issues or water ponding
- Look in the meter box for past termite inspections
- Check brickwork for cracking

Who pays for a building and pest inspection

The buyer covers the cost of the building and pest inspection.

The cost is very minimal in relation to the overall cost of the property but it gives you advice to make an informed decision on the property you are purchasing.

We've seen many instances where home buyers have used the findings in their building and pest inspections to negotiate a better purchase price if there are areas of property that needs to be repaired or replaced.

Tips for finding a good building and pest inspector

Ask the following questions when speaking to potential inspectors:

- How much experience do they have in the building industry?
- Are they licensed and insured?
- How many years have they been completing Building & Pest Inspections?
- Is the inspector the owner of the business, or a subcontractor?
- What type of report do they provide? Note: Tick and flick type reports don't offer much detail for the buyer.

You've received your report, what's next?

Either you are happy with the report and proceed with the contract, or if issues are raised you may request the owner complete the repairs, or you renegotiate the purchase price to cover the cost for repairs identified in the building and pest report.

10. Move in and manage your mortgage

Now that you're ready to move in, you'll need to continue to manage your mortgage.

It's recommended to reassess your home loan on an annual basis. This is because your own personal circumstances may change or the world around you might change, forcing interest rates to increase or decrease.

Your mortgage broker can help you review your mortgage loan and make sure you're always getting the best value for money from your lender.

Why Choose North Brisbane Home Loans?

5 STAR CUSTOMER RATING

We put you first and genuinely want to help you achieve your property ownership dreams.
Being a top rated first home mortgage in Brisbane we delivered the best home loan for first home buyers. We have hundreds of happy customers, find out what they've said about working with North Brisbane Home Loans here.

Experienced Mortgage Brokers

With more than 90 years' combined experience in the industry our first home buyer mortgage broker can confidently offer you the best advice when it comes to finding the best value loan for you. We are a team of experienced mortgage brokers in Brisbane that provides the best advice on home loan for first home buyers.

We Work For You – Not The Banks

We don't charge any fees for our first home owner loan services, our commission comes from the lender. As a personal first home mortgage in Brisbane, we're by your side every step of the way to ensure you select the best loan product for your individual circumstances.

Exclusive Partner Network

Not only do we provide you with the best advice on first home owners loan needs, we also introduce clients to our network of trusted partners offering discounted rates.
Save time and money searching for reliable building and pest, real estate agents, solicitors and more.