



Mortgage Ready Tips

Edition 2: November 2020

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Please note that this Fact Sheet provides general information only. Before making any decisions, it is recommended that you seek financial advice on whether these options are suitable for you

Sorting Your Finances

Making sure that you have a budget and savings plan is an important first step to buying a home. Creating a budget will help you understand what money you have coming in, how much you spend and how much you can save. You can find additional information on making a budget and savings plan at <https://moneysmart.gov.au/budgeting/budget-planner>.

When you apply for a loan, the lender will want to know about all your expenses. You might want to look at limiting your non-essential spending 3-4 months before applying for a loan, stick to a budget and show extra savings.

Preparing Your Loan Application

Take the time to look at which option works best for you and your situation when looking for a home loan product including IBA, banks, financial brokers or mortgage brokers. Mortgage brokers work with multiple banks and lenders and can provide you with advice on what loan options could be best for you and what you can do to ensure you are more likely to be successful in securing a loan.

If you are buying your own home, most lenders will lend up to 95% of the proposed purchase price if you purchase Lenders Mortgage insurance. If you have a **20% deposit**, you will not need Lenders Mortgage Insurance. Most lenders need you to show that you have genuinely saved at least 5% of the purchase price and held that amount for a minimum of 3 months.

There are a range of questions that lenders may look at when assessing your home loan application, including:

- Can you afford to repay a loan?
- Do you have a regular savings history and a steady, reliable source of income and a steady employment history?
- Do you currently live within your income?
- Do you have any debts (for example, credit cards, loans or Afterpay)?
- What is your credit rating (i.e. your history of repaying and managing debts)?

Mortgage Insurance

Mortgage insurance **protects the lender** in case you do not pay your home loan and they have to sell the property and it doesn't sell for enough to cover what is owing. Insurance costs vary from lender to lender. The amount being borrowed also impacts the costs.

Additional Costs

As well as saving your deposit, other costs you need to cover include:

- Stamp Duty which varies depending on purchase price (exemptions for First Time Buyers and AHO tenants)
- Mortgage Registration Fee
- Land Transfer Registration Fee
- Loan application/establishment fees
- Legal/conveyancing fees
- Settlement adjustments (rates/water/strata). These reflect bills paid by the previous owner that also cover time that you own the house.
- Pest, building and strata inspections (vary from provider to provider)

Once you've settled on the property (i.e. made the final payment to the seller) and moved in, you need budget and plan ongoing costs like council rates, water rates, insurance, strata fees (for an apartment) and repairs and maintenance.

Getting Pre-Approval

Before you start looking for a house, it's a good idea to work with your lender or mortgage broker to get a pre-approval. This lets you know, in advance, how much you can borrow. Most pre-approvals last three months but this may be extended.

You will need to provide a range of documents which may include identification, payslips and bank statements. The bank will check these to make sure there is nothing that may affect your ability to repay the loan including debts.

Preparing to Buy

AHO Tenants

While AHO tenants can apply to purchase their homes, not all AHO properties are available for sale. For more information on the availability of your property contact the AHO via homeownership@aho.nsw.gov.au

For other social housing tenants contact your provider for more information on whether the property you live in is available for purchase.

Real Estate Market

When you are ready to start looking to buy and you know how much you are able to spend, make a list of the key things you are looking for in a home to suit you and your family's needs. Real estate websites such as www.domain.com.au and www.realestate.com.au are both good places to start looking to see what is available. You may like to register your name with local real estate agents in the area you want to buy.

When you are inspecting a property that interests you, weigh up the positives and negatives, look for the good but understand what might need to be fixed or replaced. Think about what it would be like to live there, check the property over several times and seek a building and pest inspection report to make sure the building is sound before deciding if the property is right for you.

For more information, go to <https://www.fairtrading.nsw.gov.au/housing-and-property/buying-and-selling-property/>.

Building Inspection

A building inspection report, provided by a licenced builder, tells you about the house's condition. It will include any significant building problems such as rising damp, cracking in the walls, safety hazards or a faulty roof.

Benefits of getting a building inspection report done before buying a property are:

- gaining specialist advice about any major problems before you buy
- using the information to negotiate a lower price for the property (as you might have to pay to repair some of the problems)

Making an Offer

Before submitting an offer to the agent or seller:

- Have your finance pre-approved and research prices for similar homes in the same area
- Get a copy of the sale contract and have it examined by either a licensed conveyancer or solicitor

For more advice on making an offer, go to <https://www.fairtrading.nsw.gov.au/housing-and-property/buying-and-selling-property/buying-a-property/making-an-offer>

Contacting a Solicitor or Conveyancer

Once you have decided to purchase a property your licensed conveyancer or solicitor will act on your behalf to help with the legal requirements. At the time of the exchange you will be required to pay a deposit. Generally in NSW there is a five business-day cooling-off period after you exchange contracts to change your mind.

Settlement usually takes place around six weeks after contracts are exchanged. This is when you pay the rest of the sale price and become the legal owner of the property.

Building Your Home

Buying a block of land and employing a builder to build your home are separate cost. You need to be able to afford both the purchase of the land and construction costs.

When choosing a block of land, you should ensure that it is registered and there are no restrictions that could affect the building of your home including zoning restrictions. You should check the Section 149 certificate from local government for further information on zoning restrictions and other restrictions that may impact suitability of the property. For further information on building your own home please refer to the IBA website,

<https://www.iba.gov.au/homes/buying-a-home/building-or-renovating-a-home/> or
<https://www.fairtrading.nsw.gov.au/housing-and-property/building-and-renovating>

For more advice on buying a property go to <https://www.fairtrading.nsw.gov.au/housing-and-property/buying-and-selling-property/buying-a-property>