



The Definitive Guide to Buying a Home

- Taking the first Steps
- Understand the Process
- Financing your New Home

LOVE
MONEY

The Definitive Guide to Contents

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Disclaimer: This advice has been prepared without considering your objectives, financial situation or needs. So before acting on the advice in this booklet, you should consider whether it is appropriate to your circumstances. Your Vow Financial mortgage broker will try to understand your circumstances and provide you with the best loan to suit your needs. This booklet is copyrighted and must not be reproduced without express permission from the author.

Introduction



Love Money understands that buying a new home is not just a dream – it may also be the biggest investment you will ever make.

We like to keep that dream on track by taking the stress out of the buying process and providing first class support and advice along the way.

Our total package service helps you locate, purchase and finance your new home.

This booklet is an invaluable guide to Home Loans and the processes involved. If you require further information, our team of advisors and brokers will be happy to talk to you personally about your requirements.

Let us help you keep your dream on track.

Aaron Giles
Australia Property Finance
Love Money



Step by Step

Research your Area.



Does it add up?



Be ahead of the game



Make an offer



The admin process



Insurance



Property inspections



Exchanging contracts



Cooling off period



Stamp duty and completion

Understanding the Process

1. RESEARCH YOUR AREA

You can investigate and research the area in which you are thinking of buying your new home, by doing the following:

1. Reading local newspapers
2. Internet property listings
3. Speaking to local agents

Property viewings are also a good idea. You will soon tune in to what type of property really suits your needs in terms of location and style. You will soon be able to make sensible price comparisons and sniff out the bargains.

2. DOES IT ADD UP?

By now you may have seen the home of your dreams. You need to know if you can finance the property, what are your loan options and what kind of loan is best for you?

We can help determine how much you can borrow based on your income, financial commitments, savings and credit history. We will assess which type of loan package is best for you, your budget and your lifestyle.

We will set out the real costs involved in talking out a mortgage and advise you how to keep one eye on the unexpected, should interest rates increase.

We will check your eligibility for First Home Owners Grants and stamp duty discounts.



3. BE AHEAD OF THE GAME

Don't risk disappointment. Talk to your Love Broker and have your finances pre-approved so you will know your budget when you go house hunting. You will be in a position to make a serious offer and be treated as such by sellers and agents.

4. MAKE YOUR OFFER

When you make your offer on a property, one of two things will happen

1. Your offer will be accepted
2. The owner will want to negotiate.

If you cannot agree on price and conditions, then you have the option to withdraw your offer.

Buying at an auction is becoming more popular but there are conditions you need to be aware of. If your bid is accepted you will be immediately required to pay a deposit (usually 10%). This is a holding deposit until contracts are exchanged.

Although you are required to pay a deposit, the sale is only secure when the contracts are exchanged. Until that happens, the owner can still sell their property to another buyer, especially if you are experiencing delays. This is a good reason for having your loan re-approved in advance because it speeds up the paperwork.

If you have an offer accepted, another way forward is to pay a deposit and exchange contracts with your estate agent. This will take the property off the market and give you time to arrange the home loan. There is a cooling off period for these arrangements which will give you time to inspect the property. If the inspection

reveals any problems, you can cancel the deal with forfeiting your deposit so long as this is done within the cooling off period.

5. THE ADMIN PROCESS

If you have identified the property you want and made an offer, you will need to acquire formal loan approval. You will also need to prepare for the following:

- a. Your lender will require a range of documentation which your Love Money broker can help you with.
- b. Your lender will carry out an independent valuation of the property.
- c. Your solicitor or conveyancer will require the Contract of Sale.
- d. You should re-inspect the property and list any items included as part of the sale and check all fixtures and fittings are in situ.

Your Love Money broker can assist you and guide you through this process.

6. INSURANCE

As part of the loan process, your lender will need to see proof of building insurance. Love Money can help you organise this and trigger a policy to commence before or on the date of settlement.

7. PROPERTY INSPECTIONS

An inspection on your proposed future home is essential before you exchange contracts. Your inspection should check for the following:

1. Any structural problems or defects
2. Termites or any other pest that can cause property destruction



3. Check with the local authority for any future development plans that might affect your home or the immediate area.

8. EXCHANGING CONTRACTS

A property sale is not complete until the contracts have been exchanged.

From the date you and the vendor sign the contracts and the deposit has been paid, it will take between four and twelve weeks until final settlement. This may be subject to the terms of your contract and state/territory. Remember, the signing of the contracts represents a legally binding agreement.

9. COOLING – OFF PERIOD

In some states there is a statutory cooling off period which provides the opportunity to withdraw from the agreement within a specific time frame.

The cooling off period may vary from state to state

It is possible to waive the cooling off period, but you need to be certain about the property and all of the issues raised in section 7 regarding property inspections

10. STAMP DUTY AND COMPLETION

Stamp duty is paid at the time of final settlement and is calculated against the value of the property. There are full and partial exemptions under the First Home Buyers scheme. Your Love Money broker can advise you on the process and your eligibility.



Finding the Right Home Loan

HOW DO I CHOOSE THE RIGHT LOAN FOR ME?

Choosing the right home loan can be a confusing business. The features, fees and options can vary from one home loan to the next. Your Love Money broker can tailor a loan solution to match your financial situation. This will take into account your personal income, lifestyle and budget.

Home loans broadly fall in to the following categories:

1. Fixed rate
2. Variable Interest
3. Interest Only
4. Draw Down Facility (Line of Credit)



The Loan Application

WHAT DO YOU NEED?

The first stage in applying for a home loan is to fill out a mortgage application form. Your Love Money broker can help you with this.

You will need to provide details of your income, credit situation and savings.

Your Love Money broker can determine if you qualify for a loan and how much you can afford to borrow based on your income and debt ratio.

You will need the following documents

1. Passport.
2. Contract of sale
3. Bank account and savings statements
4. Loans and credit card statements
5. Pay slips, tax returns
6. Personal expenses: e.g. rent payments, utility bills

Submit the application

Your Love Money broker will submit your application and notify you as soon as a determination has been made by the Lender. When approved, you will receive a letter of confirmation explaining the loan offer – this is a legal document that sets out the terms and conditions of the loan.

You will draw down on your loan once the contracts have been exchanged, settling the purchase of your property and any taxes and fees.

The loan repayments will commence according to the terms of the loan and agreed dates and frequency of the payments.



FAQ's

Q. HOW MUCH CAN I BORROW?

A. How much you can borrow depends largely on your income and the size of your deposit. In most cases the Lender will allow you to borrow up to 90% of the purchase price of your property. This is known as the Loan to Valuation Ratio (LVR).

Q. HOW MUCH DEPOSIT DO I NEED?

A. The minimum deposit is likely to be 10% of the purchase price of the property. This will vary according to the type of loan and your Love Money broker can advise you on this. The bigger the deposit, the less you need to borrow which means lower payments and less interest.

Q. CAN I STILL GET A LOAN IF I HAVE A BAD CREDIT RATING?

A. You will be credit checked before any loan is approved so it can work against you if you have a bad history or exceeded your credit card payments. It is a good idea to try to improve your credit rating before applying for a loan. Your Love Money broker can help you with this.

Q. HOW CAN I FIND THE BEST MORTGAGE FOR ME?

A. Your financial situation and lifestyle issues are a factor in deciding the best financial model for your mortgage. Your Love Money broker can assess your options and help find a mortgage that best suits your requirements, not just for now, but in the future.

Q. CAN I GET A GRANT AS A FIRST TIME BUYER?

A. There is a government assistance program that gives you a one-off payment to supplement the deposit for your first home. This grant does vary in amount from state to state. Your Love Money broker can advise you of the allocations in your area and how to apply for the grant.

Q. WHAT IS A DEPOSIT BOND?

A. You can use Deposit Bonds as a substitute for cash when providing a deposit to secure your future home. These are issued by insurance companies for a fee. At the time of settlement you will be required to pay the full purchase price including the deposit. Your Love Money broker can advise you about Deposit Bonds and if they are appropriate for your situation.



Financial Gobbledygook

A QUICK GUIDE TO FINANCE INDUSTRY TERMS AND WHAT THEY MEAN.

Application Fee- This is the fee charged to set up your loan and includes valuation charges and legal fees.

Appreciation - This is the opposite of depreciation. It means the increase in the value of a property.

Arrears - If you are in “arrears” you have fallen behind with your payments.

Break Costs (also known as Exit Fees) - If you re-finance your loan or change to another Lender, a borrower may charge a “Break Cost” to recover any interest lost. These are normally charged on fixed rate mortgages where the loss to the Lender can be easily calculated but they can also be charged against honeymoon or introductory periods within a loan.

Bridging Loan - If you want to purchase a property but cannot finance the deposit because you have not yet sold your own property, you may need a loan to bridge that gap.

Building Insurance - This type of insurance covers the cost of rebuilding or repairing the property if any structural damage occurs as a result of subsidence, earthquake, flood, fire or storm.

Certificate of Title – This certifies the current owner and land dimensions of the property.

Certificate of Currency - This is issued by the insurance company and certifies the property is insured and a policy is in force.

Contents Insurance - This insures the contents of the property against theft and damage.

Comparison rate - The comparison rate attempts to identify the cost of the up-front fees and the ongoing charges of the loan as a single rate of interest.

This computation is designed to help buyers make better sense of the costs of a loan and make comparisons between the various products and services offered by the different lending companies.

Contract of Sale - This document sets out the terms and conditions relating to the sale/purchase of the property. Once signed by both parties, it is a legally binding contract.

Conveyancer - A person licensed to manage the documentation for the sale and or purchase of a property.

Conveyancing - This describes the process by which the property is transferred from seller to buyer.

Credit History - This is a record of all your existing and past debts. This will include any debts you may have failed to service and any outstanding claims from past borrowers. Your potential to repay any home loan will be based on this information.

Daily Interest - The interest on your loan is charged on a daily basis. This is the method by which the daily interest is calculated.



Default - Failure to make a payment on the agreed date.

Deposit - This is the money you pay as a contribution to the purchase of your home. This is paid at the time of exchange of contracts and is normally between 5 and 10% of the purchase price.

Disbursements - These are the fees paid by your Solicitor or Conveyancer on your behalf. They will include costs such as search fees, stamp duty/land tax.

Equity - The difference between the market value of your home and the amount you owe.

First Home Owner's Grant (FHOG) - 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. This agreement ignores any variations in the market rate of interest. The benefits are that you know exactly how much you will be paying and this is not affected by any rate rises during the fixed term.

Gearing - 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 - Someone who guarantees the debts of another person.

Home Insurance - Insuring both the buildings and the contents of a home.

Honeymoon Rates - This is 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.

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.

Off The Plan - This property has yet to be built. You are buying a property from the Plans 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.

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 pre-approved home loan 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.

Private treaty - A sale of a property at an advertised price that can be negotiated.

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 can be used for such things as home improvements, the purchase of a new car 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 care or dies).

Settlement - The completion 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 - This is the one key aspect that all Lenders assess. 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.

Stamp Duty - A mortgage may attract government duty depending on the purpose of the loan; this varies from state to state. Contact us to confirm if 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.





Why use a Love Money Mortgage Broker?

THE BEST REASON OF ALL - WE CAN SAVE YOU TIME AND MONEY

The Home Loan market has become increasingly complex. Using a professional mortgage brokers is the most effective way to understand the process. A Love Money Broker will assess the market conditions and find the most appropriate loan for you.

Save TIME with Love Money

The range of products in the mortgage market can be overwhelming as well as confusing. Your Love Money broker has the knowledge to short circuit that process and select products that fit you and your circumstances.

Enjoy greater CHOICE with Love Money.

We have a panel of lenders from which we can recommend a loan.

Find the RIGHT loan with Love Money

The cheapest deal is not always the best deal. Love Money will recommend a loan that is right for you.

Less STRESS with Love Money

Your Love Money broker will deal with the loan at every stage of the process making contact with real estate agents, solicitors and lenders. You don't have to worry about anything!

Avoid the PITFALLS with Love Money

Your Love Money broker will navigate you through the penalties, fees and charges to help you avoid taking out a loan you might regret later.





Contact Details

Please contact Love Money for all your home loan needs.
We are here to guide you every step of the way.

Love Money

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