

How can we buy our first home?

Thinking of buying your first home is exciting yet daunting and confusing. Where do you start? is a common question young couples struggle with, so to make the home buying process a lot easier to understand we have put together a step-by-step guide you can follow to get you from saving up a deposit to moving in!

Step-by-Step Guide to Buying your First Home

1. Plan & Set Goals

Be clear about what it is you want to achieve. Once you know what your goals are, write them down, and stick it on your fridge. This is a great way to be reminded of your goals every time you use the fridge. The more you see your goals the more determined you will become to do something about it.

When setting your goals, be specific. Don't just say 'you want to buy a home'. Set clear and concise goals with a deadline. For example, 'we want to buy a 2 bedroom unit in XXXXX area close to the station valued around \$XXX,XXX, in 6 months time'. We have a 15% deposit saved already but we need help in getting a home loan.'

When your goals are specific, your mindset is already geared the right way, and you are focused and clear on what needs to occur next.

2. Start crunching numbers

Now that you have your goals sorted, it's time to crunch some numbers. Know and understand your financial situation. Even if you have a deposit already saved be clear about your affordability and repayment ability.

Be clear about how much money currently comes in and goes out, and how much money is expected to go out in mortgage repayments.

If you don't have a budget set up then it might be a great idea to speak to a financial planner to get one, and to get advice on a savings strategy.

If you have some savings ready for a deposit it might be a good idea to speak to a mortgage broker to understand how much of a deposit is required of the purchase price, and to look at

various repayment scenarios playing around with interest rates, loan amount, repayment frequency and whether a portion of the loan should be fixed or variable.

3. Do your homework

Get organised and prepared. Ensure you have necessary documentation ready such as pay slips to provide the bank or to a mortgage broker.

It'll be handy to have a personal financial position spreadsheet updated and ready. You want to be able to show what your expenses are each month, what your current debts are and your sources of income. This should determine what your financial net position is, that is, are you sitting nicely with additional money left over or are you on the border line?

This exercise of understanding your financial position will highlight areas of strength (financially strong with a safety buffer) or gaps (very tight, just scraping through). If obvious gaps are visible then it could mean extra homework in reducing costs and delaying the home buying process until savings can be increased.

Buying a home is a huge financial commitment so you want to be confident and well prepared for the long journey ahead. Get your facts and understand all the costs associated with buying a home. There are other costs than just the loan repayments to be aware of such as mortgage insurance, legal, pest inspection, stamp duty, taxes, loan approval fees and so on.

If you're not sure of the costs then best to speak to a mortgage broker who can break down all the costs as well as look at your affordability or home loan approval success factors and risks.

4. Secure a loan

Now that you're confident about your own finances it's time to secure a home loan. Trying to find the right home loan can be daunting and very confusing with so many lenders, varying offers, terms and conditions, it seems like you're going round and round in circles lost in a maze.

You can go directly to your local bank for a loan or outsource this task to a mortgage broker who specialises in finding home loans to suit individual customers needs.

A mortgage broker has good relationships with many lenders and can work their way in and out of the home loan approval maze with ease and efficiency.

Whichever way you go, securing a home loan should be a lot easier for you as you have worked diligently through your pre-home loan homework.

Wise up on the different home loans available and get familiar with home loan jargons like 'fixed rates, variable rates, honeymoon rates, offset accounts, interest only or principal and interest repayments' and so on. The more you know the smarter financial decisions you can make.

Be sure to ask about pre-approved loans so you can start bidding at auctions or make offers with confidence knowing you have your finances sorted out.

5. Go House Hunting

Be smart and time efficient when house-hunting and use the online real estate sites to cull and narrow down the properties worthy of an open inspection. It takes a lot of patience, time and effort to sacrifice your Saturdays to inspect properties so always have a plan, and know exactly which properties you want to visit.

Get a feel for the area by spending some time in and around the local shops, and take the time to get to know the local community. Pinpoint all the local facilities, get to know the local schools and the transportation systems. Most importantly, talk to the local real estate agents, search for recently sold property prices and use handy apps to search for property history and prices on the go.

6. Making an Offer

Grab a copy of the sales contract and if you are keen to make an offer, ensure your conveyancer or solicitor reads through to check for any non-standard conditions or clauses.

Be sure to organise a pest and property inspection and if you and your conveyancer are happy then make an offer or bid at an auction.

If an offer is accepted or you are successful at an auction then inform your mortgage broker or the bank and your conveyancer so they can simultaneously get their respective paper-work started.

Remember to have either a 5% or a 10% deposit ready when bidding at an auction as you need to provide a deposit the day you are successful.

Be aware of 'cooling off' periods just in case you change your mind after an offer has been accepted.

Ensure you are fully aware of these legalities and processes before entering into an agreement so you know what your responsibilities are and what the vendors are in case of any disputes.

Confirm the settlement date (when the property becomes yours) with the relevant parties (mortgage broker and conveyancer) so your funds are available to exchange hands and all the legal documents can be signed off on the settlement date.

6. Getting Keys to your new property

Come the settlement date, all the work is done by your conveyancer in ensuring the legal documents are exchanged and signed and he or she will liaise with the real estate agent and with your mortgage broker or bank to ensure funds are exchanged between the parties.

You do not need to attend the settlement transaction and you will be notified by your conveyancer of the success, and the real estate agent will hand over the keys to your new home.

In the lead up to the settlement date, use this time to organise the utilities such as phones, electricity and water are connected, and available when you move in.

7. Congratulations!

Congratulations on your first big financial success! Enjoy the rewards of your hard work and at the same time keep in close contact with your financial planner to make sure your savings and repayment ability is strong. Any major changes to your personal or financial situation should be discussed with your planner so adjustments can be made to your financial plan.

Keep in close touch with your mortgage broker or with your home loan lender so you can be kept informed of any changes to interest rates or to your home loan that may impact your repayment amount.

Stay informed, and inform your professional advisers of any changes to your personal and financial situation.

The information contained on this website has been provided as general advice only. The contents have been prepared without taking account of your personal objectives, financial situation or needs. You should, before you make any decision regarding any information, strategies or products mentioned on this website, consult your own financial advisor to consider whether that is appropriate having regard to your own objectives, financial situation and needs.